SMCP

sandro maje claudie pierlot

2017

REGISTRATION DOCUMENT

Annual financial report

« Spread parisian chic across the world »

SMCP

sandro maje claudie pierlot

SMCP S.A.

Société anonyme (a joint-stock company) with a capital of 81,909,433.10 euros
Registered office: 49, rue Étienne Marcel, 75001 Paris, France
Registered with the Paris Trade and Companies Registry under company number 819 816 943

2017 REGISTRATION DOCUMENT INCLUDING THE ANNUAL FINANCIAL REPORT

AMF | AUTORITÉ DES MARCHÉS FINANCIERS

Pursuant to its General Regulations, specifically Article 212-13, the French Autorité des marchés financiers (AMF) registered this Registration Document on April 27, 2018 under number R.18-34. This document may only be used for the purposes of a financial transaction if it is supplemented by a security note in respect of which the AMF has granted a visa. It was prepared by the issuer and all its signatories are liable for its contents.

The registration pursuant to the provisions of Article L.621-8-1-I of the French Monetary and Finance Code, was completed after the AMF verified that the document is complete and coherent and that the information contained herein is consistent. The AMF has not, and cannot be construed as having, verified any of the accounting and financial information contained herein.

Copies of this Registration Document are available at no cost from SMCP, 49, rue Étienne Marcel, 75001 Paris, France, and on the websites of SMCP (www.smcp.com) and the French Autorité des marchés financiers (www.amf-france.org).

NOTE

*SMCP S.A.S., a French joint-stock company, with capital of 81,733,182.80 euros, with its registered office at 49, rue Étienne Marcel, 75001 Paris, France, registered under identification number 819 816 943 (Paris Trade and Companies Register) is referred to as the "**Company**" in this Registration Document. The "**Group**" refers to the Company and its subsidiaries and equity associates.*

*The term "**Basic Document**" refers to the basic document of the Company registered by the French Autorité des Marchés Financiers ("**AMF**") on September 15, 2017 under number I.17-066.*

The Company was incorporated on April 20, 2016 and its corporate year runs from May 1, 2016 until December 31, 2017, i.e. a corporate year of twenty months. In order to facilitate the reader's understanding, the Company is presenting and commenting in this Registration Document the Company's consolidated financial information for an interim period of twelve months running from January 1, 2017 to December 31, 2017. The financial information for the twelve-month interim period ended December 31, 2017 presented in this Registration Document is taken from the consolidated financial statements of the Company for the twenty-month period ended December 31, 2017 prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

This registration document contains information on the Group's prospects and development priorities. This information may be defined with use of the future tense, the conditional mood and terms of a forward-looking nature such as "consider", "envisage", "believe", "has as its purpose", "anticipate", "understand", "should", "aims", "estimates", "believes", "wishes", "could", or, if applicable, the negative form of these terms, or any other variant or similar terminology. Said information does not constitute historical data and cannot be interpreted as warranting that the facts and data set out will be vindicated. Said information is based on data, assumptions and estimates considered as reasonable by the Group. These may change or be amended given uncertainties associated with the economic, financial, competitive and regulatory environment. In addition, the production of various risks described in Chapter 4 of this Registration Document, "Risk Factors", may have an impact on the activities, position and financial results of the Group and its ability to achieve its objectives.

Investors are asked to carefully consider the risk factors described in Chapter 4 ("Risk Factors") of this Registration Document. The realization of some or all of these risks may have a negative effect on the business, situation or financial results of the Group. In addition, other risks, not yet identified or considered as insignificant for the Group, may produce the same negative effect.

This Registration Document contains information on the Group's markets and its competitive positions, including information on the size of such markets. In addition to the estimates made by the Group, the information on which the Group's declarations are based is derived from statistics and studies by third parties (see Chapter 23 "Third-party information and declaration by experts and declarations of interests" of this Registration Document) and by professional organizations, or statistics published by competitors, suppliers or customers of the Group. Some information in this Registration Document is publicly available information which the Company considers to be reliable, but which has not been verified by an independent expert. The Company cannot warrant that a third party using different methods to combine, analyze or calculate data on the various business segments would obtain the same results. The Company enters into no commitment and makes no warranty on the accuracy of such information. It is possible that the information may be erroneous or no longer up to date. The Group is not bound by a commitment to publish updates of this information, other than pursuant to any legal or regulatory obligations binding upon it, including European Regulation 596/2014 of April 16, 2014 on market abuses.

In this Registration Document, unless otherwise stated, data concerning points of sale openings by the Group for a given period are presented on a net basis of points of sale closings during the same period.

In this Registration Document, data on net sales generated by online sales include, except where otherwise indicated, net sales recorded by partners.

Certain statistical data (including data expressed in thousands or millions) and percentages presented in this Registration Document have been rounded up or down. If applicable, the totals presented in this Registration Document may present insignificant deviations from the totals that would have been obtained by adding up the exact (non-rounded) values of the statistical data.

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1. PERSONS RESPONSIBLE

1.1 Person responsible for the Registration Document

Daniel Lalonde, Chief Executive Officer SMCP S.A.

1.2 Declaration by the person responsible for the Registration Document

"*I hereby declare, having taken all reasonable care to ensure this, that the information contained in this Registration Document, to the best of my knowledge, reflects the facts and contains no omission that might to affect its scope.*

I hereby declare that, to the best of my knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and present a fair picture of the holdings, financial position and results of the Company and of all the companies included within the scope of consolidation, and that the management report, for which the cross-reference table appears on pages 385 and 386 of this Registration Document, presents a fair picture of the changes in the business, results and financial position of the Company and of all the companies included within the scope of consolidation, as well as a description of the principal risks and uncertainties facing the companies.

I have obtained a letter from the Statutory Auditor declaring completion of the Auditor's work, which included verification of the information relating to the financial position and the financial statements presented in this Registration Document, and that the Auditor has read the Registration Document in its entirety."

April 27, 2018

Daniel Lalonde

Chief Executive Officer of SMCP S.A.

2. PERSONS RESPONSIBLE FOR AUDITING THE FINANCIAL STATEMENTS

2.1 Statutory auditor

KPMG S.A.
2, avenue Gambetta
92066 Paris La Défense

Represented by Valéry Foussé

KPMG S.A. was appointed on April 19, 2016 in the articles of association of the Company for a term of six financial years ending after the Shareholders' Meeting to be held to approve the accounts for the financial year ending on December 31, 2021.

KPMG S.A. is a member of the Compagnie Régionale des Commissaires aux Comptes de Versailles (Regional Company of Auditors of Versailles).

Deloitte & Associés
185, avenue Charles de Gaulle
92524 Neuilly-sur-Seine Cedex

Represented by Albert Aidan

The Shareholders' Meeting of the Company held on September 25, 2017 appointed the firm of Deloitte & Associés as co-statutory auditor of the Company, for a term of six years until the end of the Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2022.

Deloitte & Associés is a member of the Compagnie Régionale des Commissaires aux Comptes de Versailles.

2.2 Alternate statutory auditor

Salustro Reydel
2, avenue Gambetta
92066 Paris La Défense

Represented by Isabelle Goalec

Salustro Reydel was appointed on April 19, 2016 in the articles of incorporation of the Company for a term of six financial years ending after the Shareholders' Meeting to be held to approve the accounts for the financial year ending on December 31, 2021.

Salustro Reydel is a member of the Compagnie Régionale des Commissaires aux Comptes de Versailles.

BEAS
195, avenue Charles de Gaulle
92220 Neuilly-sur-Seine

Represented by Joel Assayah

The Shareholders' Meeting of the Company held on September 25, 2017 appointed the firm of BEAS as co-alternate auditor of the Company, for a term of six years, until the end of the Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2022.

BEAS is a member of the Compagnie Régionale des Commissaires aux Comptes de Versailles (Regional Company of Auditors of Versailles).

3. SELECTED FINANCIAL INFORMATION

The selected financial information presented herein has been extracted from:

- the Company's audited consolidated financial statements for the month year ended December 31, 2017, prepared in compliance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, which include comparative information for the interim twelve-month period ended December 31, 2017; The statutory auditors have prepared a report on the Group's consolidated financial statements for the twenty-month period ended December 31, 2017, which is included in Section 20.1.2 of this Registration Document.

- the *pro forma* financial information of the Company for the twelve-month period ended December 31, 2016 and prepared in accordance with IFRS as adopted by the European Union, as if the acquisition of the Group by Shandong Ruyi had taken place on January 1, 2016[1], and the corresponding auditors' report, which are included by reference in this Registration Document as required by Article 28-1 of Regulation (EC) No. 809/2004.

This principal financial data must be read together with the information in Chapter 9 "Review of the financial position and results of the Group" and Chapter 20 "Financial information on the Group's assets, financial position and results" of this Registration Document.

Pursuant to Article 28-1 of Regulation (EC) No. 809/2004, the Group's selected financial information for the year ended December 31, 2015 provided in Chapter 3 "Selected Financial Information" of the Basic Document is included by reference in this Registration Document.

Selected financial information from the consolidated income statement

(In thousands of euros)	**Twenty-month fiscal year ended December 31, 2017**	**Twelve-month period ended December 31, 2017**	***Pro forma*[2] twelve-month period ended December 31, 2016**
Net sales	**1,136,490**	**912,371**	**786,286**
Commissions	(148,034)	(116,975)	(105,186)
Net sales after commissions	988,456	795,396	681,100
Cost of sales	(256,778)	(210,288)	(185,693)
Gross margin[3]	731,678	585,105	495,407
Depreciation, amortization and provisions	(42,519)	(35,000)	(37,918)
Recurring operating	**152,341**	**116,805**	**91,674**

[1] The Company was incorporated in April 2016 after the acquisition of the Group by Shandong Ruyi. The *pro forma* financial information shows the Group's financial position as if Shandong Ruyi had acquired the Group on January 1, 2016. For better understanding and comparability of the Group's financial position, certain *pro forma* financial information has been adjusted to exclude non-recurring expenses related to the acquisition of the Group by Shandong Ruyi and its concurrent refinancing (see Note 7 of the *pro forma* financial statements for the twelve-month period ended December 31, 2016 in Section 20.1.3 of the Basic Document).

[2] *Pro forma* data to reflect the acquisition of the Group by Shandong Ruyi as if it had taken place on January 1, 2016.

[3] Gross margin corresponds to net sales after deduction of the cost of sales and commissions paid to the department stores and affiliates.

(In thousands of euros)	**Twenty-month fiscal year ended December 31, 2017**	**Twelve-month period ended December 31, 2017**	***Pro forma*[2] twelve-month period ended December 31, 2016**
income/(loss)			
Operating profit	84,544	70,112	60,346
Financial result	(95,535)	(69,925)	(78,052)
Profit (loss) before tax	(10,991)	0	(17,706)
Net loss for the period	**36,941**	**6,327**	**22,202**

Performance indicators

(In thousands of euros)	**Twenty-month fiscal year ended December 31, 2017**	**Twelve-month period ended December 31, 2017**	**Pro forma twelve-month period ended December 31, 2016*(2)***
Net sales	**1,136,490**	912,371	786,286
Adjusted EBITDA(1)	196,720	153,665	129,592

(1) Adjusted EBITDA represents the recurring operating income before depreciation, amortization, provisions and expenses related to the bonus share allocation plan set up in the fourth quarter of 2017 following the initial public offering of the Company (in the amount of €1.9 million. It does not include non-operating income. Adjusted EBITDA is not a standardized accounting aggregate that meets a single generally accepted definition. It should not be considered as a substitute for operating profit, net profit, cash flow from operating activities or as a measure of liquidity. Other issuers with an activity similar to or different from that of the Company could calculate adjusted EBITDA differently from the definition adopted by the Group.

(2) Pro forma data to reflect the acquisition of the Group by Shandong Ruyi as if it had taken place on January 1, 2016.

Selected financial information from the consolidated balance sheet

(In thousands of euros)	**December 31, 2017**
ASSETS	
Goodwill	630,071
Brands	600,000
Other intangible assets	128,761
Property, plant and equipment	67,755
Non-current financial assets	16,126
Other non-current assets	1,038
Deferred tax assets	56,181
Total non-current assets	**1,499,932**
Inventories	179,359
Trade receivables	52,689
Other receivables	49,746
Other current financial assets	3
Cash and cash equivalents	40,422
Total current assets	**322,219**
TOTAL ASSETS	**1,822,151**
LIABILITIES	
Equity attributable to owners of the Company	**1,082,862**
Bonds(1)	192,312
Shareholder PIK loan(2)	-
Other non-current liabilities	6
Provisions and other non-current liabilities	335
Prepaid income	94
Net employee defined benefit liabilities	3,196
Other non-current liabilities	2
Deferred tax liabilities	183,706
Total non-current liabilities	**379,651**
Interest-bearing loans and borrowings (current)	2,371
Trade and other payables	102,868
Bank overdrafts and short-term borrowings and debt	137,708
Short-term provisions	2,755
Other liabilities	113,935
Total current liabilities	**359,637**
TOTAL LIABILITIES	**1,822,151**

(1) Concurrently with its IPO, the Group (i) redeemed the 2022 Bonds in full (an amount of €100 million) and (ii) partially redeemed the 2023 Bonds (for €170.7 million) (see Sections 10.2.2.2 and 10.3 of this Registration Document).

(2) The PIK Shareholder Loan in the amount of €300 million disappeared by mixing because of the merger of European MidSoho Sàrl with the Company at the same time as its IPO.

Selected financial information from the consolidated cash flow statement

(In thousands of euros)	**Twenty-month fiscal year ended December 31, 2017**	**Twelve-month period ended December 31, 2017**
Net cash flow from operating activities	89,037	81,248
Net cash flow used in investing activities	(1,007,948)	(48,930)
Net cash flow from/(used in) financing activities	(956,330)	(50,384)
Change in net cash and cash equivalents	(36,288)	(19,814)

Net sales per category of point of sale

(In thousands of euros)	**Twenty-month fiscal year ended December 31, 2017**	**Twelve-month period ended December 31, 2017**	***Pro forma* *twelve-month period ended December 31, 2016*[(2)]**
Free-standing stores	405,444	326,081	289,706
Concessions	410,017	323,808	293,312
Factory Outlets	89,024	70,610	51,897
Affiliates	42,948	34,185	31,740
Internet[(1)]	119,329	99,666	66,903
Partnerships	69,728	58,022	52,728
Total	**1,136,490**	**912,371**	**786,286**

(1) These data include the Group's Internet net sales and the Internet net sales of the department stores in which the Group operates several concessions. These data do not Include Internet net sales of partners. Including online net sales of the partnerships, total online net sales amounted to €110.1 million for the twelve-month period ended December 31, 2017 and €75.4 million for 2016.

Number of points of sale (directly operated)[4]

	As of December 31, 2017	As of December 31, 2016
By brand		
Sandro	466	436
Maje	367	344
Claudie Pierlot	191	168
Suite 341	46	50
By geographical segment		
France	475	479
EMEA[(1)]	327	294
APAC[(2)]	133	93
Americas	135	132
Total of points of sale	**1,070**	**998**

(1) EMEA covers the Group's activities in European countries excluding France (mainly the United Kingdom, Spain, Germany, Switzerland, Italy and Russia) as well as the Middle East (including the United Arab Emirates).

(2) APAC includes the Group's Asia-Pacific operations (including mainland China, Hong Kong, South Korea, Singapore, Thailand and Australia).

Total number of points of sale (including directly-operated stores and partners)

	As of December 31, 2017	As of December 31, 2016
By brand		
Sandro	593	540
Maje	484	445
Claudie Pierlot	209	188
Suite 341	46	50
By geographical segment		
France	475	479
EMEA	431	383
APAC	271	221
Americas	155	140
Total points of sale	**1,332**	**1,223**

4 Directly-operated stores include free-standing stores, corners, affiliates, factory outlets and directly operated online platforms, but exclude partners.

Number of points of sale by category of point of sale

	As of December 31, 2017	As of December 31, 2016
Free-standing stores	386	350
Concessions	501	480
Affiliates	73	73
Internet	56	48
Factory Outlets	54	47
Total points of sale (directly-operated stores)	**1,070**	**998**
Partnerships	262	225
Total	**1,332**	**1,223**

Sales growth on a like-for-like basis[5] *at constant exchange rates*[6]

	Twelve-month period ended December 31, 2017	*Pro forma* twelve-month period ended December 31, 2016
Total growth in like-for-like sales	***7.8%***	***7.1%***

Adjusted EBITDA and adjusted EBITDA margin[7]

(In thousands of euros)	Twenty-month fiscal year ended December 31, 2017	Twelve-month period ended December 31, 2017	*Pro forma* twelve-month period ended December 31, 2016
Net sales	1,136,490	912,371	786,286
Commissions	(148,034)	(116,975)	(105,186)
Net sales after commissions	**988,456**	**795,396**	**681,100**
Cost of sales	(256,778)	(210,288)	(185,693)
Gross margin[8]	**731,678**	**585,105**	**495,407**
Other operating expenses, net	(297,634)	(239,850)	(198,956)

5 Like-for-like growth indicates the change in Group sales at a constant scope of directly operated points of sale from one period to the next. To calculate like-for-like growth, the Group considers the number of points of sale open at the start of the comparison period and excludes points of sale closed or shut down for a period of at least one month and points of sale that were subject to a change of activity (for example, Sandro points of sale changing from Sandro Femme store to a Sandro Homme or Sandro Mixed store) during the period in question.

6 Equivalent to the average exchange rate used to prepare the financial statements for the previous period.

7 Group adjusted EBITDA represents the recurring operating income before depreciation, amortization, provisions and expenses related to the bonus share allocation plan set up in the fourth quarter of 2017 following the initial public offering of the Company (in the amount of €1.9 million). It does not include non-operating income. Adjusted EBITDA is not a standardized accounting aggregate that meets a single generally accepted definition. It should not be considered as a substitute for operating profit, net profit, cash flow from operating activities or as a measure of liquidity. Other issuers with an activity similar to or different from that of the Company could calculate adjusted EBITDA differently from the definition adopted by the Group. Adjusted EBITDA margin, expressed as a percentage, represents adjusted EBITDA divided by net sales.

8 Gross margin corresponds to the net sales after deduction of purchases and changes in inventories and commissions paid to department stores and affiliates.

(In thousands of euros)	**Twenty-month fiscal year ended December 31, 2017**	**Twelve-month period ended December 31, 2017**	***Pro forma* twelve-month period ended December 31, 2016**
Personnel costs	(237,323)	(191,589)	(166,859)
Adjusted EBITDA[7]	**196,720**	**153,665**	**129,592**
Bonus share allocation plan	1,861	1,861	-
EBITDA[7]	**194,860**	**151,805**	**129,592**
Adjusted EBITDA margin	**-**	**16.8%**	**16.5%**

Consolidated data by brand:

(In thousands of euros)	**Twenty-month fiscal year ended December 31, 2017**	**Twelve-month period ended December 31, 2017**	***Pro forma* twelve-month period ended December 31, 2016**
Net sales			
- of which Sandro	568,552	456,325	375,823
- of which Maje	425,306	342,958	312,936
- of which Claudie Pierlot	142,632	113,088	97,528
- of which Other & Holding	-	0	0
Adjusted EBITDA			
- of which Sandro	101,907	78,930	59,721
- of which Maje	76,241	60,944	58,023
- of which Claudie Pierlot	18,961	13,791	11,871
- of which Other & Holding	-	0	(23)
Adjusted EBITDA margin			
- of which Sandro	-	17.3%	15.9%
- of which Maje	-	17.8%	18.5%
- of which Claudie Pierlot	-	12.2%	12.2%

Free cash flow[9]:

(In millions of euros)	**Twenty-month fiscal year ended December 31, 2017**	**Twelve-month period ended December 31, 2017**
Free cash flow	(898.8)[10]	45.4

9 Free cash flow is defined as adjusted EBITDA after taking into account changes in working capital requirements and net cash flows from investing activities.

10 Group free cash flow totaled (898.8) million euros for the twenty-month year ended December 31, 2017, including (940) million euros for the Shandong Ruyi acquisitions of the Group; restated for this item, free cash flow would be €41.2 million.

4. RISK FACTORS

Investors should examine all of the information set forth in this registration document, including the risk factors described below. On the date of registration of this registration document, the risks below are those the Company considers may have a material adverse effect on the Group, its business, financial condition, results of operations, development or prospects. Investors should be aware that the list of risks presented in chapter 4 of this registration document is not exhaustive and that other risks, which are unknown or whose realization is not considered likely as of the filing date of this registration document, could also have a material adverse effect on the Group, its business, financial condition, results of operations, development or prospects.

4.1 Risks associated with the Group's business sector

4.1.1 Risks associated with the competitive environment

The Group operates in the apparel and accessories retail market, which is highly fragmented and competitive. The Group's main competitors are other apparel and accessories groups, online retailers and department store chains that sell apparel and accessories. Some of the Group's competitors may have substantially greater financial and marketing resources and distribution means than the Group. Other competitors historically present in national markets where the Group has recently expanded may be more capable of satisfying local consumers' expectations. These competitors may adapt better to changes in consumer preferences and spending or be more successful in developing their brand reputation. This intense competition requires the Group to make ongoing efforts to convince its customers of the superior quality, style and attractiveness of its products and brands, notably in markets where the Group has recently expanded (for example, the United States, China, Italy or Portugal). Despite its best efforts, if the Group's customers fail to recognize the quality, style and attractiveness of its products and brands, especially compared to those of its competitors, or if the merchandise does not match up to consumer expectations, this could have a material adverse effect on the Group, its business, financial condition, results of operations, development and prospects.

Finally, plans to expand the Group's business in new markets could be affected and delayed by the intense competition already present in these new markets. For example, some of the Group's competitors may have well-known brands in these new markets, giving them a competitive edge. The degree of competition in new markets targeted by the Group could have a negative impact on the Group's prospects for development.

4.1.2 Risks associated with economic conditions and trends

In general, demand is linked to macroeconomic conditions in the countries where the Group operates, particularly in France, where the Group generated 41% of its revenue for the twelve-month period ended December 31, 2017. Demand for the Group's products could be negatively impacted by adverse economic conditions influencing consumer spending and the growth of tourism. As of the filing date of this registration document, growth remains limited in the European Union and notably in France, and the International Monetary Fund's forecasts for the forthcoming year are cautious (2.1% in the European Union for 2018) (*source: IMF, World Economic Outlook, October 2017*).

Although the Group achieved positive results during the recent downturn, the purchase of non-essential items such as apparel and accessories may be adversely influenced by an unfavorable economic climate. Some economic factors beyond the Group's control influence consumer spending, such as the unemployment rate, inflation, actual disposable income, household purchasing power, increases in the value added tax and, more generally, taxes and consumers' perceptions of overall economic conditions and outlook for the future. If the adverse economic climate should persist or even deteriorate in the main markets in which the Group operates, particularly in Europe, or in markets where it is seeking to expand, this could have a material adverse effect on the Group, its business, financial condition, results of operations, development and prospects.

4.1.3 Risks associated with changing trends and consumer preferences

The success of the Group's model for monitoring trends depends on its ability to identify fashion trends, to evaluate and react rapidly to changing consumer demands and to translate market trends into appropriate product offerings. The fashion sector is generally characterized by rapidly changing preferences and trends. Every year, the Group launches two collections for each of its brands (autumn/winter and spring/summer), with a continuous renewal of the products offered during the seasons, and several "capsule" collections in partnership with other brands or designers. The main target clientele for the Sandro, Maje and Claudie Pierlot brands are men and women aged 15 to 45 years. It is possible that the Group's collections may not appeal to this target clientele, notably as a result of a poor assessment by the Group of consumer trends and preferences. Furthermore, the Group launches a uniform collection in the 38 countries in which it operates (including those where it is represented through partnerships) and this may accurately reflect consumer trends and preferences in some countries but not necessarily in all of them. Finally, since the collections are usually produced only in three standard garment sizes, they may not be appropriate for all body shapes in the countries where the Group operates.

If the collections offered by the Group do not respond to consumer preferences and trends and, in particular, those of its target clientele, or if consumers would rather spend money on other kinds of products (e.g., travel or electronic devices), Group sales could fall, excess inventory could increase and the Group could be obliged to offer more significant mark-downs and incur losses from unsold products, which could have a material adverse effect on its business, financial condition, results of operations, development and prospects.

4.1.4 Risks associated with seasonal and weather conditions fluctuations

The apparel and accessories sector in which the Group operates is subject to seasonal fluctuations. In France, the Group's net sales are higher during the initial weeks of the national sales periods, in January and in June/July. Any factor compromising the results achieved during these sales periods, including adverse economic conditions affecting consumer spending levels, will have a magnified impact on the Group's net sales. In France, some periods of the year generally experience a lower level of sales, particularly in February (at the end of the sales) and August (because of the summer holidays).

In addition, the apparel and accessories sector is dependent on weather conditions. Mild weather in the autumn or cold and wet weather in the spring may impact on sales of garments of the autumn/winter and spring/summer collections, respectively. By way of illustration, the very mild weather in Europe had a negative impact on sales in September and October 2016, compared with the same period in the Group's previous financial year. Natural disasters, such as storms, tornadoes, floods, earthquakes or other major weather disasters may also have a negative impact on the Group's business.

The Group's inability to compensate for seasonal fluctuations and adapt to weather conditions could have a material adverse effect on its business, financial condition and results of operations.

4.1.5 Risks associated with changes in tourism levels

Footfall at the Group's retail stores, and therefore the demand for its products, partly depends on tourism levels, as most of the Group's retail stores are located in touristic areas such as Paris, London, Hong Kong or New York City. Tourism levels, especially internationally, may be subject to significant fluctuations, in particular due to the global economic situation, restrictions on freedom of movement (in particular with respect to the visa policies of certain countries) and other exceptional events such as pandemics or terrorist attacks. For example, in January and November 2015, the Group's sales in France were negatively impacted by the decrease in footfall at its retail stores following the terrorist attacks in Paris.

In case of a decline in tourism, footfall at the Group's retail stores could be negatively impacted, which may have a material adverse effect on the Group's business, financial condition, results of operations.

4.1.6 Risks associated with increased production costs

The raw materials used to manufacture products sold by the Group (mainly cotton, leather, wool, silk, polyester and viscose) are subject to availability constraints and price volatility caused by factors such as the strong demand for fabrics, weather conditions, the political and economic situation in producer countries (notably in North Africa and Asia), delivery conditions, applicable regulations and other factors beyond the Group's control. The Group cannot guarantee that it will be able to adapt in the event of a sudden, prolonged and sustained increase in the price of raw materials. A significant increase in the price of these raw materials may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

In addition to the cost of raw materials, other factors may have a general impact on production costs, such as regulatory changes and salary increases in the regions in which the Group operates, and changes in shipping costs, customs legislation, quality requirements, the cost of energy and exchange rates. By way of illustration, the cost of energy has fluctuated significantly in previous years. These fluctuations may result in increased costs for the purchase of products from manufacturers, shipping costs for distribution and operating costs sustained by each point of sale. In addition, in recent years, labor costs have increased sharply in some of the Group's producing countries, notably in China. A significant increase in labor costs may result in increased production costs, forcing the Group to review its production areas. Finally, a portion of the Group's costs are recorded in currencies other than the euro and fluctuations in exchange rates may have a negative impact on the Group. By way of illustration, the adverse fluctuation in the euro/U.S. dollar exchange rate during the 2015 financial year forced the Group to reduce the proportion of its costs paid in U.S. dollars, by altering the settlement currency for some of its supplier contracts in favor of the local currency, in particular in China.

A lasting negative change in one or more of these factors could have a material adverse effect on the Group's business, financial condition, development and results of operations.

4.1.7 Risks associated with rising labor costs

As of December 31, 2017, the Group employed 5,127 full-time staff (or equivalent) in its points of sale, and payroll costs generally account for a significant portion of its cost base. In the future, the Group may be required to increase salaries as a result of changes in labor law or employee protection regimes (such as Sunday opening rules), wage negotiations or to align with general increases in salaries in the sector and in the regions where the Group operates. An increase in labor costs may affect the Group's ability to compete with other players and have a material adverse effect on the Group's business, financial condition, results of operations, development or prospects.

4.1.8 Risks associated with third-party product manufacturing

The Group does not own and does not operate any manufacturing plants and as a consequence is wholly dependent on third parties to manufacture the products that it markets. Group products are generally manufactured on an order-by-order concept and the identity and number of suppliers may change according to the Group's needs. In the event of increased demand or if the Group needs to replace an existing supplier, it cannot be certain that additional manufacturing capacity will be available when required on acceptable terms. In addition, the use of new manufacturing units may result in delays in production and additional costs for the Group as a result of the time spent training new manufacturers on the Group's methods, products and standards with regard to quality control, work, environmental footprint and health and safety.

In addition, production by one or more manufacturers could be disrupted or delayed, temporarily or permanently, because of economic, social or technical problems, including insolvency of a manufacturer, breakdown of manufacturing sites or disruption to the production process caused by labor disputes beyond the Group's control.

Any delay in or disruption to the manufacture of the Group's products may have a material adverse effect on its business, financial condition, results of operations, development and prospects.

4.1.9 Risks associated with third party distribution

Although the Group prefers the use of free-standing stores and concessions that it directly operates to distribute its products (which generated most of its revenue for the twelve-month period ended December 31, 2017) it also operates through a network of local partners internationally and, from time to time, through affiliates in France and Southern Europe. In practice, partnerships are used only in cases where having recourse to a local partner is necessary for the success of a local establishment, the achievement of its profitability targets, the compliance with applicable regulations or in remote geographical areas (for example, in Australia). The Group operates through affiliates in France, Spain and Italy in areas where the customer base is more limited. The Group has a limited operational control over such partners and affiliates.

The Group makes use of local partnerships (so-called "partnered retail") in territories such as South Korea, the Middle East (Saudi Arabia, United Arab Emirates and Kuwait), Russia and Australia (see Section 6.5.4.7 of this registration document). The Group cannot guarantee that its selected distribution partners will strictly comply with Group policies and strategies on distribution, marketing and communication or with the implementation of management and/or sales methods in line with those of the Group, which could have a negative impact on the Group's brand and product image, as well as its results. In addition, any major disputes with a partner or even the termination of one or more partnerships could hinder and may temporarily or permanently suspend the Group's growth in the country concerned, which could have a material adverse effect on its business, financial condition, results of operations, development or prospects.

The Group makes use of affiliates in France, in Spain and in Italy exclusively, with 73 stores as of December 31, 2017 (see Section 6.5.4.5 of this registration document). The affiliated retail stores are operated by independent traders who own their own businesses, under the Group's brand names. Since they are independent, and although they are required to follow a "concept book" which notably sets out requirements for fittings and the corporate concept specific to each brand, the Group cannot guarantee that all of its affiliates will strictly comply with the Group's commercial strategies. In addition, disagreements may arise, in particular with regard to the terms and conditions of the commission-affiliation agreements binding them to the Group. If such events become widespread within a network of affiliates, they could have a material adverse effect on the Group's business, financial condition, results of operations, development or prospects.

Finally, the Group may be required to grant license agreements to third parties over certain of its products, such as optical products offered under the Group's brands (see Section 6.3.1 of this registration document). If the Group's co-contractors breach their undertakings, especially in respect of preservation of the Group's products image (in particular, quality of manufacturing and selecting factory outlet locations), this could have a material adverse effect on the Group's reputation.

4.1.10 Risks associated with logistics and efficient order processing

Effective management and development of the Group's logistics network is vital for its economic model, business and growth strategy. Logistics associated with the Group's three brands, Sandro (including Sandro Homme), Maje and Claudie Pierlot, are provided by its subsidiary SMCP Logistique. The Group also outsources certain logistics and operational processes to external service providers, including warehouses located in New Jersey, for its activities in the United States, and in Shanghai, for its activities in mainland China (see Section 6.5.6.2 of this registration document). If the Group fails to manage its logistics network properly and effectively, it could be faced with excess logistics capacity or, conversely, insufficient capacity, as well as increased costs, delays in supplying its points of sale and in delivering orders to customers, or other harm to its business. In particular, the Group subcontracts the delivery of orders to its customers and is exposed to any failures or shortcomings by its service providers (such as delivery delays or loss or theft of goods).

The Group leases warehouses to accommodate its logistics infrastructure, including in Vémars and Marly-la-Ville (Paris region) (see Section 6.5.6.2 of this registration document), which serve as the worldwide logistics center for the Group, servicing in particular all of its European points of sale. The Group may be unable to renew its leases or renew them on satisfactory terms, or may be required to replace them, for reasons beyond its control, such as difficult conditions in the local real estate market, competition or relationships with current or future landlords. If the amount of the relevant rent should increase significantly or if the Group should fail to renew existing leases or to lease appropriate alternative premises on favorable terms, this could have a material adverse effect on the Group's business, financial condition, results of operations, development or prospects.

As part of its expansion and the growth of its product range and geographical coverage, the Group will require an expanded processing capacity in the next few years and its logistics requirements are expected to become more complex. Although the Group's current facilities were established in anticipation of future expansion, the Group cannot guarantee that it will locate suitable supplementary logistics capacity to meet its needs with satisfactory conditions and timescales.

Any breakdown or disruption, in whole or in part, of the Group's logistics network or of the activities of its service providers (in particular, air transport used by the Group for international product deliveries), for example resulting from information technology malfunctions, equipment failure, strikes, accidents, natural disasters, acts of terrorism, vandalism, sabotage, theft and damage to products, failure to comply with applicable regulations or any other disruption, could reduce the Group's ability to supply its points of sale, make timely deliveries to purchasers or maintain an appropriate logistics chain and level of inventory, all of which could adversely affect its reputation and have a material adverse effect on the Group's business, financial condition, results of operations, development or prospects.

Any damage or destruction of one or more of the Group's warehouses or those of its logistics service providers, or any theft or vandalism within these warehouses, could result in the destruction or loss of all or a portion of the Group's inventory and fixed assets located in these warehouses and have a significant impact on the Group's ability to distribute products to its points of sale and maintain an appropriate logistics chain and inventory levels. In addition, if the Group is faced with increased logistics costs, it may not be able to pass on the impact of this increase in costs to consumers. The occurrence of one or more of these risks could have a material adverse effect on the Group's business, financial condition, results of operations, development or prospects.

4.1.11 Risks associated with suppliers and manufacturers

The Group diligently monitors the compliance of its suppliers and manufacturers with applicable labor law and social security regulations as well as with acceptable environmental and social standards. By way of illustration, the Group has concluded charters with its main suppliers on the environmental and ethical standards to be followed, and conducts audits of its suppliers. However, the Group cannot guarantee that its suppliers or manufacturers will comply with local labor law or with environmental and ethical standards in the course of their activities. If it appears that suppliers and manufacturers have not complied with local labor law or environmental or ethical standards, the reputation of the Group's brands and its results could be negatively impacted. In addition, the replacement of a supplier or a manufacturer following the discovery of a breach of labor law or environmental or ethical standards could require the Group to absorb additional costs and disrupt the manufacture of some of its products. The occurrence of one or more of these risks could have a material adverse effect on the Group's business, financial condition, results of operations, development or prospects.

4.1.12 Risks associated with defective products and Group liability

The Group does not manufacture its products itself. Accordingly, it relies on its manufacturers to ensure that the products it sells comply with relevant specifications and quality standards. If a defect is identified during the quality controls performed by the Group, it will not accept delivery of the relevant product. In this case, the Group may be unable to replace the rejected product in a timely manner, which could result in supply shortages and a decline in sales. In addition, the quality control procedures may fail to detect all defects. The reputation of the Group's brands may be negatively impacted by marketing defective products, especially if the products marketed contain dangerous substances that could cause physical harm or health problems to the Group's customers. These defects could also result in a significant decline in Group sales and expose the Group to liability. The occurrence of one or more of these risks could have a material adverse effect on the Group's business, financial condition, results of operations, development or prospects.

4.1.13 Risks associated with counterfeiting

The apparel and accessories retail market is subject to extensive counterfeiting. The Group's brands are highly recognizable to consumers and its intellectual property rights (notably its registered trademarks and copyright) may be the subject of counterfeiting by a third party, such as the production of unauthorized imitations (slavish copies or use of certain protected elements), particularly in new markets, like China. Although the Group is actively engaged in a global fight against infringements of its intellectual property rights, nothing can guarantee the success of an action to prevent counterfeiting or related judicial proceedings. A significant presence of counterfeit products on the market could have a negative impact on the value and image of the Group's brands, resulting in a loss of consumer confidence and a drop in sales, and could therefore have a material adverse effect on the Group's business, financial condition, results of operations, development or prospects.

4.2 Risks associated with the Group's business activities

4.2.1 Risks associated with the Group's brand reputation, integrity and image

The financial performance of the Group is closely linked to the success and reputation of its three brands, Sandro, Maje and Claudie Pierlot, which themselves depend on factors such as the design of the clothes, their distinctive nature and quality, as well as the image of the Group's points of sale, its business activities, its relationship with the public and its marketing policy.

The integrity and reputation of Group brands are two of its most important assets and form an essential part of its growth strategy, which is based on exploiting their value. Products or a communication policy that do not adequately reflect the brands' image, inappropriate conduct by brand ambassadors, their staff, Group suppliers or distributors, as well as any circulation of damaging information in the media, could affect the Group's brand recognition and image.

Moreover, the Group may be confronted with the resale of products purchased in large quantities in its European points of sale by distributors that had not been approved by the Group. If this activity, which has gained ground particularly in Asia, were to intensify significantly, it could have an adverse effect on the Group's brand image, particularly as the way that such products are marketed, including the way they are presented on resale websites, does not comply with the standards the Group imposes.

These factors could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

4.2.2 Risks associated with the loss of value of the Group's intangible assets

The Group's intangible assets, primarily consisting of goodwill, brands, leasehold rights and other intangible assets (principally licenses and software), are regularly reviewed by the Group on the basis of certain assumptions, including cash-flow and growth rate estimates. As of December 31, 2017, the Group's goodwill represented €630.1 million, its brands represented €600 million, its leasehold rights represented €113.6 million and its other intangible assets represented €15 million. Pursuant to impairment testing carried out in 2017, the Group recorded losses of €1.4 million in respect of leasehold rights and no loss was recorded in respect of its goodwill, brands or other intangible assets.

If the Group's estimates were to change or if market conditions deteriorated, the recoverable value of those intangible assets could diminish significantly and lead to a loss of value, which would require the Group to record an impairment charge in its consolidated income statement, which could have a material adverse effect on the Group's financial condition and results of operations.

4.2.3 Risks associated with implementation of the Group's development strategy

From December 31, 2015 to December 31, 2017, the Group's total directly-operated points of sale (excluding partnerships) increased from 906 to 1,070. Of these 1,070 points of sale, 386 were free-standing stores and 501 were concessions in department stores, the rest being factory outlets, e-commerce websites, affiliates and factory outlets. The Group intends to pursue its expansion notably by increasing its market share in France, the number of its international points of sale (in the United Kingdom, Spain, Italy, the United Sates and Greater China[11] in particular, as well as through partnerships, including in the United Arab Emirates, Saudi Arabia, Russia, Australia, South Korea and Turkey), and its investment in online sales platforms, as well as by improving the targeting of its customer base, by continuing the expansion of the Sandro Homme collections and the accessories product line, and the development of new product lines (such as glasses) (see Section 6.3.1 of this registration document).

The Group's success depends, in part, on its ability to identify appropriate locations for its points of sale and to negotiate leases or concession agreements on satisfactory terms. In particular, the Group targets quality locations for its free-standing stores and concessions, such as, for example, its retail stores located on Rue Saint Honoré and Avenue des Champs-Elysées and in the main shopping streets of the Marais in Paris, in Soho in New York, in Chelsea and Regent Street in London, and its concessions in large department stores such as Galeries Lafayette, Printemps and

[11] Greater China includes mainland China, Hong Kong, Macao and Taiwan.

Le Bon Marché in France, Selfridges and Harrods in the United Kingdom, Bloomingdale's and Saks Fifth Avenue in the United States, El Corte Inglés in Spain, la Rinascente in Italy, or in famous malls such as Shin Kong Place in mainland China and International Finance Center or Harbour City in Hong Kong.

The Group may be unable to implement its expansion strategy satisfactorily or at the anticipated rate due to the increasing difficulty in locating available and attractive sites. The Group is in competition with other international and regional retailers seeking attractive locations and may not be able to obtain its preferred premises. If the Group fails to identify and lease attractive locations, recruit qualified sales assistants or establish the required infrastructure, or if the attractiveness of the locations of the Group's points of sale is reduced for reasons beyond the Group's control, its expansion strategy may be slowed and its market share could decline.

The success of new points of sale may also be impacted if the Group fails to assess customer demand correctly in the local markets concerned or if it fails to establish satisfactory reputations for its brands. This risk is relatively higher in new markets in which the Group operates, such as North America and Asia, where its position is less well established and it is more difficult for it to assess potential customer demand and the attractiveness of its products. This risk could increase if the Group establishes operations in a country where it has never operated before.

In addition, new points of sale opened by the Group in areas where it is currently established may compete with existing points of sale, resulting in fewer customers in historic points of sale and lower like-for-like sales growth.

Finally, in mainland China, where its expansion is significant, the Group operates through a local partner for the daily management of operational activities, especially for prospecting potential points of sale, managed by a local team based in Hong Kong. The corresponding agreement, concluded in 2013 for an initial period of three years, has been renewed for an additional three-year and four-month period. The partner's remuneration is determined on the basis of a percentage of net sales generated by the points of sale based in mainland China. The Group cannot guarantee that this local partner will continue be able to identify the most appropriate locations, or to successfully implement the Group's expansion and operational strategy.

If the Group's expansion strategy does not achieve the anticipated success, or is established more slowly than anticipated, its competitive position, profitability and growth could be negatively impacted, which could have a material adverse effect on the Group's business, financial condition, results of operations, development or prospects.

4.2.4 Risks associated with the rapid growth of business

Over the last three financial years, the Group experienced very significant growth, with Group revenue and the number of points of sale increasing from €675.4 million and 1,118 points of sale, respectively, as of December 31, 2015 to €912.4 million and 1,332 points of sale as of December 31, 2017. The management of Group operations is therefore becoming increasingly complex and this trend is expected to continue in the future as the Group pursues its expansion strategy. This increased complexity, enhanced by the expansion of the Group's offering with the development of new product lines (see Section 6.3.1 of this registration document) requires the expansion and development of manufacturing and operating capabilities, as well as the Group's existing infrastructure and logistics chain, support functions and the expansion, training and management of a larger staff base. The Group must build up its teams to cater for growth. These investments may generate substantial costs. In addition, any delay in the roll-out of appropriate management and control functions could negatively impact on the Group's ability to identify and manage its risks and comply with applicable regulations and standards.

The Group's expansion strategy may require additional operational and administrative resources, notably in terms of logistics, warehousing and procurement, as well as information technology systems and equipment. This use of supplementary resources that are mostly external to the Group could result in less efficient operations for the Group and additional costs affecting the results of its free-standing stores and concessions and its business in general.

The Group's rapid growth could also require it to modify its organizational structure and adapt its forecasting tools in order to anticipate future investments and expenditure with sufficient accuracy. It could also place an excessive burden on its suppliers in the event of a significant increase in order volumes. The growth in order volumes could have a negative impact on efforts made to date to minimize the lead-time between placing an order and the delivery date. The expansion of the Group's business activities could also affect its operational flexibility and the responsiveness of its logistics chain and prevent it from responding promptly to changing consumer demands and new trends. If the Group fails to make the investments necessary for its future growth, it will be unable to implement its development strategy. The Group may be unable to anticipate all of the consequences of this growth on its business, its staff and its control systems. If the Group is unable to address these challenges appropriately, it could have a material adverse effect on its business, financial condition, results of operations, development or prospects.

4.2.5 Risks associated with lease agreements and concession agreements with department stores

Each year, a portion of the leases concluded by the Group for its store locations expires. The Group may be unable to extend these agreements and may be forced to abandon locations or renew lease agreements on unfavorable terms. In addition, the Group may be obliged to close certain retail stores that do not meet their financial targets under unfavorable conditions and timeframes.

In general, the Group concludes long-term leases for its stores. By way of illustration, a typical term for the commercial leases concluded by the Group is 10 years in the United States, nine years in France and three years in Asia (see Section 6.5.4.1 of this registration document). Some of these leases impose very restrictive termination conditions on the Group and it may be impossible for it to terminate these agreements (or to conclude sub-letting agreements, in particular for its North American stores) without incurring significant costs for the Group or having to give notice well in advance. In addition, lease agreements may provide for fixed expenses that may not be covered if the activity of such points of sale decreases or is weaker than the Group's expectations. Finally, the Group may be unable to negotiate its concession agreements with department stores on acceptable terms and conditions.

For the twelve-month period ended December 31, 2017, 35.5% of the Group's revenue was generated by sales through concessions. A percentage of the sales achieved by the Group in these concessions is paid to the department stores in the form of commissions. The level of these commissions - which may increase significantly - depends on a number of factors, notably the location, the attractiveness of the department store concerned and the willingness of other retailers to pay higher commissions (see Section 6.5.4.2 of this registration document). In addition, the Group may be negatively impacted by the strategic choices of its department store partners (particularly their choice of locations).

If the Group is unable to renew lease agreements on expiry, terminate agreements following weaker-than-anticipated performance by retail stores, renew concession agreements, or conclude new agreements on acceptable terms, it could have a material adverse effect on the Group's business, financial condition, results of operations, development or prospects.

4.2.6 Risks associated with the Group's marketing initiatives

The Group's success and profitability depend on growing the number of customers, while maintaining control over the related cost. The Group has made and anticipates making further significant investments to acquire new customers, notably through a multimedia marketing strategy. These investments include significant expenditure on offline marketing, such as advertising in prestigious magazines and product placement in department store catalogues. The Group also makes significant marketing efforts to promote its e-commerce sites, such as acquiring traffic through search engines and social media. These initiatives may fail to attract new customers and the campaigns may not generate the anticipated purchase volumes. In addition, modifications to search engine algorithms or their general terms of use could exclude the Group's websites from search results or lower their ranking. Moreover, the cost of these marketing initiatives may increase in the future, particularly as a result of changes in the economic models or media used.

The Group cannot guarantee that its marketing efforts will develop the required degree of brand recognition, promote growth in the number of customers, or more generally expand the volume of sales. Ultimately, the net sales generated by new customers acquired as a result of these initiatives may not cover the costs incurred to attract them. Finally, in markets where the Group has already achieved a certain degree of penetration, acquiring additional customers could prove more difficult and costly. The occurrence of one or more of these risks could have a material adverse effect on the Group's business, financial condition, results of operations, development or prospects.

4.2.7 Risks associated with Group customer relations

A satisfied, loyal customer base is crucial for the Group's ongoing expansion.

The Group considers that, to a certain extent, attracting new customers depends on word-of-mouth and the recommendations of existing customers. The Group must therefore ensure that existing customers are satisfied with its services so that they continue to recommend it. Should the Group's efforts to satisfy existing customers be unsuccessful, or should the Group no longer be able to anticipate market trends, it may fail to attract new customers in adequate numbers to continue expanding its business or may be obliged to incur significant marketing and development expenditure to attract new customers.

In addition, reliable customer service is vital to ensure that customer complaints are processed within appropriate timeframes and under satisfactory conditions, especially for online sales. Any absence of a response or an unsatisfactory response to customer queries or complaints, whether founded or perceived as such, may have a detrimental impact on customer loyalty and satisfaction and on the reputation of Group brands, particularly if customers make negative comments on blogs, online ratings and reviews or social media.

An inability to attract and retain customers and earn their loyalty, or to identify, follow up and respond to online comments due to customer service failings, could have a material adverse effect on the Group's business, financial condition, results of operations, development or prospects.

4.2.8 Risks associated with the Group's international business

An essential element of the Group's growth strategy is its targeted international expansion. While France is the Group's largest market and where its headquarters are located, the Group currently sells products in 37 other markets (including countries where it is represented through partnerships) via dedicated points of sale and websites, notably in Europe, Asia and North America. The international scope of the Group's business — which is increasing in line with its strategy —increases the complexity of and the risks generated by its activities, including:

- the need to adapt payment and delivery options and the Group's customer support services to local markets, particularly by translating product presentation media into foreign languages and adapting to local practices and diverse cultural standards;

- the need to remain competitive vis-à-vis other retailers or competitors with potentially better knowledge of the local market;

- exposure to different consumer demand dynamics which may affects the Group's success;

- subjecting the Group's business activities to different legal and regulatory requirements;

- risks associated with the use of partnerships in certain countries (see Sections 4.1.8 and 6.5.4.7 of this registration document);

- possible unexpected changes in the legal, political or economic framework of countries in which the Group procures or sells products, which could slow or prevent the Group from freely transferring its merchandise and cash-flow;

- fluctuations in the exchange rate of currencies against the euro (including the pound sterling, Chinese yuan, Swiss franc and U.S. dollar) for the Group's business outside the Eurozone (for sensitivity analyses on the exposure to exchange rates fluctuations, see note 6.17.5 of the consolidated financial statements of the Group for the twelve-month period ended December 31, 2017 set out in Section 20.1 of this registration document);

- implementation of customs barriers, especially customs duties; and

- the necessity, if the Group establishes operations in new territories, of (i) setting up new structures and teams as well as effective systems while maintaining its objectives in terms of structural cost control, (ii) identifying the best contractors and partners in order to achieve its development, and (iii) obtaining the administrative authorizations necessary to conduct its activities.

As an example, following the decision of the United Kingdom to leave the European Union (Brexit), the Group has been negatively impacted by the adverse evolution of the exchange rate between the euro and the pound sterling. The Group cannot guarantee that this decision will not have other adverse effects on its business or earnings, especially in the event of a decline in the UK's economic environment or any modification to British regulations pertaining to customs duties.

The occurrence of one or more of these risks could have a material adverse effect on the Group's business, financial condition, results of operations, development or prospects.

4.2.9 Risks associated with the failure of IT systems

The Group's success depends on the continuous, uninterrupted availability of its information technology systems, notably to process customer transactions and to manage its supplies, inventory, purchases and deliveries of its products. In order to support its development strategy, the Group uses a set of information technology applications allowing it to monitor the performance of its free-standing stores, concessions and collections and to manage its inventory accordingly. Events beyond the Group's control, such as telecommunications difficulties, software failures, inadequate capacity of information technology centers, the unavailability of internal resources, fires, electrical failures, third party attacks (such as hacking or computer viruses) and any delay in or impossibility of installing new information technology systems could adversely affect the capacity and availability of the Group's IT systems. Any major disruption to, or slowdown in, the Group's systems could cause losses or delays in processing information, resulting in delayed deliveries to its points of sale and customers or loss in sales.

Moreover, the security systems installed by the Group, such as data backup systems, access protection, user management and IT emergency plans, may prove inadequate to prevent loss or theft of information or disruption to its IT systems. If technological changes were to result in its IT systems becoming obsolete, or if they were no longer able to support the Group's growth, this could result in operational shortcomings for the Group.

Finally, the Group's senior management uses IT systems to assist in decision-making and to monitor the results of the Group's activities. If these systems were to fail, the Group may become unable to generate accurate, comprehensive operational and financial reports, which are vital for decision-making, and this could have a material adverse effect on the Group's business, financial condition, results of operations, development or prospects.

4.2.10 Risk associated with theft and misappropriation of funds and data

In the ordinary course of its business, and despite the procedures implemented to safeguard the flow of merchandise, the Group is exposed to the risk of product theft in its points of sale. Products may also be diverted during transportation or in the warehouses in which they are stored. In addition, the Group's funds may be misappropriated in the conduct of its business, notably in its points of sale. If such theft or misappropriation is significant or recurring, this could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

In addition, customers' personal data that the Group collects for marketing purposes may also be subject to theft or misappropriation. In this case, the Group's brand image could be tarnished and Group customers could be dissuaded from sharing their personal data, impacting the effectiveness of the Group's marketing and its image, which could have a material adverse effect on its business, financial condition, results of operations or prospects.

4.2.11 Risks associated with relations with credit card providers

A substantial portion of the Group's sales are paid for by customers using a credit or debit card, incurring costs for the Group, notably a commission on the amount of the sale. A significant increase in these costs could have a negative impact on the Group's results of operations. Moreover, the Group is subject to the rules and policies of the various credit cards networks and to the rules governing electronic transfers of money which may change or be reinterpreted, making it more difficult for the Group to comply with the applicable standards.

Failure to comply with the applicable regulations or requirements on such matters could expose the Group to fines and higher transaction costs, to the loss of its authorization to accept credit card payments from customers or to the loss of cooperation from the credit card providers. Any of these events could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

4.2.12 Risks associated with e-commerce and online sales

For several years the Group has invested in marketing and communication in respect of its e-commerce platforms and anticipates further expansion of its online offers in the future. E-commerce is an increasingly important part of the distribution network (representing 12.1% of total Group revenue during the twelve-month period ended December 31, 2017). Group products are currently sold in Europe and the United States through various online stores, each dedicated to one of the Group's three brands. The Group also sells its products through e-commerce platforms, such as placedestendances.com, net-a-porter.com, zalando.fr and tmall.com, the websites of partner department stores, such as selfridges.com and bloomingdales.com, or through online wholesalers.

The e-commerce market is characterized by rapid technological change, and the Group may not succeed in developing and improving its e-commerce distribution channels at an appropriate rate in order to adapt to such changes and to contend with competition. The attractiveness of the Group's e-commerce distribution channel could decline, which could limit its growth or lead to declining revenue. If competitors introduce new technologies or capabilities, including innovations in search and sorting functions, online marketing communications, social networking or other services to enhance users' online experience and the Group is unable to effectively and rapidly offer similar technologies or capabilities, the popularity of the Group's brands' websites may decline. The Group's efforts to develop new, efficient and attractive online interfaces for a variety of devices in a timely and cost-effective manner may entail significant investment and may ultimately fail to meet desired objectives or address the changing preferences of consumers. The Group could also incur unforeseen costs or encounter technical problems linked to the development of its online distribution channel. In addition, since the Group does not have total control over its brands' image when products are sold through intermediary platforms, they may not reflect the marketing strategy adopted by the Group.

Finally, the Group considers that competition from other e-commerce suppliers could intensify. More and more retailers in the apparel sector are establishing Internet distribution platforms which enable customers to better compare the offers and prices of products. This competition could result in pressure on the prices of Group products and a loss of market share.

The occurrence of one or more of these risks could have a material adverse effect on the Group's business, financial condition, results of operations, development or prospects.

4.2.13 Risks associated with dependence on certain suppliers or supply chains

For certain very specific services, the Group may rely on a limited number of suppliers (but without granting them exclusivity); this is the case in particular for certain accessories, fabrics and technical garments. Accordingly, any default or failure by these suppliers, significant increase in their prices or deterioration or change in relationships with them could negatively impact the Group's ability to distribute its products on satisfactory terms and could have a material adverse effect on the Group's business, financial condition, results of operations, development or prospects.

4.2.14 Risks associated with employee relations

In any activity that largely relies on human resources, maintaining harmonious relations with employees and employee representative bodies is a major challenge. Although the Group strives diligently to ensure the harmony of these relations, and while no strikes or similar collective actions have occurred in the past, the Group cannot guarantee that strikes or other collective actions will not interfere with its business in the future. These events are likely to disrupt business and damage the Group's reputation. More generally, their occurrence could have a material adverse effect on the Group's business, financial condition, results of operations, development and prospects.

4.2.15 Risks associated with informal agreements

Pursuant to ordinary business practice and market practices where the Group operates, certain agreements concluded by the Group, notably with suppliers (particularly smaller ones), are not fully formalized and generally consist of price agreements renegotiated periodically between the parties or order forms.

Accordingly, the conditions for renewal or extension of these agreements are not always formalized and depend to a large extent on the commercial relationships established with the relevant suppliers. In addition, this informal way of working may result in a less precise definition of the parties' rights and may, in the event of a disagreement between them on the content of their agreement, result in disagreements, disputes or conflicts which may have an adverse effect on the Group's business, financial condition, results of operations, development and prospects.

4.2.16 Risk associated with acquisitions

The Group may be in a position to evaluate acquisition opportunities, particularly for new brands or partners. In the event of a significant acquisition, the Group's results will, to a certain extent, depend on its ability to successfully integrate the acquired business. This integration may require a long, costly and complex process, involving a number of risks, including having to sustain costs and expenses for contingencies, having senior management's attention distracted from daily operations, and having an increase in workload for senior management teams, given the increased volume and scope of the business following the acquisition. In addition, the Group cannot guarantee that an acquisition will generate the anticipated synergies, the economies of scale expected, the increase in results and cash flow, the improvement of operational efficiency or, more generally, the benefits the Group may expect to achieve. The Group may also be exposed to unforeseen liabilities or commitments linked to such acquisitions. If these liabilities and commitments are significant or if the Group fails to integrate a new acquisition effectively, this could have an adverse effect on its business, financial condition, results of operations, development and prospects.

4.3 Risks associated with the Company

4.3.1 Risks associated with key personnel and human resources management

The Group's success and its future growth depend in particular on the results of its senior management and design team, established around Daniel Lalonde, as well as Evelyne Chétrite and Judith Milgrom, the founders and Deputy Chief Executive Officers responsible for creating the policy, design, art direction and marketing strategy of the Sandro and Maje brands, respectively, and Ylane Chétrite, Deputy Chief Executive Officer responsible for creating the policy, design, art direction and marketing strategy of the Sandro Homme collections. In the event of the departure of or an incident affecting one or more of these executives and key personnel, the Group may not be able to replace them quickly, which could affect its operational performance. In addition, should its executives, founders or its key employees join a competitor or create a competing business, it could have a negative impact on the Group.

More generally, competition for the recruitment of senior executives and designers is fierce and the number of qualified applicants is limited. The Group may be unable to recruit new staff whose skills are equivalent to those of its executives, founders and/or key personnel, or could fail to attract new talent and retain experienced staff in the future.

The occurrence of such circumstances could have a material adverse effect on the Group's business, financial condition, results of operations, development and prospects.

4.3.2 Risks associated with the holding company structure

The Company is the Group's parent company; as a holding company, its main assets are its direct and indirect equity interests in the various subsidiaries which generate the Group's cash flow. In this regard, the Company's income is derived essentially from the dividends received from its subsidiaries, the invoicing of services performed on behalf of the subsidiaries, and the interest on and repayment of intra-group loans by subsidiaries, as well as income from tax consolidation as the parent company of the consolidated tax group comprising the Company and its French subsidiaries (direct and indirect) in which it holds an ownership interest of at least 95%. As a result, the Company's statutory accounts and changes therein from one year to the next will only partially convey the Group's performance and will not necessarily reflect the same trends as the consolidated accounts.

In addition, the ability of subsidiaries to make such payments to the Company may be called into question following changes in their business or in regulatory limits. The distribution of dividends or other financial flows may also be limited as a result of various commitments, such as credit agreements concluded by subsidiaries or the indenture governing the 2023 Bonds, or tax constraints which render financial transfers more difficult or expensive.

Any reduction in dividends paid by Group subsidiaries to the Company, either because of deterioration in their results or contractual or regulatory constraints, could have a material adverse effect on the Group's results of operations, financial condition and prospects.

4.3.3 Risks associated with Group debt and restrictive finance clauses

As of December 31, 2017, the Group's total net debt[12] was €292 million (see Section 10.2.2 of this registration document).

The Group's debt may have negative consequences for the Group. For example:

- it may require the Group to divert a significant proportion of cash flow from operating activities to servicing and reimbursing its debt, reducing the Group's capacity to allocate available cash flow to finance its organic growth, make investments and cover other general needs of the business;
- it may increase the Group's vulnerability to a slowdown in business or economic conditions;
- it may place the Group in a less favorable position compared to competitors that have less debt relative to their cash flow;
- it may restrict the Group's flexibility to plan for or respond to changes in its operations and developments in its business sectors;
- it may restrict the Group's capacity to make investments to achieve growth;
- it may restrict the Group's ability to implement its external growth policy; and
- it may restrict the Group's ability and that of its subsidiaries to borrow additional funds or raise capital in the future, and may increase the cost of such additional financing.

Moreover, the Group's ability to honor its obligations, pay interest on its borrowings or refinance or reimburse borrowings in accordance with their terms will depend on its future operational performance and may be affected by many factors, some of which are beyond the Group's control (such as economic climate, debt market conditions or regulatory changes).

In the event of inadequate liquidity to service its debt, the Group may be obliged to reduce or defer acquisitions or investments, sell off assets, refinance its debt or seek additional financing, which could have an adverse effect on its business, results of operations, financial condition, development or prospects. The Group may also not be in a position to refinance its debt or obtain additional financing on satisfactory terms.

Although the Group's debt has been significantly reduced following the Company's initial public offering (proceeds from the related capital increase were used for the partial repayment of the

[12] "Net debt" corresponds to gross debt net of cash and cash equivalents.

Group's debt), these risks could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group is also exposed to interest rate fluctuations insofar as a proportion of its debt incurs interest at a floating rate equal to EURIBOR or LIBOR plus a margin (see Section 4.4.2 of this registration document).

In addition, the indenture governing the 2023 Bonds requires the Group to comply with covenants (see Section 10.2.2.2 of this registration document). Among other thing, these covenants restrict the Group's ability to:

- incur additional debt;
- pay dividends or make any other form of distribution;
- make any restricted payment or investment;
- incur liens or additional securities;
- impose restrictions on the ability of its subsidiaries to pay it dividends or make other payments;
- dispose of assets or shares of subsidiaries;
- conduct transactions with affiliates;
- merge or combine with other entities.

Similar restrictions are provided by the Facilities Agreement concluded by the Group in 2017 (see Section 10.2.2.1 of this registration document).

Moreover, the 2023 Bonds and lenders under the Facilities Agreement benefit from security interests, including pledges over the ordinary shares of SMCP Holding S.A.S. and SMCP Group S.A.S. and certain of their bank accounts and certain Group assets (see Sections 10.2.2.1 and 10.2.2.2 of this registration document).

The restrictions in the indenture governing the 2023 Bonds and the Facilities Agreement could affect the Group's ability to conduct its business and restrict its ability to respond to market conditions or seize commercial opportunities as they arise. By way of illustration, these restrictions could affect the Group's capacity to finance investments in its business, make strategic acquisitions, investments or alliances, restructure its organization or finance its capital requirements. In addition, the Group's ability to comply with these restrictive clauses may be affected by events beyond its control, such as economic, financial and industrial conditions. These restrictions or any breach by the Group of its commitments could result in default under the terms of the aforementioned agreements.

In the event of default that is not remedied or waived, the creditors concerned may exercise the aforementioned securities on the Group's assets; terminate their commitment and/or require immediate payment of all amounts outstanding. This could trigger cross-default clauses under other Group loans. Any such event could have a material adverse effect on the Group, even resulting in its bankruptcy or liquidation.

4.3.4 Risks associated with comparability of results

The Group's results of operations may vary significantly from one period to the next due to a combination of factors, such as the opening and closing times of points of sale (which may be affected by changes in applicable regulations, particularly in relation to Sunday openings for the retail stores), the opening or closure of points of sale, temporary unavailability of certain existing retail stores undergoing renovation, the establishment of new concessions and product ranges, seasonality and marking-down of inventory, as well as exceptional events (changes in perimeter or accounting principles). Accordingly, comparisons of the Group's results of operations from one period to the next are not necessarily representative of trends for the Group's future results.

4.4 Market risks

4.4.1 Liquidity risk

The table below presents the breakdown of the Group's gross debt as of December 31, 2017 and the maturity of the gross debt on the basis of contractual cash flows (taking into account future interest charges):

(In thousands of euros)	**Accounting value as at December 31, 2017**	**Contractual cash flows**	**<1 year**	**2 to 5 years**	**>5 years**
Bank borrowings	**192,312**	**200,340**	**-**	**-**	**200,340**
Floating rate bonds (*2022 Bonds*)	192,312	200,340	-	-	200,340
Bank overdrafts	**4,136**	**4,136**	**4,136**	**-**	**-**
Other loans and borrowings	**135,949**	**199,741**	**146,770**	**47,080**	**5,891**
Facilities	133,572	135,000	135,000	-	-
Other loans and borrowings	2,377	64,741	11,770	47,080	5,891
Financial liabilities	**332,397**	**404,217**	**150,906**	**47,080**	**206,231**

At the time of its initial public offering, the Group entered into a Facilities Agreement with a syndicate of international banks in October 2017 (see Section 10.2.2.1 of this registration document).

In addition, in May 2016, the Group issued a fixed-rate bond loan in a principal amount of €371 million, redeemable at maturity on May 1, 2023. At the date of this registration document, the total outstanding principal amount of the 2023 Bonds amounted to €200 million. These bonds were admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange (see Section 10.2.2.2 of this registration document).

The main provisions of the Group's existing debt agreements (including covenants, default clauses and early repayment) are provided in Section 10.2.2 of this registration document.

As of December 31, 2017, the amount of the Group's unused credit lines totaled €115 million.

4.4.2 Risks associated with interest rates

The Group is exposed to a risk of fluctuation in interest rates given that the interest rates on some of its debt are indexed against the Euro Interbank Offered Rate ("EURIBOR"), plus a margin. In addition, the Facilities Agreement would also bear a floating rate interest indexed on LIBOR and EURIBOR. EURIBOR or LIBOR may increase significantly in the future, resulting in additional interest for the Group, reducing the available cash flow for investments and limiting its ability to service its debt. As of December 31, 2017, the Group's outstanding floating-rate debt was €135.228 million and the Group's outstanding fixed-rate debt was €202.302 million, including accrued interest (see Section 10.2.2 of this registration document).

4.4.3 Credit and/or counterparty risk

Credit and/or counterparty risk corresponds to the risk that a party to a contract concluded with the Group will default on its contractual obligations, resulting in a financial loss for the Group.

The financial assets that could expose the Group to credit and/or counterparty risk are mainly receivables from suppliers or partners (notably in the event of payment default or failure to comply with payment deadlines), cash and cash equivalents, investments and derivative financial instruments.

4.4.4 Foreign exchange risk

The Group prepares its financial statements in euros, but a significant proportion of its revenue (37% during the twelve-month period ended December 31, 2017) is generated in foreign currencies, including the pound sterling, Chinese yuan, Swiss franc and U.S. dollar. A portion of its purchases (approximately 33%) is made in foreign currencies, notably in U.S. dollar or Chinese yuan with suppliers in Asia. Some assets are also recorded in foreign currencies on the Group's balance sheet.

The Group is exposed to exchange rate risk on the pound sterling, especially on exports, due to fluctuations in the exchange rate with the euro. In 2016 and 2017, the adverse evolution of the exchange rate between the euro and the pound sterling had an impact on the Group, following the decision of the United Kingdom to leave the European Union (Brexit).

Note 6.17.5 to the Group's consolidated financial statements for the twenty-month period ended December 31, 2017 (see Section 20.1 of this registration document) sets out sensitivity analyses conducted on its exposure to exchange rate variations, especially the pound sterling, Chinese yuan, Swiss franc and U.S. dollar.

Although the Group monitors and regularly evaluates trends in exchange rate fluctuations (on average six months before the beginning of the season) and protects itself from exposure through derivative financial instruments, an unfavorable trend in exchange rates for the aforementioned foreign currencies may have an adverse effect on its financial condition and results of operations.

4.5 Legal risks

4.5.1 Risks associated with intellectual property rights

The Group considers that its brands (particularly "Sandro", "Maje" and "Claudie Pierlot"), its domain names, its know-how and any other intellectual property rights it owns, play a crucial role in its success and development. Third parties may imitate its products and infringe its intellectual property rights. This risk has increased with the development of online sales of Group products. The Group cannot guarantee that the various prevention measures and the proceedings it brings to protect its intellectual property rights will prevent third parties from marketing products identical or similar to its own. Unauthorized reproduction or any other misappropriation of the Group's intellectual property rights and products may diminish the value and reputation of its brands and may also negatively affect the prices at which the Group can sell its products. In addition, even if a trademark has been correctly registered, under local regulations it may lapse if not used for a certain period of time (five years in the European Union, for example). Lastly, the Group cannot guarantee that its intellectual property rights are adequately protected in all markets in which it operates.

Moreover, as part of its business, the Group may be sued for infringement of third party intellectual property rights (including trademarks and rights to drawings and models) which may force it to pay damages and interest, may prevent it from using, manufacturing or marketing certain products or developing new products, and may lead it to conclude licenses or withdraw the disputed products from sale.

The occurrence of any of these events could have a material adverse effect on the reputation, business, financial condition, results of operations and prospects of the Group.

4.5.2 Risks associated with regulations and regulatory changes

The Group is subject to many laws and regulations, including those relating to labor, customs duties, consumer protection, protection of personal data (with the entry into force of European Regulation 2016/679 on the protection of personal data), product liability, advertising, working hours, Sunday and evening working, safety standards and public access, bulk sales and the conduct of sales and stock liquidations, as well as environmental law (see Section 6.7 of this registration document).

Although the Group pays special attention to compliance with the regulations in force, it cannot exclude all risks of non-compliance. Failure by the Group or certain of its partners, associates and affiliates to comply with applicable regulations may expose it to fines and other criminal or administrative sanctions, such as the loss of accreditations, and may also damage its reputation.

In addition, the Group may be required to incur significant costs in order to comply with regulatory changes in France and/or abroad and cannot guarantee that it will always be in a position to adapt its activities and its organizational structure to these changes within the required timeframe and at reasonable cost.

If the Group is unable to comply with and adapt its business to new national, European and international regulations, recommendations and standards, this could have a material adverse effect on its business, results of operations, financial condition and prospects.

4.5.3 Risks associated with proceedings and litigation

In the ordinary course of its business, Group companies may be involved in a number of judicial, administrative, criminal or arbitration proceedings, particularly with regard to third party liability, competition, intellectual property, discrimination, tax, industrial or environmental matters (see Section 20.5 of this registration document). Claims for a significant amount may be made against one or more Group companies in connection with certain of these proceedings. Any corresponding potential provisions which the Group may make in its accounts may prove inadequate. In addition, it cannot be excluded that in the future, new proceedings, whether or not connected to existing proceedings, relating to risks currently identified by the Group or resulting from new or unforeseen risks, may be brought against a Group company.

If the outcome of these proceedings is unfavorable, it may damage the image of the Group's brands and have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

4.5.4 Risks associated with insurance

The Group has taken out insurance policies which cover a wide range of risks and it intends to maintain an adequate level of insurance appropriate to the nature of its business. Nevertheless, insurance policies are subject to usual limitations (such as excesses and caps). In addition, not all claims are covered by insurance policies and the Group cannot exclude that it may be faced with a major incident that is not covered by any of its insurance policies. In addition, the occurrence of several incidents during the same year and significant demands for indemnification that may result from them may have a material adverse effect on the Group's business and financial condition. Moreover, the cost of these policies may increase in light of the Group's claim history or as a result of a general increase in prices in the insurance market. As a result, the Group cannot guarantee that it will succeed in maintaining its existing levels of coverage, or do so at a reasonable cost.

4.5.5 Risks associated with taxes and changes in tax legislation

The Group is subject to complex tax legislation in the various countries in which it operates. In particular, given the international scope of its business, it is subject to rules on transfer pricing which may be particularly complex and subject to divergent interpretations. Changes in tax legislation could have materially adverse consequences for the Group's tax situation, the effective tax rate that it pays or the amount of tax to which it is subject. In addition, tax regulations in the various countries in which the Group operates may be subject to differing interpretations. The Group cannot guarantee that the relevant tax authorities will agree with its interpretation of the applicable legislation. A challenge to the Group's tax situation by the relevant authorities could result in the Group paying additional tax, adjustments and fines that could be significant, or in an increase in the cost of its products or services for the purposes of collecting these taxes, which could have a material adverse effect on its business, results of operations, financial condition and prospects.

In addition, the Group distributes products whose prices are subject to value added tax (VAT) in France or to other similar taxes in other countries. The rates of these taxes may increase. A significant increase could negatively impact the Group's activity, especially customer demand, which could have a material adverse effect on its business, results of operations, financial condition and prospects.

Furthermore, the current incorporation into French tax law of the Organization for Economic Cooperation and Development's (the "**OECD**") principles related to base erosions and profit shifting ("**BEPS**") as well as the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS signed in Paris on June 7, 2017 could increase the administrative efforts within the Group and impact existing tax structures.

4.5.6 Risks associated with the Group's ability to deduct interest charges from its tax liability

Articles 212 bis and 223 B bis of the French Tax Code limit the proportion of net financial charges which can be deducted from corporate taxes at a rate of 75% for tax years commencing from January 1, 2014, subject to certain conditions and exceptions.

In addition, according to French regulations on thin capitalization, deduction of interest for loans granted by a related party, subject to certain exceptions for loans granted by third parties and guaranteed by a related party, is authorized under certain conditions but subject to limitations, pursuant to the rules in Article 212 of the French Tax Code.

Furthermore, the above set of rules restricting the deductibility of interest under French tax law will be amended or completed in the future. On June 17, 2016 the Ecofin Council agreed on final draft proposal of Directive of the Counsil laying down rules against tax avoidance practices that directly affect the functioning of the internal market (the "**ATAD**"), with a formal adoption of the directive on July 12, 2016.

The ATAD notably includes a limitation mechanism of the intragroup additional loan expenses. Thus, the deductible amount of additional loan expenses incurred by an EU company in the taxation year in which the amount is paid will be deductible from its taxable results only up to 30 percent of earnings before interest, tax, depreciation and amortization (EBITDA), or up to an amount of €3.0 million in a given fiscal year. The detailed implementation of such new rule in France remains largely unknown, including its possible application at groups' level and its combination with the existing rules mentioned above.

The ATAD should in principle enter into force on January 1, 2019 but this remains uncertain at this stage. However, the ATAD contains a derogation for the Member States which, as at August 8, 2016, have implemented national targeted rules for preventing base erosion and profit shifting risks, that are equally effective as the rules set out by the ATAD. These Member States may elect to apply these targeted rules until the end of the taxation year following the publication date on the official website of the agreement concluded between the members of the OECD of a minimum standard with regard to the Action 4 of the BEPS plan, but at the latest until January 1st, 2024. In order to benefit from this derogation, the Member States must provide the European Commission with the information needed to evaluate the effectiveness of the national targeted rules before July 1, 2017. France benefits from such derogation.

Furthermore, on May 27, 2017, the Council of the European Union adopted a proposal for a directive completing the provisions of the ATAD with its principal aim being to enact anti-abuse rules against hybrid mismatches ("**ATAD 2**"). ATAD 2 would be applicable as from January 1, 2020. These new rules may impact the abovementioned French rules.

The impact of these rules on the Group's ability to effectively deduct interest paid on its debt from the tax due could increase the fiscal pressure on the Group and therefore have a material adverse effect on its results of operations and financial condition.

4.5.7 Risks associated with the Group's ability to exploit its tax deficits

The Group holds significant tax deficits, including, as of December 31, 2017, total deferred tax assets of €56.2 million. All the tax deficits of the Group are recognized. The ability to exploit these tax deficits effectively will depend on a combination of factors, including (i) regarding French tax deficits, the entitlement to constitute tax credits and the degree of correspondence between the use of credits and losses; (ii) pursuant to Article 209 of the French General Tax Code, the general limitation according to which the percentage of tax-deductible deficits that can be carried forward may be used to offset the proportion of the taxable profit exceeding €1 million at a rate of 50%, as well as more specific restrictions on the use of certain categories of deficits, and (iii) the consequence of present or future tax inspections or proceedings, which could call into question the use or existence of said tax deficits.

The impact of these factors may increase the fiscal pressure on the Group and have a detrimental effect on the Group's cash flow, its actual taxation rate, its financial condition and its results of operations.

4.5.8 Risks associated with tax credits for competitiveness and employment ("CICE")

In 2012, the French Government implemented a tax credit to promote competitiveness and employment (the Employment Competitiveness Tax Credit, or "**CICE**"), as part of an overall policy for promoting employment and improving the competitiveness of the French economy. By virtue of the CICE, French companies receive a subsidy equal to 7% (as from January 1, 2017) of the gross salaries paid to certain categories of employees. The amount of CICE is calculated on the basis of the gross salaries paid during each calendar year to employees whose remuneration does not exceed 250% of the legal minimum wage. Pursuant to the procedures under the CICE system, the gross salary is calculated on the basis of normal and overtime working, without considering the increased rates at which employees working overtime are entitled to be paid (for the purpose of the eligibility rules).

For the twelve-month period ended December 31, 2017, the amount of CICE paid to the Group was €3.4 million.

The draft 2018 finance act provides for a one percentage point decrease in the CICE rate in 2018 (from 7% to 6%). The government recently announced its intention to abolish the CICE in 2019 and replace it with a direct decrease in contributions for employers. Any modification or deletion of the CICE could have a material adverse effect on the Group's financial condition, results of operations and prospects.

4.6 Risks associated with changes in accounting standards

The Group's consolidated financial statements are prepared and presented according to IFRS. Any changes to these accounting standards could have a significant impact on the presentation of the Group's results and financial position. Certain IFRS standards were recently revised by the International Accounting Standards Board. In particular, the introduction of IFRS 9 (Financial Instruments) and IFRS 16 (Leases) could have an impact on the way in which the Group prepares and presents its consolidated financial statements.

IFRS 9 introduces major changes to current financial asset classification and assessment rules, as well to the financial assets' impairment model. IFRS 9 applies to financial years beginning on or after January 1, 2018. The Group has adopted IFRS 9 for its consolidated financial statements for the financial year beginning January 1, 2018. Although, on the date of this registration document, the Group believes that the impact of adopting IFRS 9 on its earnings as of January 1, 2018 should not be significant, its actual impact is not yet entirely known because it will depend on the financial instruments held by the Group and economic conditions at the time at which the standard is adopted, as well as the Group's future accounting decisions.

IFRS 16 provides a single lessee accounting model, requiring leases to be recognized in the balance sheet, unless the term's lease is twelve (12) months or less or the underlying asset has a low value. IFRS 16 replaces the approach set out in IAS 17, which accounts for finance leases and operating leases separately. Due to forthcoming revisions to IFRS standards and uncertainties related in particular to the length of contracts to be recognized, the Group is not yet, at the date of this reference document, in a position to estimate the financial impact of adopting IFRS 16. It intends to adopt IFRS 16 for the preparation of its consolidated financial statements for the financial year beginning on January 1, 2019.

In addition to these standards, the International Accounting Standards Board could in the future adopt new revisions or additions to IFRS, which the Group would be obliged to adopt and the impact of which would initially be uncertain.

4.7 Insurance and risk management

4.7.1 Insurance policy

The Group's insurance policy is coordinated by the Group's legal department.

As part of an invitation to tender to select a new insurance broker, in May 2015 the Group's legal department carried out a detailed update to identify and classify the Group's risks that are insured or insurable and determine any necessary changes to existing insurance policies. Based on the results of this work, the legal department negotiated with major players in the insurance sector to implement the most appropriate coverage for these risks. The Group's insurance coverage was fully updated in 2017 in the context of the renewal of its insurance policies.

In general, the Group's insurance policies are selected on the basis of identifying the level of coverage that is necessary for the reasonably estimated likelihood of the occurrence of liability, damage or other risks. This appraisal takes into account the assessments made by the insurers as the risk underwriters. Uninsured risks are those for which no offer of coverage is available on the insurance market or those for which insurance is offered at a cost that is disproportionate to the potential benefit of insurance, or risks which the Group considers do not require insurance coverage.

The Group's main insurance policies, subscribed with internationally recognized insurance companies, are as follows:

– Operator's and third party liability prior to delivery;

– Delivered products liability and post-delivery liability;

– Non-life insurance;

– Insurance against fraud;

– Company Directors' civil liability;

– Transport insurance.

The Group has not made any significant claims on any of its insurance policies during the past three years.

4.7.2 Risk Management

4.7.2.1 Objectives, organization and function

Objectives

Risk control is carefully monitored by Group's senior management, with the close involvement of internal control. The Group's internal risk management and control systems are based on a combination of appropriate resources, procedures and actions intended to ensure that the necessary measures are adopted to allow the Group:

- to achieve its objectives, accomplish its missions and detect opportunities to develop its business, in compliance with its values, ethics and applicable laws and regulations; and

- to protect its main assets which form the basis of its business (tangible and intangible assets and, notably, its trademarks), to identify critical points and internal and external events and at-risk situations for the satisfactory conduct of its business.

Organizational framework

The Group's internal control and risk management process has been led since May 2015 by its Internal Control and Audit Department, which allows the Group, with its rapidly developing size and structure, to identify and prevent the risks that it may face. The Internal Control and Audit Department incorporates three functions: (i) risk management, (ii) internal control and (iii) internal audit.

The Internal Control and Audit Department reports to the Group's Director of Finance and Operations and may also report directly to the Group's Chief Executive Officer.

Internal control and risk management is the responsibility of the operational senior management of each Group entity, under the control of the Internal Control and Audit Department. Within each of these entities, the person responsible for risk management (generally the director or finance director) is responsible for verifying the satisfactory application of preventive procedures and the possibility of introducing new procedures that could, after examination by the Internal Audit and Control Department, be applied across the whole Group. The Internal Control and Audit Department plays a key role by establishing procedures applicable at the Group level (that is, with no distinction between the three brands) and defining the framework under which subsidiaries fulfill their responsibilities for internal control and risk management. It also coordinates the functioning of the overall system.

The internal control and risk management system

The Group's overall internal control and risk management system elaborated on the international "COSO" (Committee of Sponsoring Organizations of the Treadway Commission) framework and is based on several aspects, including:

- the control of operating risks;
- the management of the Group's overall risks at various levels (entities, functional departments and subsidiaries);
- the mapping of the major risks facing the Group;
- the oversight of the Group's internal control system;
- the ethics organizational structure and system; and
- the internal audit which, as an independent assurance function, evaluates the effectiveness and functioning of the overall system and reports to the various parties responsible for governance.

4.7.2.2 Operational risk management

Risk management relies on measures implemented by the Group to identify, analyze and control the risks to which it is exposed. The risk management system is subject to regular monitoring by senior management at the Group's operational entities, who report on risks to the Group Internal Control and Audit Department. The latter conducts the specific initiatives summarized below.

As part of the risk management procedure, the Group maps its main risks. The process for preparation and review of risk mapping, which was introduced in 2015 by the Group Internal Control and Audit Department, in particular with regard to the market listing of the Group's shares, identifies the main risks to which the Group is exposed and, for each risk, assesses its potential impact, the action plan in place and the personnel within the Group who are responsible for monitoring and associated controls.

The risk mapping is updated each year and allows the Group to define and follow up on the various specific action plans to reduce or control the risks identified. By way of illustration, the action plans and internal policies in place to manage the risks identified by the Group include the following:

- *Risks associated with the competitive environment*. In a highly competitive sector, due in particular to the development of e-commerce and constant changes in consumer trends and preferences, the Group seeks to be present in all possible marketing channels (i.e., physical (free-standing stores, concessions and factory outlets) and digital (its own or partner websites)), and closely monitors changes in the markets in which it operates, including its main competitors' product offerings. It also relies on the speed of its production cycle and logistics for rapid upstream marketing of products that satisfy the latest consumer taste trends.
- *Risks associated with economic conditions and their evolution*. To limit the negative impact of adverse economic conditions on its business, the Group's development is focused on two main areas: (i) continued expansion of its international presence, with a gradual reduction of its exposure to its historic market (Group net sales generated in France fell from 50% to 41% between 2015 and 2017) and (ii) retaining its positioning in the accessible luxury market segment, where demand is characterized by reduced sensitivity to economic cycles.
- *Risks associated with the increase in production costs.* The Group has a large range of products, which enables it to reduce its dependence on any specific product line. In addition, its policy of diversification and negotiation with its suppliers allows it to reduce its dependence on individual suppliers. The Group can also entirely or partially compensate an upward trend in production costs by a targeted increase of the sale price of finished products.
- *Risks associated with changes in consumer trends and preferences*. The Group markets two collections a year with products under three different brand names (Sandro – available in menswear (Sandro Homme) and womenswear (Sandro Femme), Maje and Claudie Pierlot) which represent distinctive styles. This diversity allows it to respond to differing consumer expectations and changes in these expectations. In addition, the Group is seeking to diversify its product range, including its line of clothing for men (Sandro Homme), its range of accessories and the use of e-commerce.
- *Risks associated with logistics and efficient order processing*. For efficient management of order processing, the Group relies on several logistics sites located in the Paris region (Vémars, Marly-la-Ville and Vatry), and a semi-automated order preparation system. Should this system fail, the Group can institute temporary manual order processing as a fall-back. In addition, the Group may make use of other carriers in the event of failure by one of the carriers with whom it usually works.
- *Risks associated with the Group's brand reputation, integrity and image*. The financial performance of the Group is closely linked to the success and reputation of its three brands, Sandro, Maje and Claudie Pierlot. The Group places particular importance on protecting its brands and controlling their use. It has filed for protection or restriction of the use of its trademarks in all countries where it wishes to protect its rights. In addition, it ensures that the image of its brands is directly controlled throughout the entire distribution network; for example, its partners and affiliates must adopt a concept for their points of sale that is identical to that of the Group's directly-operated points of sale (by implementing the recommendations in the Group's "concept book"). Lastly, the Group actively pursues a policy of judicial remedy against counterfeiting or, more generally, fraudulent use of its trademarks.

- *Risks associated with Group customer relations*. The Group has established a "personalized sales strategy" to ensure that customers are offered the products that best suit their needs. In addition, the Group's sales teams all benefit from a training program launched in 2013 which trains vendors in sales techniques, the fundamental aspects of luxury brands and customer assistance. Finally, the Group uses CRM[13] tools to promote customer loyalty and offer them attractive services.
- *Risks associated with the loss of key personnel*. The success of the Group is particularly linked to the performance of its management and creative teams, established around Daniel Lalonde and around Evelyne Chétrite and Judith Milgrom, the founders and Deputy Chief Executive Officers responsible for creating policy, design, art direction and marketing strategy of the Sandro and Maje brands, respectively, and Ylane Chétrite, Deputy Chief Executive Officer responsible for creating policy, design, art direction and marketing strategy of the Sandro Homme collections. To manage the risk related to a possible departure of one or more members of its team, the Group has, in recent years, sought to strengthen it progressively with the arrival of new talent, particularly from international luxury or mass market groups. This strengthening has involved both the creative activity and the operational departments (finance, brand management, North America and Asia management, e-commerce). As of the date of this registration document, the creative teams of the Sandro, Sandro Homme, Maje and Claudie Pierlot brands represent nearly one hundred designers, stylists and pattern makers.
- *Risks associated with dependence on certain suppliers*. For each brand, the Group's production teams ensure access to a panel of suppliers for each product line and diversification of suppliers' geographic locations. They identify new suppliers each year in order to avoid becoming dependent on particular suppliers.

4.7.2.3 Ethical organizational structure and system

Ethical practices and anti-corruption rules are key values and a major concern for the Group. The Group has established an ethics charter for certain of its suppliers, which it intends to circulate more widely in the future. In addition, it ensures that its partners (mainly its distributors and suppliers of goods or services) comply with its ethical and anti-corruption policies. By way of illustration, the specifications for suppliers expressly provide measures on compliance with ethical principles (anti-corruption and working conditions).

In addition, since 2014 the Group employs external service providers to audit various production sites and to ensure that they were in compliance with ethical requirements. Following Asia in 2014, the Group extended these audits to the EMEA region in 2015 and 2016. A new approach was adopted in 2017: suppliers were audited according to business line risk and no longer according to region.

A detailed description of the procedures implemented to ensure compliance with the provision of the Law of December 9, 2016 on transparency, the fight against corruption and the modernization of economic life, known as the "Sapin II Act" can be found in Section 5(b) of the Company's Corporate Social and Environmental Report.

[13] CRM stands for "Customer Relationship Management".

5. INFORMATION ABOUT THE GROUP

5.1 History and development

(a) Company name

As at the date of this registration document, the Company's name is "SMCP S.A.".

(b) Registration number and place of registration

The Company is registered in the Paris Trade and Companies register under number 819 816 943.

(c) Date of constitution and duration

The Company was registered on April 20, 2016. The duration of the Company is set at 99 years unless prematurely dissolved or extended by a collective decision of shareholders pursuant to law and the bylaws.

The Company's financial year starts on January 1 and ends on December 31 of each year. Exceptionally, the current financial year began on May 1, 2016 and ended on December 31, 2017.

(d) Registered office, legal status and applicable legislation

The Company's registered office is at 49, rue Etienne Marcel, 75001 Paris, France. The telephone number of the registered office is +(33)1 55 80 51 00.

As at the date of registration of this registration document, the Company is a public limited company (*société anonyme*) incorporated under French law.

(e) History of the Group

The Sandro brand was founded in 1984 by Évelyne Chétrite, and the Maje brand was founded in 1998 by Judith Milgrom, Évelyne Chétrite's sister.

Maje opened its first store in Paris in 2003, followed by Sandro in 2004.

In 2007, the Sandro Homme was created under the aegis of Ylane Chétrite, Évelyne Chétrite's son.

In 2008, the Group opened its 100th point of sale.

In 2009, the Group acquired the Claudie Pierlot brand.

In 2010, Groupe SMCP S.A.S. was founded by L Capital and Florac, which together held 50% of the capital and 51% of the voting rights, the balance being held by the founders and the managers.

In 2011, the Group launched the "Suite 341" multi-brand concept (see Section 6.5.4.3 of this registration document) and opened its first points of sale in the United States. It also opened its 500th point of sale.

In 2012, the Group opened its first points of sale in Asia (in Hong Kong), in co-operation with a local partner.

In 2013, KKR acquired approximately 70.2% of the Group's capital, with the managers and founders retaining approximately 29.8%. In the same year, the Group opened its first point of sale in mainland China (in Shanghai).

In 2014, the Group acquired its Hong Kong partner AZ Retail Ltd and continued its expansion in Asia.

In 2015, the Group opened its 1,000th point of sale.

In 2016, the Chinese group Shandong Ruyi, one of the largest textile manufacturers in China, acquired control of the Group from KKR.

In October 2017, in the context of a capital increase for a gross amount of approximately €120 million, the Company launched an IPO and its shares are now traded on compartment A of the Euronext Paris regulated market.

5.2 Capital expenditure

Capital expenditure on maintenance and infrastructures account for €67.9 million of sales excluding tax for the Group for the twenty-month financial year ended on December 31, 2017 (and amounted to €48.9 million for the 12-month period ended on December 31, 2017). Capital expenditure on infrastructure include shared infrastructure, logistics and digital technology (see Section 10.3.1 of this registration document). A detailed description of the Group's capital expenditure cash flow is set out in Sections 10.4.1.2 of this registration document.

(a) Investments made in 2016 and 2017.

During the 2016 and 2017 financial years, expansion of the Group's international presence (marked by the opening of numerous points of sale) contributed to the global growth of its business. The Group intends to continue this development, notably in Europe, Greater China[14] and the United States.

[14] Greater China includes mainland China, Hong Kong, Macao and Taiwan.

During the twelve-month period ended December 31, 2016 *pro forma*, the Group continued its international expansion, in particular by opening 42 points of sale (including partners) in the APAC region, including 22 in mainland China, 7 in Hong Kong, 7 in Australia and 7 in South Korea. In total, the Group opened 92 points of sale (excluding partnerships), of which 16 free-standing stores, 43 concessions, 9 affiliates and 14 factory outlets.

During the twelve-month period ended December 31, 2017, the Group opened 109 points of sale (including partnerships) and continued its expansion in the APAC zone with 50 openings of which 37 in mainland China and 10 in South Korea. The Group also opened 48 new points of sale in the EMEA zone. In total, the Group opened 72 points of sale (excluding partnerships), of which 36 free-standing stores, 21 concessions, and 7 factory outlets. In addition, the Group opened a third logistic site in Vatry (Paris region) in September 2017, which is dedicated to the storage of old collections of the Group's brands (see Section 6.5.6.2 of this registration document).

The table below sets out the net change by brand[15], in the number of free-standing stores and concessions (excluding partnerships, factory outlets, affiliates and Suite 341) opened by the Group in the twelve-month period ended December 31, 2016 and December 31, 2017:

Brands		**Number of free-standing stores and concessions opened during the period concerned (excluding partnerships, factory outlets, affiliates and Suite 341)**			
		Twelve-month period ended December 31, 2017	**% compared with previous period**	**Twelve-month period ended December 31, 2016**	**% compared with previous period**
Sandro	*Free-standing stores*	16	10.2%	9	6.1%
	Concessions	9	4.2%	9	4.3%
Maje	*Free-standing stores*	13	9.8%	5	3.9%
	Concessions	5	3.2%	11	7.7%
Claudie Pierlot	*Free-standing stores*	7	12.1%	3	5.5%
	Concessions	9	10.5%	16	22.9%
Total		**59**	**7.3%**	**53**	**7.1%**

15 The number of store closures (excluding relocation in the same city) represents on average fewer than 20 closures per year over the period.

The table below sets out the net change by geographic region, in the number of free-standing stores and corners in department stores (excluding partnerships, factory outlets, affiliates and Suite 341) opened by the Group in the twelve-month period ended December 31, 2016 and December 31, 2017:

Geographical segmentation		Number of free-standing stores and concessions opened during the period concerned (excluding partnerships, factory outlets, affiliates and Suite 341)			
		Twelve-month period ended December 31, 2017	**% compared with previous period**	**Twelve-month period ended December 31, 2016**	**% compared with previous period**
France	*Free-standing stores*	(4)	-2.3%	3	1.7%
	Concessions	(1)	-0.5%	-	0%
EMEA	*Free-standing stores*	11	12.2%	1	1.1%
	Corners	15	10.2%	25	20%
APAC	*Free-standing stores*	27	54.0%	13	35.1%
	Corners	10	31.3%	11	52.4%
Americas	*Free-standing stores*	2	6.5%	-	0%
	Corners	(1)	-1.1%	-	0%
Total		**59**	**7.3%**	**53**	**7.1%**

(b) Main future capital expenditure projects

The Group intends to continue to increase its presence in its six key markets of Greater China, the United Kingdom, Spain, Germany, Italy and the United States (see Section 6.3 of this registration document).

The information about the openings of free-standing stores and concessions envisaged in financial year 2018, is posted in Chapter 13 "Profit Objectives" of this registration document.

6. OVERVIEW OF THE GROUP'S ACTIVITIES

6.1 Overview

The Group is a fast-growing international apparel and accessories retail group. The Group's products are sold through a network of points of sale and websites under three brands: Sandro, Maje and Claudie Pierlot. The Group's product range is composed of on-trend and high-quality womenswear, menswear and accessories, offered at more accessible prices compared to luxury brands. As a cornerstone of the Group's business philosophy, the Group has implemented an execution model that blends the codes of luxury and fast fashion. The Group offers to its customers attributes associated with luxury, such as on-trend, high-quality products, high-end communication, premium store locations and a superior personalized shopping experience. In addition, inspired by fast fashion, the Group has established a short, reactive design-to-production cycle, with a continuous renewal of the products offered during the season and a proven retail model that can easily be rolled out internationally by the Group. The Group is also a retail "pure player" with a vertically-integrated and closely controlled distribution model (primarily through directly-operated points of sale).

The Group designs, markets and sells its products under the Sandro, Maje and Claudie Pierlot brands, catering to a broad audience mainly aged between 15 and 45 years old. The Group believes that its Parisian design is a natural source of inspiration and the cornerstone of the positioning of its three brands. The brands are complementary, each with its own distinct identity, allowing the Group to diversify its business activities while benefiting from a shared global platform and an optimized supply chain. The Group's creative approach is focused on capturing fashion trends and consumer preferences and interpreting them into high quality, accessible apparel and accessories with strong appeal while maintaining a strong attention to detail and craftsmanship, providing luxury, high value-added products.

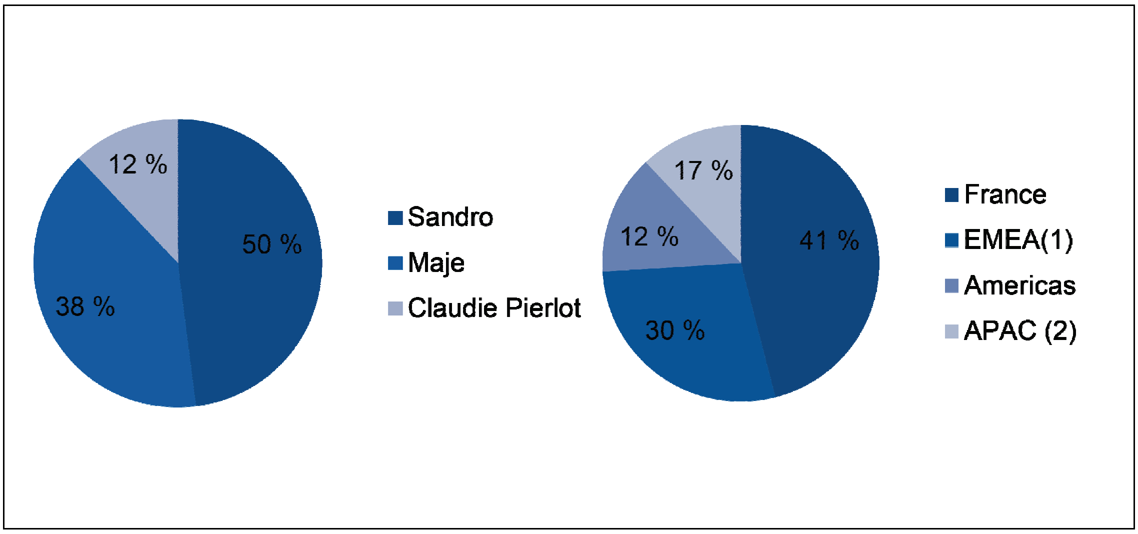
The Group's three brands can be characterized as follows:

- **Sandro**: Founded in 1984 by Evelyne Chétrite, this brand is targeted at sophisticated and self-confident women with a sleek, cool sense of style and a Parisian nonchalance. The brand also includes a men's line (Sandro Homme, launched in 2007 by Evelyne's son, Ylane Chétrite) that offers active and smart casual male attire for young professional men with a taste for elegance. Sandro is the Group's largest brand in terms of net sales with 593 points of sale worldwide as of December 31, 2017, of which 466 were directly operated.

- **Maje**: Maje has a bohemian chic positioning, targeting a feminine and young-at-heart and joie de vivre clientele. Founded in 1998 by Judith Milgrom, Maje is the Group's second largest brand in terms of net sales with 484 points of sale worldwide as of December 31, 2017, of which 367 were directly operated.

- **Claudie Pierlot**: Founded in 1984 by Claudie Pierlot, this brand is characterized as Parisian-preppy, wise and with a rebel touch. Claudie Pierlot is focused on a timeless, effortless style. The brand has experienced significant growth since its acquisition by the Group in 2009, with 209 points of sale worldwide as of December 31, 2017, of which 191 were directly operated.

The following charts present the breakdown by brand and by geography of the Group's net sales for the twelve-month period ended December 31, 2017:



[(1)] *The EMEA region consolidates the Group's business in Europe, other than France (mainly the United Kingdom, Spain, Germany, Switzerland, Italy and Russia), as well as the Middle East (notably the United Arab Emirates).*

[(2)] *The APAC region includes the Group's Asia-Pacific business (including mainland China, Hong Kong, South Korea, Singapore, Thailand and Australia).*

The Group has built a strong presence across key international fashion cities. In recent years, the Group has successfully expanded from its traditional base in France, in particular in the EMEA region where it has successfully won over new markets (431 points of sale as of December 31, 2017, excluding France, including partnerships) and in the Americas region since 2011 (155 points of sale as of December 31, 2017, including partnerships). The Group has also expanded its presence in the APAC region (271 points of sale as of December 31, 2017, including partnerships), particularly in mainland China where the Group opened directly-operated points of sale since 2013 (99 points of sale as of December 31, 2017). In the twelve-month period ended on December 31, 2017, the Group opened 50 new points of sale (including partnerships) in this region, with in particular 32 net openings in mainland China, 10 in South Korea, and 1 in Taiwan where the Group is now present through directly owned points of sale.

The Group operates on the basis of its ability to identify and negotiate for prime locations and through a vertically-integrated distribution model which is characterized by a combination of points of sale in premium high-street locations such as Rue Saint Honoré and Avenue des Champs-Elysées and in the shopping areas of the Marais in Paris, Soho in New York, Chelsea or Regent Street in London, Paseo de Gracia in Barcelona and via Manzoni in Milan, and concessions in leading positions in prestigious department stores such as Galeries Lafayette, Printemps and Le Bon Marché in France, Selfridges and Harrods in the United Kingdom, Bloomingdale's and Saks Fifth Avenue in the United States, El Corte Inglés in Spain, La Rinascente in Italy or in famous malls such as Shin Kong Place in mainland China and International Finance Center and Harbour City in Hong Kong. As of December 31, 2017, of the Group's 1,332 points of sale, 386 were free-standing stores and 501 were concessions, with the remainder being affiliates, factory outlets, directly-operated websites and partner-operated dedicated mono-branded stores. As of December 31, 2017, the Group sold its products through 87 websites in 15 countries, including 56 directly operated websites where its branded products can be purchased in the 11 countries where the Group operates and 31 partner websites in seven other countries.

Brick & mortar stores form the Group's primary communication channel. The Group maintains a distinct universe and sales environment for each of its brands. The Group has established a fully-assisted sales model, offering customers a personalized service and a luxury-like shopping experience. With typically only one size per item on display in stores, the Group places an emphasis on personalized advice rather than self-service. The number of sales people in each store is calibrated based on target store sales and store size to ensure optimal customer service. The Group carefully selects and trains its sales assistants through the SMCP School and has set up a performance-driven compensation structure incorporating a variable component based on sales objectives. The Group's sales network is based on a 360-degree marketing and communication strategy, which benefits from key influencers (such as bloggers and other fashion industry influencers), renowned photographers and the support of celebrities, enhancing the attractiveness of Group brands.

The Group has extended its points of sale network rapidly and efficiently with 107 net store openings per annum, on average, since end 2015 (including partner points of sale). The Group maintains strong discipline in the expansion of its network by imposing strict return on investment requirements for the new points of sale. To guarantee the flexibility and scalability of its retail model, the Group has developed a standardized model of points of sale for each brand, used primarily for sale and concessions in department stores. From time to time, the Group relies on strategic partnerships for the successful roll-out of its brands in new markets, while ensuring an identity that is consistent with the rest of its network (see Section 6.5.4 of this registration document).

While the Group has no in-house manufacturing, its operating model benefits from a short, reactive design-to-production cycle and a fully-integrated logistics platform and global supply chain. Each Group brand has a dedicated design team led by its founder and artistic director, with a structured design process based on robust collection planning and observations to capture the latest trends. The Group's procurement network includes strategic suppliers located in immediate geographical proximity with a diverse and responsive supplier base, mainly in Eastern and Southern Europe, North Africa and Asia. The Group's shared services platform contributes to economies of scale, particularly in the areas of real estate, store planning and architecture, finance, logistics, IT and human resources, for the benefit of all of its brands and regions worldwide.

In the twelve-month period ended December 31, 2017, the Group generated net sales of €912.4 million, adjusted EBITDA of €153.7 million and an adjusted EBITDA margin of 16.8%. In the twelve-month period ended December 31, 2017, and the twelve-month *pro forma* period ended December 31, 2016, the Group achieved net sales growth of 16% and 16.4% respectively. During the twenty-month financial year ended December 31, 2017, the Group generated sales of €1,136.5 million and adjusted EBITDA of €196.7 million. From 2015 to 2017, the Group increased its total net sales at a compound annual growth rate ("**CAGR**") of 16.2%. As of December 31, 2017, the Group had 1,332 points of sale (including partners) across 38 countries. The Group generates 59% of its net sales outside France, reflecting an increase in international net sales of 25.4% since 2015 (CAGR).

6.2 Strengths and competitive advantages

6.2.1 Three powerful brands offering on-trend, high-quality products with global appeal at attractive prices

Complementary brands with a distinct DNA

The Group's brands Sandro, Maje and Claudie Pierlot are three leading players within the apparel and accessories market, committed to providing customers with high-quality, on-trend products while maintaining attractive prices.

Each of the Group's brands has a strong heritage (34 years for Claudie Pierlot and Sandro and 20 years for Maje) based on distinct values and codes and a unique expression and identity: chic, sleek and cool for Sandro; bohemian chic for Maje; preppy-chic and romantic femininity for Claudie Pierlot.

These distinct identities make these brands complementary because each of them addresses a different consumer base. These three brands enable the Group to better penetrate a broad audience between 15 and 45 years old. The expression of each brand, with its individual identity and codes, is consistently present across the communication strategy of each brand through the press, social networks, blogs and its store concepts, which constitutes the first communication tool of the Group.

On-trend, high quality products with a global reputation at attractive price

The Group has dedicated in-house design teams for each of its brands, who design all of the products the Group sells in its stores, under the supervision of their respective artistic directors. These design teams identify the latest market trends and "*l'air du temps*" and interpret them through the codes and identity of each brand: sleek dresses, lace, silk, tailoring and coats for Sandro; lace and embroidery, technical innovative materials, knitwear and leather for Maje; and navy, Claudine collar, preppy touch and bows for Claudie Pierlot. In addition to the iconic product categories that are specific to each brand, the Group also aims to consistently imbue novelties in its collections, thereby adding an element of discovery to the shopping experience.

The Group also offers limited edition capsule collections and engages in exclusive product collaborations, such as when Sandro joined forces with the shoe brand Superga, or the collaboration between Claudie Pierlot and the iconic French perfume brand Annick Goutal.

The Group's products are high-quality items revealing a strong attention to detail and craftsmanship. The quality of the Group's products is the key element of its value proposition, as illustrated by their finishing touches and a mix of high quality manufacturing and advanced assembly techniques, while also maintaining attractive prices and ensuring profitable collections for the Group.

Global appeal supported by leading presence in fashion capitals

The Group has built a global presence across key international fashion cities, from Paris to Los Angeles, London, New York, Shanghai, Dubai and Milan, where its brands have strong appeal and benefit from the flow of global tourism. The Group's free-standing stores are often located in premium high-street locations such as Rue Saint Honoré or Avenue des Champs-Élysées in Paris and in commercial thoroughfares such as Le Marais in Paris, Soho in New York, Chelsea or Regent Street in London, Paseo de Gracia in Barcelona and via Manzoni in Milan, and leading positions in prestigious department stores such as Galeries Lafayette, Printemps and Le Bon Marché in France, Selfridges and Harrods in the United Kingdom, Bloomingdale's and Saks Fifth Avenue in the United States, El Corte Inglés in Spain, La Rinascente in Italy, and in reputable shopping malls such as Finance Center and Harbour City in Hong Kong.

The Group also benefits from key influencers (such as bloggers and VIPs) who spontaneously choose its products, building awareness. The best-selling products are generally consistent across the markets where the Group operates, illustrating the global appeal of the Group's brands. By way of illustration, around two-thirds of the best-selling products of Sandro's women's collections are the same across the various geographic regions where the brand operates.

6.2.2 Broad and growing addressable market[16]

A global and sizable market segment with resilient growth in recent years

The global ready-to-wear clothes and accessories market, valued at approximately €1,800 billion in 2016 (of which €1,100 billion ready-to-wear clothes and €700 billion accessories), covers both mature and emerging economies with key markets in Asia-Pacific region (37%), in Europe (22%), in the Americas (23%) and in the rest of the world (17%). These markets have experienced continued and steady growth in recent years, increasing at a CAGR of 4.3% between 2012 and 2016.

The Group believes that in the next four years, the ready-to-wear clothes and accessories market will continue to grow at an estimated CAGR of 4.1% from 2016 to 2021, with the

[16] The information contained in this Section on markets, and particularly on the outlook for their size and growth, is principally drawn from third-party sources referenced in Chapter 23 of this registration document.

ready-to-wear clothes market growing at a CAGR of 3.5% and the accessories market growing at a CAGR of 5%.

Strong growth dynamics supported by structural consumer trends

This growth is driven by several favorable structural consumer-based trends.

In terms of market fundamentals, consumers are purchasing more and more apparel and accessories. Furthermore, the growth of the apparel clothes and accessories market is supported by an emerging urban middle class which is aspiring toward attractive, high-end apparel clothes and accessories and is receptive to the values that the Group's products convey and the Group's positioning. Lastly, demand in mature markets is being boosted by the growth in global tourism, with significant potential to build awareness and renown of the ready-to-wear clothes and accessories brands.

Consumer trends reshaping the market

Current global consumer trends are deeply influencing the apparel clothes and accessories market. By way of illustration, consumers are showing an increasing preference for mixing and matching products across segments (mix and match).

Consumers are also adopting a "smart consumption" mindset for their clothing purchases, giving importance to factors such as the price of a product and the number of times it can be worn.

Consumers of apparel clothes and accessories are increasingly seeking newness. Finally, consumers are aspiring to a real omni-channel experience, combining research on the Internet, social networks, blogs with in-store purchases.

A unique capacity to attract consumers from both the luxury and fast fashion segments

The Group's positioning between luxury and fast fashion makes it possible to capture the customer base from each of these markets. By combining the codes of both luxury and fast fashion, the Group is able to respond to the new consumer trends that characterize the ready-to-wear clothes and accessories market. As a result, the Group's products capture the entire spectrum of the apparel clothes and accessories market.

6.2.3 Unique and proven execution model of retail pure player that blends the codes of luxury and fast fashion

The Group follows the codes of the luxury industry

In-house creative studios fully internalized for every brand

The Group's in-house creative capabilities are led by independent artistic directors for each brand and are supported by talented, experienced teams of designers and model-makers based in their own studios located in Paris. As a result, each brand has its own creative team with a deep bench of creative talent composed of designers, stylists and modelers.

The Group's creative process captures the "*air du temps*", incorporating travel references, trends, colors, and the techniques and synthesis of the latest fashion shows articulated through brand-specific mood boards

A high-end image through a dedicated communication strategy

The Group has adopted a strategy for its brands that projects a high-end image through communication campaigns supported by well-known photographers and models for each collection. Furthermore, the communication campaigns of each brand are presented on multiple media, including photo shoots and films, events and announcements, billboards, collaborations, advertisements in the press and digital initiatives. For example, Sandro's Spring/Summer 2017 video campaign offered a cinematographic story in a Parisian setting.

In addition to that, the Group deploys its store concepts in every country where it operates. The Group's stores are the principal communication tool for promoting its high-end image. (Special in-store events allow the Group to ensure proximity to its clientele and enhance the customer's experience for each of its brands.)

The same applies to the brand's websites that support its high-end communication standards and offers to customers an enjoyable purchasing experience. The Group is placing an increased focus on digital communication, through initiatives such as targeted web advertising and online video campaigns, further supporting its brands' unique positioning. A strong presence on social media platforms and dedicated fashion websites also helps further consolidate awareness of the Group's brands and build the brand image.

A global footprint with high-quality locations in key fashion capitals

The Group has a global network of 1,332 points of sale located in major fashion capitals (including Paris, Los Angeles, London, New York, Shanghai, Dubai and Milan). The Group's retail stores are often located in premium high-street locations such as Rue Saint Honoré or Avenue des Champs-Élysées in Paris and in commercial thoroughfares such as Le Marais in Paris, Soho in New York, Chelsea or Regent Street in London, Paseo de Gracia in Barcelona and via Manzoni in Milan, and leading positions in prestigious department stores such as Galeries Lafayette, Printemps and Le Bon Marché in France, Selfridges and Harrods in the United Kingdom, Bloomingdale's and Saks Fifth Avenue in the United States, El Corte Inglés in Spain, La Rinascente in Italy, and in reputable shopping malls such as Finance Center and Harbour City in Hong Kong.

Enhanced customer experience personalized service

The Group's network of stores enables customers to develop a strong personal connection with customers through personalized assistance that is cultivated by a carefully selected and trained sales assistants that is passionate about fashion. The Group's visual merchandising strategy supports the brand narrative in their storytelling. To enhance this personal relationship, there is only one size per item on display and no mirrors in the fitting rooms, encouraging dialogue with the sales assistants. Styling advice is also offered by sales assistants, who act as brand ambassadors.

The Group believes that its multilingual sales force creates a welcoming and unparalleled shopping experience for international customers. The Group's points of sale have a well-organized and incentivized in-store sales assistants, backed by close monitoring and performance-based compensation for sales assistants and managers. The Group's sales force, store managers and regional heads receive dedicated training through the SMCP School, created in 2013 and currently based in France, in the United States and in Asia. For example in 2017, the Group trained more than 970 employees and provided more than 17,700 hours of training across the globe.

The Group blends the codes and methods of fast fashion

Rapid product cycle from design to store

The Group's in-house design, sourcing and procurement processes are highly coordinated allowing delivery of new products to stores within 100 to 120 days, a production model similar to fast fashion brands, which have a very short (35 to 40 days) period between creation and production ("design to store") is. As a result, the Group's procurement lead and creation time is much lower than those observed in the luxury sector (with an average delay of 365 days). This allows the brands of the Group to incorporate the fashion trends.

Agile sourcing and a diversified supplier base

The Group's agile sourcing and diversified supplier and manufacturer base provides a highly flexible design and production calendar. The Group operates through a diversified base of more than 600 suppliers, with the 10 largest suppliers representing approximately 22% of the total supply. The geographic proximity of part of the supply base (the Group's production is balanced between the Europe and APAC regions) leads to shorter delivery times. Furthermore, the Group's carefully selected partners deliver reliable and high-quality products. The Group sources a mix of finished and cut and make goods, buying fabrics and outsourcing production. This allocation enables the Group to be much more reactive in case of replenishment because the production of assembled goods can be launched very quickly.

Given its vertically integrated approach, the Group benefits from a rapid replenishment cycle and optimized inventory levels. The Group's collection planning process enables it to anticipate raw material needs, while its strong relationships with suppliers provide flexibility to pre-book capacities and pre-order raw materials. The presentations of the collections upstream (to the press, partners and store managers), timely feedback from retail stores and the Group's optimized inventory management allow it to quickly identify the best sellers and rapidly replenish retail stores with best-selling items within four to nine weeks.

A global logistics platform enabling constant replenishment

The Group's operating model benefits from a fully-integrated global platform and supply chain. The Group's IT systems operate across all of its brands and facilitate the replenishment cycle and inventory management (see Section 6.5.6.1 of this registration document). These systems also allow the Group to measure store performance and integrate best practices across its retail network. The Group's recent investments in shared infrastructure and global platforms have geared the business to support strong future growth. Finally, the Group's warehouses close to Charles de Gaulle airport, Marly-la-Ville and Vémars (which are fully automated), Vatry (opened in September 2017), as well as warehousing and logistics capabilities in New Jersey and Shanghai, allow for flexible and responsive logistics worldwide. Able to replenish stocks in less than two days in Europe, within four days in North America (East coast), the Group can maintain low inventories in its stores and thus optimize dedicated sales space.

A collection plan framing the design process

A collection plan based on efficient and reactive purchasing and supply procedures frames the design process of the Group. The eight new collections per year (two per brand, including Sandro Homme) represent an average of 450 to 500 SKUs per collection. The Group's collection plan defines a target number of SKUs by product category (particularly in terms of colours, textiles, prices and occasions to wear the garment) to ensure a balanced offering, while price and margin objectives are taken into account from the beginning of the process. The creative teams also take into account a series of factors, including historical performance of certain products, store feedback, previous collections best-sellers and analysis of competitors' practices.

Continued newness driving high traffic in stores

The capacity to produce newness is a key element of the Group's production strategy. To that end, new creations are developed all year long, allowing constant renewal of products in the Group's points of sale. Furthermore, the implementation of each collection, with 12 deliveries (drops) per collection and 25 new products on average per week in each store, as well as periodic new "capsule" collections, allow the Group to consistently drive sales intensity through repeat customer visits to stores. Furthermore, a reinterpretation of each brand's best sellers is commercialized with every new collection.

A scalable retail model and a disciplined approach to opening new points of sale

The Group has been able to grow its distribution network quickly and efficiently, while observing a disciplined expansion strategy, with a track record of 107 net points of sale openings per year on average since 2015 (including partner stores) and an average execution time of two months to open a new store. The reduced execution time and standardized concept for each brand limits the capital expenditure required to support and expand the Group's network. The optimization of capital expenditure and the short ramp-up period for points of sale allow the Group to realize a short payback period (measured by dividing capital expenditure by a point of sale's profitability before allocation of selling, general and administrative expenses).

The Group is rigorous in its approach to expansion, and it often delays opening new stores until its preferred location becomes available at a cost and on terms that are satisfactory to it. This approach has allowed the Group to rapidly expand its international network without sacrificing its rigorous return on investment metrics.

Retail pure player

A fully-integrated distribution network

The Group operates as a retail pure player[17] in the apparel clothes and accessories market, with full control over its distribution process, brand image and commercial strategy. This model enables the Group to ensure a consistent customer experience across its retail network with stores located in major fashion capitals around the world (including Paris, Los Angeles, London, New York, Shanghai, Dubai and Milan). This strategy was adopted by the Group since the early 2000s as it gradually abandoned its wholesale business. This distribution network includes:

- free-standing stores, consisting of points of sale exclusively dedicated to the Group's brands in prestigious locations and shopping malls, representing 513[18] points of sale and 47.2%[19] of the total net sales for 2017;
- concessions (corners) for each brand in prestigious department stores, representing 501 points of sale and 35.5% of the total net sales for 2017;
- e-commerce websites (including digital partnerships), representing 87 points of sale and 12.1% of the total net sales for 2017;
- partnerships (excluding digital partnerships), representing 231 points of sale and 5.2% of the total net sales in 2017.

The Group's network of free-standing stores and concessions allows direct control over key elements of its strategy, such as pricing, purchasing, sales force, image and communication. The Group believes that this approach is one of the key factors that enabled the Group to reach a gross margin of 77% during the twelve-month period ended December 31, 2017. In addition, a balance of fixed and variable rents resulting from a mix of free-standing stores and department store concessions further supports the Group's margins. In addition to its directly operated network, the Group employs a partnership model to expand into select high-potential markets. This approach allows it to move into attractive markets in certain countries that present specific local regulatory constraints or higher operational risk. Lastly, as at December 31, 2017, only 5% of the Group's points of sale are factory outlets, directly operated by the Group.

The Group also seeks to ensure a real proximity to customers by leveraging its CRM[20] capabilities. These tools contributed to the constitution of a multi-channel client data base

[17] For the twelve-month period ended on December 31, 2017, only 6.4% of the Group net sales were made through retail partnerships and 1.14% through digital partnership "pure players", the rest being made through retail sales.

[18] Including affiliates and factory outlets.

[19] Including affiliates and factory outlets.

unique to the three brands of the Group of approximately 5 million customers in 2017 and a strong growth of 30%. This enables the Group to launch targeted and regular communication campaigns through postal channel, e-mail or mobile phone in order to increase the loyalty of its clients. The Group sets up an efficient and targeted communication strategy by using clients' segmentation. Periodical newsletters presenting the new collections of each brand and exclusive events also reinforce the proximity with customers.

Excellence in retail network management

The Group believes that it has achieved a high level of excellence in managing its retail network which contributes the increase in sales in its stores. The average basket is made up of 1.5 products with an average ticket of €255 per purchase. Approximately half of all sales are made without any discount, demonstrating the attractiveness of the Group's products to its customers.

The Group's directly operated points of sale are characterized by a relatively compact surface area (80 to 100 square meters on average per free-standing store and 40 to 50 square meters on average per concession), resulting in strong operational KPIs. By way of illustration, the Group considers itself above market average in terms of net sales per square meter of a point of sale, with net sales of approximately €14 thousand per square meter in 2017. The Group's strong payback rate (defined as the ratio of investment to the direct costs margin) highlights the success of its international roll-out strategy and its disciplined approach to capital expenditure for its points of sale.

6.2.4 Track record of delivering profitable growth

The Group has demonstrated its ability to grow its business, not just in size but also in terms of margins and profitability.

Between 2015 and 2017, the Group's net sales thus increased from €675.4 million to €912.4 million, representing CAGR of 16.2%, reflecting a mix of organic growth and new point of sale openings. Like-for-like growth in net sales was 7.8% for 2017 and 7.1% for 2016. The Group also expanded its point of sale network significantly over the same period, with approximately 107 net openings per year on average since 2015, with total points of sale increasing from 1,118 as of December 31, 2015 to 1,332 as of December 31, 2017.

The Group's adjusted EBITDA increased from €106.5 million in 2015 to €153.7 million in 2017, representing a CAGR of 20.1% driven by solid organic growth and new store openings. For the twelve-month period ended December 31, 2017, the Group further demonstrated its ability to deliver profitable growth through a significant expansion of its network reaching 1,332 points of sale in 38 countries as of December 31, 2017, achieving net sales growth of 16%, and an adjusted EBITDA margin of 16.8% (compared to 16.4% for the twelve-month period ended December 31, 2016), benefiting from the investments made in 2016.

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[20] CRM stands for "Customer Relationship Management".

6.2.5 Strong management team and a well-structured organization to drive future growth

The Group has an experienced management team led by Daniel Lalonde, and supported by artistic directors Evelyne Chétrite, founder of Sandro, Judith Milgrom, founder of Maje, and Ylane Chétrite, founder of Sandro Homme. Daniel Lalonde has over 25 years of experience in international luxury and retail, having held senior executive positions at Ralph Lauren, LVMH and Nespresso. This senior management team is supported by a talented team of second-line managers. Each of the Group's brands and core regions is headed by a managing director with an average of over 20 years of industry experience. The Group's senior management team has significant experience in both the luxury segment and major fast fashion groups, and it has achieved stability in key functions supporting its commercial, product and purchasing activities. In recent years, the Group's senior management team has been responsible for successful international expansion and net sales growth in a challenging macro-economic environment. The Group has a strong team and has recently strengthened the organization by adding new talent to its senior management team (notably within finance and operations management and the digital team) to support the Group as it enters the years of growth and a new phase of development, with the aim of becoming a global leader in the accessible luxury segment. Finally, the Group's artistic directors and senior managers are also shareholders of the Company (see Chapter 18 "Principal Shareholders" of this registration document), contributing to an alignment of interests in the Group's future growth.

6.3 Strategy

The Group's objective is to become a leader in the global market of apparel clothes and accessories, by spreading the Parisian chic style across the world. The three main pillars of the Group's strategy include driving organic growth, gaining market share in France and developing key international markets such as Greater China[21], the United Kingdom, Spain, Germany, Italy and North America.

6.3.1 Driving organic growth by further building on its core business, growing digital, developing men's and expanding accessories

Continuing to build on the Group's core business

In the ready-to-wear category, the Group will continue to create desirable and innovative collections that capture the Paris fashion trends, while remaining in its current core market price range. The Group also intends to continue improving its points of sale's attractiveness in order to enrich the customer experience. In addition, the Group intends to strengthen the reputation of its brands through marketing initiatives, including those with trendsetters. Finally, the Group aims to increase its customer base and its loyalty.

[21] Greater China includes mainland China, Hong Kong, Macao and Taiwan.

Growing digital

The Group has experienced rapid growth in online sales in recent years, with e-commerce sales representing 12.1% of total net sales for the twelve-month period ended December 31, 2017 against 6.2% in 2015. Between 2015 and 2017, the Group went from 60 to 87 points of sale in 15 countries. Furthermore, the online sales of the Group have grown significantly, from €41.9 million in 2015 to €110.1 million in 2017.

The Group directly controls the majority of its digital points of sale. The contribution of the Brand websites to the Group's digital sales remained stable in 2017 versus 2016 at 62%. The Group also capitalizes on a well-invested organization to support its digital strategy and notably on high-caliber professionals and one digital platform.

To capture the digital potential, the Group intends to continue to expand its international digital presence. The Group has opened its own e-commerce websites in China for the Sandro and Maje brands.

The Group also plans to continue investing in customer experience, by shortening delivery delays, proposing new delivery options and increasing the quality of packaging for online orders. Furthermore, the Group plans to develop a "premium" customer service through a new digital marketing and customer service platform.

Moreover, to develop its brands content, the Group intends to increase its brands' digital communication (for example using videos and emphasizing the story of each brand) and increase the traffic generated towards its websites. The Group also plans to involve customers in the marketing of the brands (through its presence on social networks) and to increase the attractivity of its brands.

Today omni-channel customers represent only a limited portion of the Group's clients, but they spend twice as much as other customers. Given this and thanks to its "pure player" strategy, the Group intends to continue supporting its brands via omni-channel services, such as online product reservations, "click and collect" and store locators.

Tap the potential of the menswear sector

The Group believes there is a potential for additional growth in the menswear sector, which represented €85.7 million in net sales in 2017 against €59.1 million in 2015, from its Sandro Homme line, offered in 102 points of sale dedicated to the brand (mainly in France), 125 unisex points of sale and 25 online stores. Sales of menswear have shown solid growth in recent years, and the global men's apparel market is expected to continue to expand. The Group intends to develop its menswear offering based on the "urban chic" style, which has experienced a great success. The Group also plans to expand the presence of Sandro Homme through new store concepts and formats better suited to male customers, in dedicated or unisex points of sale where they can benefit from tailored styling advice. The Group intends to continue to develop a specific marketing plan dedicated to its menswear line, notably through targeted events, social media and partnerships with leading influencers.

Developing the accessories activity

Accessories represent a large and growing portion of the market. The Group's current accessories offering represented 7.4% of the Group's net sales in 2017, compared to 7.2% in 2016 and 5.9% in 2015. The Group's net sales from accessories increased by 29.5% between 2015 and 2017 from €40 million in 2015 to €67.1 million in 2017. The Group considers that there is a significant growth potential in this segment. The Group also intends to complement its accessories offering by developing a range of products in key categories such as shoes and leather goods, while retaining its unique DNA. To this end, the Group signed a partnership agreement with Mondoticca, a major player in the optical market, in order to create a sunglasses collection under the Sandro and Maje brands from the first quarter of 2018. In order to improve the client experience in its points of sale, the Group is deploying spaces dedicated to accessories, and corners dedicated to accessories in select department stores, while ensuring that the accessories offering is promoted through communication campaigns and media events with leading influencers.

6.3.2 Gaining market share in France

As of the date of this registration document, France continues to be the Group's primary market with 153 points of sale in the Paris region, 312 points of sale outside the Paris region and 10 online stores[22] as at December 31, 2017. The Group has a balanced distribution network in France, with 187 points of sale for Sandro, 132 points of sale for Maje, 110 points of sale for Claudie Pierlot, 46 points of sale for "Suite 341" and an extensive distribution system (175 free-standing stores, 208 concessions, 21 factory outlets, 61 affiliates and 10 online stores[23]).

Historically, the Group's net sales growth in France has outperformed the market, with growth of 3.3% in 2017 and 9.0% in 2016. In this context, the Group intends to gain additional market share by creating desirable collections and a high-quality customer experience.

The Group intends to continue to optimize its points of sale network by opening and closing a limited number of stores, (mainly for the Claudie Pierlot brand). The Group also plans to renovate existing points of sale, relocate some of them, and increase their sales surface. Furthermore, the Group intends to further pursue its omni-channel strategy, increase its presence in the menswear sector and to develop its accessories activity. Moreover, the Group intends to benefit from the renewed confidence of French consumers and the favorable tourism trends in France.

6.3.3 Increase the Group's international footprint in key markets

Given the increasing worldwide demand for the Group's products, targeted international expansion in key markets represents a particularly attractive growth opportunity. The Group has a proven track record of disciplined growth in multiple international markets including Asia, Europe and the United States

[22] Including brand websites run directly by the Group and by partners.

[23] Including brand websites run directly by the Group and by partners.

The Group intends to continue its growth in the major capitals and cities, including in Asia (particularly Greater China[24]), in Western Europe, in the Middle East and in North America, in order to reinforce its presence in the apparel clothes and accessories market and grow the reputation of its brands in key markets. In 2015, the French market represented 50% of the Group's net sales, compared to 41% in 2017, which shows the dynamism of the Group's international expansion.

The Group's objective is to increase its penetration in its existing geographies, either directly or, where appropriate, through strategic partners. The Group intends to continue building its presence directly in six key markets: Greater China, the United Kingdom, Spain, Germany, Italy and North America.

The Group benefits from a strong growth potential in Greater China, where its three brands show great attractiveness (being ranked as the most attractive brands for Greater China's consumers). The Group's brands are present in 21 cities in Greater China in premium locations where the profitability is overperforming the average profitability of the Group's points of sale. To this extent, the Group intends to continue the development of its points of sale in this geographic region, to develop its digital activities and the reputation of its brands.

In Western Europe, the Group gears its development on four key markets: United Kingdom, Spain, Germany and Italy, where it benefits from strong development potential especially in large cities such as London, Barcelona, Milan, Rome, Munich and Frankfurt.

The Group also intends to expand its points of sale network in North America, which currently consists of 99 concessions (including partnerships) and 33 free-standing stores located in premium locations. To this regard, the Group plans to develop its points of sale network in selected locations, to reinforce its brands reputation and increase its online presence.

At the same time, the Group plans to expand its footprint in South Korea, the Middle East and Australia through existing key partnerships, as well as developing its presence in new markets, such as Japan.

The Group is also evaluating opportunistic acquisitions of small and medium-sized companies, on the luxury market accessible in complementary market segments, with a focus however, on organic growth.

6.4 Presentation of markets and competitive positioning[25]

The Group is a fast-growing international apparel and accessories retail player. The Group operates in 38 countries spread in Europe, the Americas, Asia and the Middle East. During the twelve-month period ended December 31, 2017, 41% of the Group's net sales were generated in France, 30% in the EMEA region, 17% in APAC and 12.0% in America.

[24] Greater China includes mainland China, Hong Kong, Macao and Taiwan.

[25] The information, contained in this Section relating to markets, and particularly their size and growth opportunities, is principally drawn from third party sources referenced in Chapter 23 of this registration document.

6.4.1 Apparel and accessories: a large and growing addressable market

The global apparel and accessories market was valued at approximately €1,786 billion in 2016. This market has experienced continued and steady growth over recent years, increasing at a CAGR of 4.3% between 2012 and 2016, as its size increased by more than €276 billion, from approximately €1,510 billion in 2012 to approximately €1,786 billion in 2016. Apparel was valued at approximately €1,098 billion in 2016 (representing an increase of more than €155 billion between 2012 and 2016) while accessories market was valued at approximately €688 billion (representing an increase of more than €121 billion between 2012 and 2016).

In 2016, the apparel and accessories market growth was generated by approximately 37% from Asia-Pacific region, 23% from North America and 22% from Western Europe. The women's market accounts to around 53% of the apparel and accessories market and the men's market accounts to around 35%. In 2016, the size of the men's market was about €378 billion and is forecast to increase by 3% per annum by 2021.

During the 2016-2021 period, the apparel and accessories market size is expected to increase to around 4.1% per annum (representing an increase on a comparable basis at constant exchange rate of approximately 3.5% for the ready-to-wear market and about 5% for the accessories market). Growth per region should remain stable in line with the previous period, except for the Asia-Pacific region which is expected to grow at a CAGR of around 4.6%, while Western Europe is expected to grow at a CAGR of around 1.5% for the period.

6.4.2 Growth drivers in the apparel and accessories market

The strong growth in the apparel and accessories market observed in recent years is the result of the increase of the consumers' budget allocated to apparel and accessories purchases, the emerging urban middle class and the growth of the global tourism.

Consumers allocating more to apparel and accessories

Consumers have been allocating more to apparel and accessories during the last years. The apparel and accessories market growth faster than the global gross domestic product (GDP). As a consequence, the growth of the market is estimated at 4.1% per annum by 2021 outperforming the growth of the global gross domestic product, estimated at 2.2% per annum by 2021.

Emerging urban middle class

The apparel and accessories market addressable customer base has grown significantly over recent years; this trend is expected to continue in the future given the rise of urban middle class worldwide (a growth estimated at more than 1.9 billion people and estimated to reach approximately 3.6 billion of people by 2030). By way of illustration, the growth of the Chinese urban middle class having an income of more than €45,000 per annum, is valued at 8.6% per annum by 2030.

The growth of international tourism

In addition, the apparel and accessories market is benefiting from the strong growth of international tourism allowing the increase of the purchasing opportunities, tourists tending to spend more when they are traveling abroad than on their domestic market. By way of illustration, the number of tourists could increase worldwide by approximately 4.2% per annum by 2020. In addition, tourists' spending budget on trips is generally high; it is expected to increase at the global scale by 6.9% per annum by 2020 to reach approximately €252 billion in 2020, compared to approximately €180 billion in 2015.

6.4.3 Fundamental changes in consumers behaviors

Consumers are increasingly adopting a "smart consumption" mindset for their purchases, focusing on factors such as value per wear. This favors products at more attractive prices that can be worn on multiple occasions and seasons.

In addition, consumers from apparel and accessories market are increasingly favouring "mix and match", wearing products belonging to very distant price ranges. Indeed, the historic clientele of the luxury segment is seeking quality products at more attractive prices; combining, for example, a luxury brand handbag with an elegant Sandro dress. In addition, products of the Group's brands are also purchased by the mass-market customers for special occasions.

Finally, the omni-channel experience has become key to consumers, with purchases strongly influenced by digital (by way of illustration, 61% of the consumers confirm digital has influenced their last 4 purchases and 40% of the consumers consider that social media and online blogs impact their purchase decisions). Finally, consumers in the ready-to-wear and accessories market are constantly seeking newness in terms of brand's products and content.

6.4.4 Competitive brands attracting consumers from all segments of the ready-to-wear and accessories market

The Group's brands occupy a central position in the ready-to-wear and accessories market. Global players operating in this market include the English companies Ted Baker and Burberry, the U.S. companies Tory Burch, Theory and Marc Jacobs, the Italian companies Max&Co and Moncler or the Spanish Zara. The Group's position attracts consumers from all segments of the market.

The Group is firmly established in the principal world capitals and generated 59% of its net sales out of France during the twelve-month period ended December 31, 2017, compared to 53.6% during the twelve-month period *pro forma* ended December 31, 2016, and 50.4% during the twelve-month period ended December 31, 2015. It intends to further increase its international presence over the next few years, with the aim of becoming one of the leaders in the ready-to-wear and accessories market.

The Group considers that it boasts a very positive image globally, thanks to the desirability its Sandro and Maje brands in particular. By way of illustration, a survey conducted by the Group in 2017 indicated that the Sandro brand was the most attractive brand in China and the United

Kingdom, Maje is the leading brand in the United States and Sandro Homme is the most attractive brand in Greater China, in the United States and in the United Kingdom.

6.5 Overview of the Group's core business

6.5.1 Group products and brands

The Group is structured around its three highly-recognized brands, each with its own identity and dedicated design teams: Sandro (including Sandro Homme), Maje and Claudie Pierlot. These three complementary brands allow the Group to achieve better penetration in its markets by addressing different customer profiles with appropriate product ranges.

6.5.1.1 Sandro

- History of the brand

  The Sandro brand was created in 1984 by Evelyne Chétrite, who is currently its artistic director. Initially exclusively addressed to women, Sandro launched a men's line in 2007 with the creation of Sandro Homme by Ylane Chétrite, the son of Evelyne Chétrite and currently the brand's artistic director.

- Style and target profile

  Sandro brand products are sober and chic yet informal — combining the demand for elegance with a degree of Parisian nonchalance. Sandro products are for busy customers with a taste for contemporary, elegant clothes.

- Product offering

  Sandro's iconic products are sophisticated woven dresses, tops in silk, lacy clothes, suits and coats for women, and suits and outdoor clothing for men. For its women customers, the Sandro brand offers all types of womenswear (coats, blazers, jackets, dresses, blouses, trousers, skirts, shorts, jeans, t-shirts, pullovers and cardigans) as well as footwear, bags and other accessories (including belts, hats and gloves). For its male customers, Sandro Homme also offers all types of menswear (blazers, jackets, trench coats, overcoats, leatherwear, suits and tuxedos, trousers and shorts, shirts, jeans, t-shirts, polo shirts, pullovers and cardigans), footwear and accessories (including bags, ties, bow ties, gloves and hats).

  In addition to its two main annual collections, the brand also offers "capsule" [26] collections to diversify its product range (for Christmas/New Year or the Spring Summer pre-collection, for example). By way of illustration, in 2016 the Sandro brand collaborated with the footwear brand Superga.

[26] "Capsule" collections are composed of a limited number of products and are on sale for a shorter period than seasonal collections.

- Geographic locations

The first Sandro store opened in 2004 in the Marais quarter of Paris. As of December 31, 2017, the brand had 593 points of sale[27] in 38 countries (compared with 31 countries in 2015), with 187 of them in France and 406 abroad. In total, 341 points of sale were for womenswear, 114 for menswear ("Sandro Homme" points of sale) and 138 were for unisex (Sandro and Sandro Homme). The points of sale are located in the capitals and major cities of the countries where the Brand is present (Paris and the other main French cities, London, Madrid, Barcelona, Berlin, Rome, Milan, Zurich, Geneva, New York, Shanghai, Beijing, Hong Kong, Dubai, Seoul, Moscow and Sydney).

Sandro points of sale are characterized by a limestone fascia incorporating the brand name in black letters. The interior is furnished with parquet floors, Carrara marble, embedded lighting and vintage furniture.

The following table shows the breakdown of Sandro points of sale by country as of December 31, 2017:

[27] The brand's points of sale include directly-operated and partner-operated stores, concessions, factory outlets and e-commerce platforms.

Country	Total number of points of sale	of which are Sandro Femme	of which are Sandro Homme	of which are mixed[(1)]
France	**187**	**91**	**57**	**39**
United Kingdom	31	20	7	4
Spain	26	16	2	8
Germany	22	10	8	4
Switzerland	19	15	1	3
Italy	17	10	1	6
Russia	9	9	-	-
United Arab Emirates	10	6	1	3
Netherlands	10	5	3	2
Turkey	9	6	2	1
Belgium	6	3	-	3
Ireland	4	4	-	-
Lebanon	5	3	2	-
Saudi Arabia	3	2	-	1
Austria	2	1	1	-
Kazakhstan	2	1	-	1
Norway	2	2	-	-
Portugal	2	2	-	-
Kuwait	1	1	-	-
Latvia	1	-	-	1
Luxembourg	1	-	-	1
Morocco	1	1	-	-
Sweden	1	1	-	-
Ukraine	1	-	-	1
Qatar	1	-	-	1
Bahrain	1	1	-	-
Website available for consultation in several European countries	1	-	-	1
Total EMEA	**188**	**119**	**28**	**41**
South Korea	52	37	11	4
Mainland China	49	23	3	23
Australia	12	12	-	-
Hong Kong	11	6	1	4
Macao	3	1	-	2
Thailand	3	3	-	-
Singapore	2	1	-	1
Taiwan	1	1	-	-

Country	Total number of points of sale	of which are Sandro Femme	of which are Sandro Homme	of which are mixed(1)
Total APAC	**133**	**84**	**15**	**34**
United States	70	38	11	21
Canada	12	6	3	3
Mexico	3	3	-	-
Total Americas	**85**	**47**	**14**	**24**
Total	**593**	**341**	**114**	**138**

(1) Points of sale offering both Sandro and Sandro Femme and Sandro Homme products.

6.5.1.2 Maje

- History of the brand

The Maje brand was created in 1998 by Judith Milgrom, the sister of Evelyne Chétrite. Ms. Milgrom has been the brand's artistic director since its inception.

- Style and target profile

The Maje brand products have a bohemian chic style with a relaxed Parisian influence, an ethnic touch and details that combine glamor and free spirit. Maje products are for women customers who like to be on-trend.

- Product offering

The Maje brand’s iconic products are lacy clothes and embroidery, products in innovative materials, articles in imaginative knitting and leather jackets. More generally, the Maje brand offers all types of apparel (coats, blazers, jackets, pullovers and cardigans, blouses, t-shirts, dresses, trousers, jeans, skirts and shorts) as well as footwear, bags, jewelry, scarves and head scarves, belts and other accessories (including hats and tights).

Like Sandro, for some of its products, Maje collaborates on capsule collections with other well-known third-party brands, such as Minnetonka in 2015 for the design and sale of footwear and other accessories. During 2017, the Maje brand collaborated with the Schott streetwear brand.

- Geographic locations

The first Maje store opened in 2003 on Rue du Four in Paris. As of December 31, 2017, the brand had 484 points of sale[28] in 38 countries (compared with 32 countries in 2015), of which 132 were located in France and 352 were international. As for Sandro, the Maje points of sale are located in the capitals and major cities of the various countries

[28] The brand's points of sale include directly-operated and partner-operated stores, concessions, factory outlets and electronic platforms.

where the brand is present (for example, Paris, Berlin, Madrid, Rome, Chicago, Vancouver, New York, Milan, London, Dubai, Hong Kong, Shanghai and Beijing).

The Maje brand points of sale are characterized by a white fascia with the name of the brand in gold letters. The interior is furnished with parquet, marble, rugs and shelves.

The following table shows the breakdown of Maje brand points of sale by country as of December 31, 2017:

Country	Total number of points of sale
France	**132**
Spain	29
United Kingdom	24
Switzerland	18
Germany	13
Russia	9
United Arab Emirates	10
Belgium	6
Italy	10
Ireland	5
Netherlands	7
Turkey	6
Andorra	2
Saudi Arabia	4
Kazakhstan	2
Lebanon	3
Norway	2
Portugal	2
Ukraine	2
Austria	1
Latvia	1
Luxembourg	1
Kuwait	1
Morocco	1
Sweden	1
Qatar	1
Website available for consultation in several European countries	1
Total EMEA	**162**

South Korea	44
Mainland China	44
Australia	12
Hong Kong	8
Thailand	4
Macao	4
Singapore	2
Taiwan	2
Total APAC	**120**
United States	58
Canada	9
Mexico	3
Total Americas	**70**
Total	**484**

6.5.1.3 Claudie Pierlot

- History of the brand

Claudie Pierlot created the eponymous brand in 1984 after working as a designer at various design houses. The Claudie Pierlot business was acquired in 2009 from Claudie Pierlot, Barbara Maynial and René Derhy Import Export. Vanessa Pierrat is currently the brand's artistic director, under the supervision of Evelyne Chétrite and Judith Milgrom.

- Style and target profile

Claudie Pierlot is aimed at young women seeking to create an independent natural allure, attracted by fashion without feeling chained to codes and trends.

- Product offering

a) The Claudie Pierlot iconic products are nautical wear, Claudine collars, preppy style and clothing with knots. More generally, the Claudie Pierlot brand offers all types of womenswear (coats, blazers, jackets, dresses, skirts and shorts, trousers, jeans, t-shirts, blouses, knitwear and sweatshirts) as well as footwear and accessories (including bags, scarves, neckwear, gloves, hats and belts). In 2017, the Claudie Pierlot brand collaborated with My Little Box and Gambettes Box.

- Geographic locations

As of December 31, 2017, the brand had 209 points of sale[29] in 19 countries (compared with 16 countries in 2015), of which 110 were located in France and 99 were international. As for the Sandro and Maje brands, the Claudie Pierlot points of sale are present in the capitals and major cities of the various countries where the brand is present (for example, Paris, Berlin, Brussels, Madrid, Dublin, Barcelona and Hong Kong).

The Claudie Pierlot brand points of sale are characterized by a navy blue shop fascia incorporating the brand name in gold letters. The interior is "Haussmannian" style including alcoves for displaying accessories.

The following table shows the breakdown of Claudie Pierlot brand points of sale by country as of December 31, 2017:

Country	Total number of points of sale
France	**110**
Spain	18
United Kingdom	15
Germany	11
Switzerland	10
Russia	2
Belgium	3
Ireland	3
Lebanon	2
Netherlands	4
Portugal	2
Saudi Arabia	1
United Arab Emirates	2
Luxembourg	1
Italy	6
Website available for consultation in several European countries	1
Total EMEA	**81**
South Korea	7
Mainland China	6
Australia	3
Hong Kong	2
Total APAC	**18**
Total	**209**

29 The brand's points of sale include directly-operated and partner-operated stores, concessions, factory outlets and electronic platforms.

6.5.2 Brand image, communication and marketing

6.5.2.1 A luxury product marketing strategy

The image of the Group's brands is maintained primarily through its points of sale. Their location, the ambiance created notably by the attention paid to décor and furnishings, and the know-how of the sales assistants contribute to creating a unique image specific to the luxury sector (see Sections 6.5.4 and 6.5.5 of this registration document). In addition, the luxury image of the Group's products is also highlighted by high-end marketing campaigns with photographs and videos made by renowned photographers (for example, Alasdair McLellan for the Sandro 2016 spring/summer collection, Tyrone Lebon for the Maje 2016 spring/summer collection and Angelo Penetta for the Claudie Pierlot 2016 spring/summer collection).

6.5.2.2 360-degree communication campaigns

For each of its collections, the Group conducts a "360-degree" communication campaign, with strong marketing and communication teams covering all communication channels (printed press, digital, outdoor media and retail stores).

– Communication campaigns

  The Group considers that its points of sale are its main resource for communicating with consumers. As such, it ensures that its points of sale are located in premier locations and managed as luxury boutiques, particularly the window displays, which are renewed every two weeks. In addition, the Group organizes high-end events at its points of sale, such as evening receptions for the best customers when new collections are launched.

  The Group's communication strategy also includes advertising campaigns in high-end fashion magazines and catalogs such as Vogue and Elle, and public display advertising with Group products worn by models, as well as photo campaigns published for each new collection.

  Finally, the Group exploits its digital presence (notably through its online points of sale and social media, including Facebook and Instagram) to disseminate advertising campaigns in various formats.

– Teams in charge of communication and marketing

  Each brand has a dedicated team in charge of communication and marketing operations, and a dedicated team handling CRM and digital marketing operations. The marketing teams for each brand also call on the services of third party agencies.

6.5.2.3 CRM[30] and customer proximity

The Group uses its customer relationship management (CRM) tools to get closer to customers and increase their loyalty. These tools include sending text messages, emails and letters informing customers of new collections and various promotional offers. Customers receive newsletters, private sales and pre-premiers, so that customers can regularly catch up with news on the brand and receive invitations for offers. The Group segments its customers according to the amount and frequency of purchases for each of the brands. The Group's communication with its customers aims to become increasingly targeted and effective through the use of these tools.

6.5.3 Product development

– Creative design

The Group designs all of its new collections in-house through four independent creative design teams located in Paris, each focusing on one of its brands (Sandro, Sandro Homme, Maje and Claudie Pierlot). For instance, the Sandro Femme creative team is led by Evelyne Chétrite, the brand's founder, assisted by a team of designers, stylists, pattern makers and others dedicated to accessories.

In general, a product becomes available for sale in a Group point of sale within 100 to 120 days after it has been designed. The design process begins with a drawing (manual, then electronic) of the models. The teams then choose the materials for products (which must be aligned with the margin objectives set for each collection), and create the patterns and prototypes when the product characteristics have been finalized.

The Group uses an independent design process for each of its brands to maintain their identity and make them easily recognizable to customers. The Group seeks to maintain the independence of each of its brands to reduce its exposure to changing fashion trends and avoid any dependency on specific products.

When creating a new collection, the Group's focus is on creating the designs that it believes consumers expect. The Group's designers analyze existing market trends to incorporate them into its collections.

In addition, the Group adopts a structured approach for the development of its collections and conducts a detailed analysis of the success of previous collections, so it can identify the products most appreciated by its customers.

– Purchasing and work on the structure of the collections

A collection plan is prepared every season, describing the context of the collection, the product launch timetable and the price and positioning strategy. Each collection is designed on the basis of current trends (including colors, techniques and apparel shown

[30] CRM stands for "Customer Relationship Management".

on the catwalks during fashion shows). The quantities to be manufactured are adjusted throughout the season so that the most successful products are reordered for rapid restocking (generally between four and nine weeks) in the largest quantities to maximize sales.

For each brand, the Group produces two collections a year (spring/summer and autumn/winter) each providing for several drops (generally 12, or 24 drops per year). Moreover, the Group develops several capsule[31] collections each year, in partnership with other brands or designers. This means the Group can ensure its product range is renewed frequently and remains fresh and attractive to customers. As a result, on average 25 new products are marketed each week in the Group's points of sale.

– Sourcing

The Group does not have its own production facilities and outsources the manufacture of its products from third party manufacturers that it carefully selects. In some cases, the Group provides manufacturers with a portion of the raw materials and other products for their use (assembled goods). Production is mainly based in Europe and in the Mediterranean region, particularly in France, Italy, Spain, Portugal, Tunisia, Turkey, and Eastern Europe, with the rest in Asia, especially in mainland China, Vietnam and India. The Group's cost of sourcing and production are balanced between Europe and the APAC region. The Group is attentive to diversifying the geographical location of its suppliers in order to limit its exposition to inflation and currency fluctuations (in particular in Vietnam, Bulgaria, Turkey and Macedonia). The Group is committed to ensuring short production and delivery lead times to maintain the flexibility of its supply chain. In addition, outsourcing means that the Group can focus on its core business, and the close collaboration it maintains with its longstanding suppliers allows it to retain full control over the manufacturing process.

The Group markets products that are subcontracted, with the Group purchasing the raw materials (cotton, leather, wool, silk, polyester and viscose for example) and outsourcing production to subcontractors. The remaining items are finished products bought by the Group directly from the manufacturers, with the Group retaining control over product design.

Raw materials are ordered in advance by the Group. The risk of excess stock is limited since the fabrics can generally be used for several products and again in future collections.

The Group has a sustainable and diverse supplier base in several countries to minimize its procurement dependency and reduce the risk of potential disruptions. By way of illustration, the Group's ten principal suppliers represent approximately 22% of Group purchases. Charters covering ethical, social and environmental matters are agreed with suppliers and manufacturers. The commercial and legal nature of the relationship varies

[31] The capsule collections comprise a limited number of products marketed over a shorter period than the seasonal collections.

from supplier to supplier, but in general they are based on principles of close cooperation which promote and maintain a rapid production and design cycle. Payment for suppliers' orders is made throughout the year, but mainly in October and November for the spring/summer collections of the following year and in April and May for the autumn/winter collections.

The Group has established a short cycle between design and production, ranging in average from one hundred to one hundred and twenty days, according to the type of product and the country of manufacture. The Group orders an appropriately limited number of each product at the start of the season when launching the collection to limit the risk of excess inventory. The Group then places orders with its suppliers according to actual customer demand.

The Group's IT systems allow it to track the performance of a collection in real time and re-order only the top-selling items, with a view to maximizing sales. The Group "pre-books" supplier capacity to ensure that they can rapidly fulfill new orders for top-selling items. This "pre-booking" system also means the Group can determine what needs to be manufactured just prior to launch of the collections, taking account of anticipated demand and developing trends. The short production cycle means the Group can respond rapidly to changing trends and consumer preferences and to initial sales results.

Finally, Group procurement and purchasing is managed by dedicated teams for each brand, located at the offices of each brand.

– Quality control

Group employees regularly carry out strict inspections of the patterns for each product and final inspections prior to dispatch to the warehouse. Historically, the percentage of defective products is low. When the Group identifies a defective product prior to delivery to the distribution centers, it demands reimbursement from suppliers. However, the Group bears the cost of any customer returns.

6.5.4 Distribution

The Group's distribution network is structured around four main distribution channels: free-standing stores (including affiliates and factory outlets), concessions (essentially "corners" in leading department stores), electronic platforms and partners. The Group emphasizes development based on a directly managed distribution network to retain close control over product quality and protect the image of its brands; partnerships and affiliations are used only when necessary to make use of a local partner to obtain attractive locations or due to applicable local regulations.

6.5.4.1 Free-standing stores

– Overview

As of December 31, 2017, the Group had 386 stores (an increase of 36 free-standing stores compared with 2016), including 101 in the EMEA region, 175 in France, 33 in the Americas and 77 in Asia. The Group favors this distribution channel which allows it to control customer relationships and ensure the uniformity of its distribution network. For the twelve-month period ended December 31, 2017, 35.7% of the Group's net sales were generated through free-standing stores. In 2017, the Group opened new free-standing stores in mainland China, Italy, Germany and Hong Kong.

The following table shows the breakdown of free-standing stores by brand and by country as of December 31, 2017:

	Sandro	Maje	Claudie Pierlot	Total
Total France	**72**	**58**	**43**	**175 (1)**
United Kingdom	11	11	7	29
Spain	8	9	2	19
Belgium	5	5	2	12
Switzerland	5	4	3	12
Italy	8	4	2	14
Germany	4	3	1	8
Luxembourg	1	1	1	3
Norway	1	1	-	2
Netherlands	1	1	-	2
Total EMEA	**44**	**39**	**18**	**101**
Mainland China	25	22	2	49
Hong Kong	9	6	2	17
Macao	3	4	-	7
Singapore	2	2	-	4
Total APAC	**39**	**34**	**4**	**77**
United States	16	13	-	29
Canada	2	2	-	4
Total Americas	**18**	**15**	**-**	**33**
Total	**173**	**146**	**65**	**386 (1)**

(1) Including two Suite 341 free-standing stores.

– Description of a typical store

The average size of a Group store is approximately 80 to 100 square meters. Sandro stores are generally larger than Maje and Claudie Pierlot stores. This can be explained by the Group's historic strategy of using larger mixed stores to display Sandro menswear and womenswear collections. Claudie Pierlot stores are generally smaller than Sandro and Maje stores, since the brand has only an average of about 400 SKUs in its collection plans compared to approximately 480 for Maje and 500 for Sandro Femme; therefore, the linear surface requirement for presenting the full collection in a store is smaller.

The relatively compact size of Group stores creates an intimate ambiance appropriate for luxury boutiques with a sales force calibrated for each store according to size and traffic. The Group also strives to maintain a separate universe for each of its brands, to emphasize their individual identities and create a unique style in the mind of the customer. The characteristics of stores are defined at Group level and rolled out throughout the network with a view to achieving consistent presentation and customer experience.

In its stores, the Group seeks to recreate characteristics associated with the luxury sector for customers, by offering high quality products, strategic locations, attractive fittings and a high level of customer service. The Group has established a fully-assisted sales model, with personalized service that provides a shopping experience for customers comparable to that of luxury brands.

As of the date of this registration document, the store concept developed by each brand has not yet been fully rolled out to all stores in the network; however, the Group's stores are gradually being refurbished so that they all comply.

– Main characteristics of leases

The term of the leases for Group stores varies from three to ten years. In France, the term is generally nine years, with the option for the parties to terminate the agreement prematurely on expiry of each three-year period. Generally, the lease contracts prohibit sub-letting and exclude the use of premises for any business activity other than the sale of apparel and accessories. In the United States, the term of lease contracts is generally ten years, whereas in Asia it is three years.

Average rents are generally fixed by the parties upon signature of the lease and the clauses in the agreement mostly provide the option of an annual increase. In France, for example, the increase is based on the INSEE construction cost index or the commercial rents index. A proportion of the leases provides for variable rents according to the net sales generated in the store. An entry fee is also payable to the lessor when opening new retail stores and an assignment price may be paid by the Group to the previous lessee for assignment of the right to a lease or assignment of a business in countries such as France and Spain.

6.5.4.2 Concessions

– Number, location and distribution per brand

As of December 31, 2017, the Group had 501 concessions (an increase of 21 concessions compared with 2016), including 162 in the EMEA region, 208 in France, 89 in the Americas and 42 in Asia. These correspond to the Group's "corners" in department stores (the average size of the corners is approximately 40 to 50 square meters). The choice of locations for concessions is guided by the Group's desire to protect the luxury image of its three brands. As a result, the Group has opened concessions in the most prestigious department stores, such as Galeries Lafayette, Printemps and Le Bon Marché in France, Selfridges and Harrods in the United Kingdom, Bloomingdale's and Saks Fifth Avenue in the United States, El Corte Inglés in Spain, la Rinascente in Italy, or in famous malls such as Shin Kong Place in mainland China and International Finance Center and Harbour City in Hong Kong. As with the location of the Group's free-standing stores, the cities where concessions are located are generally recognized as dynamic and attractive fashion centers. For the twelve-month period ended December 31, 2017, 35.5% of the Group's net sales were generated through concessions.

In 2017, the Group opened new concessions in Italy, mainland China and in the Netherlands.

The following table shows the breakdown of the Group's concessions by brand and by country as of December 31, 2017:

	Sandro	Maje	Claudie Pierlot	Total
France	**87**	**49**	**50**	**208** (1)
Spain	12	10	13	35
Germany	13	7	7	27
Switzerland	11	11	5	27
United Kingdom	12	7	5	24
Ireland	4	4	3	11
Netherlands	6	4	3	13
Italy	6	5	4	15
Portugal	2	2	2	6
Norway	1	1	-	2
Sweden	1	1	-	2
Total EMEA	**68**	**52**	**42**	**162**
Mainland China	18	16	3	37
Hong Kong	1	1	-	2

	Sandro	Maje	Claudie Pierlot	Total
Taiwan	1	2	-	3
Total APAC	**20**	**19**	**3**	**42**
United States	41	33	-	74
Canada	9	6	-	15
Total Americas	**50**	**39**	**-**	**89**
Total	**225**	**159**	**95**	**501 (1)**

(1) Including 22 Suite 341 concessions.

– Description of a typical concession

The average size of a concession in a department store is approximately 40 to 50 square meters, with a sales force calibrated for each concession according to its surface area and significance. The Sandro, Maje and Claudie Pierlot concessions are generally located in department stores offering luxury ready-to-wear apparel and benefit from a strong flow of occasional customers, particularly tourists. As with its free-standing stores, the Group maintains full control over its concessions, particularly with regard to staff recruitment (the sales force is employed by the Group and not by the department store), and the choice of decor and furnishings to create an ambiance similar to that in Sandro, Maje and Claudie Pierlot free-standing stores.

– Operation of concessions

The term of concession contracts varies from one country to another. Some contracts do not provide for a minimum term and others impose a maximum term of four years. These contracts may generally be canceled at any time by either party subject to reasonable prior notice.

The concession contracts provide for payment of a fee which is generally set according to the sales achieved. Some contracts provide for a minimum fee for a specific period which may be revised each year. On the basis of the concession contracts concluded by the Group, concession fees represent approximately 20% to 40% of the net sales generated. This amount varies according to the country and the department store where the concession is located. The revenue from sales is collected directly by the department store, which transfers it to the Group each month net of the fee.

The concession contracts generally provide that the Group will control the organization of inventory and the supply and range of products. In addition, the contracts also provide that stocks of unsold items must be collected at the end of each season by the Group, which retains ownership over them.

The sale of products through concessions offers high operating flexibility for the Group, particularly in view of the limited operating costs and the concession fees, which vary according to the contracts concluded.

6.5.4.3 Suite 341

Suite 341 is a concept store that was launched by the Group in September 2010 for the French market, where customers can buy essential items from the Sandro, Maje and Claudie Pierlot collections combined. Suite 341 ("Three Fo(u)r One") fully reflects the concept: three ready-to-wear lines and accessories combined in a single space. After an initial opening in 2010 in Angoulême, the Group operated 46 Suite 341 points of sale (including free-standing stores and concessions) located exclusively in France and mainly outside of Paris, as of December 31, 2017. The Suite 341 concept allows the Group to optimize its coverage in France, specifically in medium-sized provincial towns. The Suite 341 points of sale are mainly operated through affiliates (see Section 6.5.4.5 of this registration document) and concessions.

6.5.4.4 Electronic platforms

E-commerce represents an increasing proportion of the Group's sales and a marketing tool to develop awareness of its brands in France and internationally. For the twelve-month period ended December 31, 2017, 12.1% of the Group's net sales, i.e. €110.1 million, were generated via the Internet, compared with 6.2% for the financial year ended December 31, 2015 (with €41.9 million of net sales in 2015). As of December 31, 2017 *pro forma*, Group products were being sold via 56 directly operated electronic platforms and 31 platforms operated by the partners. In 2015, only 38 directly-operated websites commercialized the Group's products.

For its Internet distribution channel, Group products are distributed mainly through directly-operated e-shops and, to a lesser extent, via third-party e-commerce platforms, including department stores' websites.

– The Group's e-shops (brand websites)

  The Group operates websites dedicated to each of its brands. The Sandro brand has dedicated websites in France, the United Kingdom, Spain, Italy, Germany and the United States, and the Claudie Pierlot brand has websites in France, the United Kingdom, Spain, Germany and Belgium. The Maje brand has dedicated websites in France, Spain, Italy, Germany, Ireland, the United Kingdom, Belgium and the United States. The Group also plans to enhance the customer experience in e-shops, notably by offering new services such as instant chat with an advisor, improved mobile phone access to e-shops, facilitating the payment process, and establishing a pre-ordering system.

– Third party e-commerce platforms

  The Group also sells products on high profile third party e-commerce platforms, such as "placedestendances.com", "selfridges.com", "bloomingdales.com", "net-a-porter.com", "zalando.fr", "tmall.com" and "galerieslafayette.com". These platforms are selected by the Group according to its commercial strategy; they include the e-commerce platforms of partner department stores or other third party platforms specializing in high-end ready-to-wear apparel.

Third party e-commerce platforms are generally free to manage their own websites and arrange for their own publishing, hosting and website management, provided that they respect the image of the branded products and list them. The Group may nevertheless make specific requests for the showcasing of certain key products. Other services provided by the platforms include order acceptance, dealing with customer requests for information, and order processing and follow-up.

For most agreements concluded with the Group, the sale prices on e-commerce platforms are generally consistent with the Group's pricing policy in the country where an online presence has been requested. Payment for products is collected by the third-party electronic platform on behalf of the Group. The e-commerce platform charges commissions for its services. Some agreements also provide for supplementary payments for the promotion of Group brands. The term of these agreements is generally one year, renewable.

6.5.4.5 Affiliates

Affiliates form part of the Group's distribution network in France and are mainly located in medium-sized French towns where the Group does not have free-standing stores or concessions (such as Mulhouse, Poitiers, Ajaccio, Chartres, Valenciennes, Le Touquet and Saint-Etienne). The Group also makes use of affiliates in Spain and Italy. As of December 31, 2017, the Group operated through 73 affiliates.

The affiliated retail stores are operated by independent merchants who own their own business, under commission and affiliation agreements. The affiliates recruit their own staff, but the retail stores of Group affiliates are managed under the brand names and have the same features and ambiance as the Group's other points of sale. The affiliated retail stores must follow a "concept book" which sets out the requirements for furnishing and the appearance specific to each Group brand. Although the staff and leasing costs are paid by the affiliates, the Group retains ownership of the merchandise sold through this distribution channel. Finally, affiliates' staff can take advantage of training offered to Group employees at the SMCP School.

The agreements concluded by the Group with its affiliates provide for commission payments to affiliates based on a percentage of net sales, excluding tax. Net sales are transferred from the affiliate's bank account twice a month, net of commission. From time to time, the Group may decide to acquire a store managed by one of its affiliates. For the twelve-month period ended December 31, 2017, 3.7% of the Group's net sales were generated with affiliates.

6.5.4.6 Factory Outlets

In addition to its free-standing stores, concessions, online sales and sales via its affiliates, the Group also sells off unsold stock in a limited number of factory outlet stores (54 factory outlets as of December 31, 2017) situated in premium sales locations in France, the United Kingdom, Spain, Belgium and the United States. For the twelve-month period ended December 31, 2017, 7.7% of the Group's net sales were generated with factory outlets.

6.5.4.7 Partner points of sale (“partnered retail”)

The Group also has a “partnered retail” distribution channel (partner-operated stores) for specific regions. For the twelve-month period ended December 31, 2017, this distribution channel accounted for 6.4% of Group net sales, of which 18% was generated through electronic platforms operated by partners. The partnered retail channel allows the Group to gain access with limited risk to new markets and countries where the size of the market does not justify the presence of a directly-operated point of sale. In addition, it also allows for the sale of products in a country where it would otherwise be impossible, difficult, less efficient or less profitable to manage a directly-operated distribution network under local law.

The Group selects its local partners with care to ensure the consistency of local distribution with its strategy and brand image, particularly through the implementation of the “concept book”; for example, it ensures its partners adopt a presentation for retail stores and concessions that is identical to its directly-operated points of sale. The Group routinely performs visits to points of sale sites to ensure compliance with its concept. It also benefits from strong relationships with its partners. Partnership agreements for the provision of services are generally concluded for a period of three to five years, during which the partner benefits from exclusive rights granted by the Group for distribution of its products and receives payment corresponding generally to the percentage of net sales realized from the sale of the Group’s products. Certain of the partnership agreements are non-renewable.

The local partner is an independent merchant, responsible for its personnel, rent payments and negotiation of the lease for its points of sale or concession contract (in the case of department store concessions). The local partner is also responsible for its purchases; the purchased merchandise becomes its own property and the partner must resell the products in a store that has the same commercial signage and appearance as those of the Group’s brands, such that the final customer cannot see the difference between a directly-operated store or concession and a store or concession managed by a partner. In addition, partners may sell unsold items in their own factory outlet networks with the Group’s prior approval.

In some cases, the Group has decided to take control of its partners, as it did in Hong Kong in 2014.

As of the filing date of this registration document, the Group’s products are distributed through “partnered retail” in particular in South Korea (partnership since 2009 for Maje and 2013 for Sandro and Claudie Pierlot), Russia, Turkey, the Middle East (including the United Arab Emirates since 2015 for Sandro, Maje and Claudie Pierlot, Kuwait since 2015 for Sandro and Maje, and Saudi Arabia since 2016 for Sandro, Maje and Claudie Pierlot), Australia (since 2015), Morocco and Lebanon.

In 2017, 37 partner-operated stores were opened worldwide, mainly in South Korea (13), the United States (12), Saudi Arabia (5) and the United Arab Emirates (5).

The following table shows the breakdown of the Group's partnered retail points of sale by brand and by country as of December 31, 2017:

	Sandro	Maje	Claudie Pierlot	Total
Russia	9	9	2	20
United Arab Emirates	10	10	2	22
Turkey	9	6	-	15
Lebanon	5	3	2	10
Saudi Arabia	3	4	1	8
Kazakhstan	2	2	-	4
United Kingdom	2	2	-	4
Austria	2	1	-	3
Ukraine	1	2	-	3
Andorra	-	2	-	2
Kuwait	1	1	-	2
Latvia	1	1	-	2
Morocco	1	1	-	2
Germany	2	1	1	4
Qatar	1	1	-	2
Bahrain	1	-	-	1
Total EMEA	**50**	**46**	**8**	**104**
South Korea	52	44	7	103
Australia	12	12	3	27
Thailand	3	4	-	7
Hong Kong	-	1	-	1
Total APAC	**67**	**61**	**10**	**138**
Mexico	3	3	-	6
United States	7	7	-	14
Total Americas	**10**	**10**	**-**	**20**
Total	**127**	**117**	**18**	**262**

6.5.4.8 Investment criteria for new retail stores and the establishment process

The Group follows a five-year medium-term international development plan targeting the towns and cities where it wishes to establish a presence according to the competition, local market and consumer base. The Group also prepares an estimate of the potential sales achievable by these points of sale, inspects the premises and sets profitability criteria for potential new points of sale. The decision to invest in opening a new point of sale is then adopted by a committee headed by the Group's Chief Executive Officer.

Following its decision to invest, the Group is able to open a new point of sale within an average lead time of two months between signature of the lease and opening to customers.

6.5.5 Sales assistants

The Group pays particular attention to the know-how of its sales assistants. It has introduced within each brand, and also within its free-standing stores located in Asia and North America, a local sales management structure supported by regional directors, each with responsibility for up to 15 points of sale. This allows for more frequent visits and more time spent in these points of sale. In addition, since 2013, the Group has implemented a training program for its sales teams. This three-week program for new sales assistants aims to train staff in sales techniques, the fundamentals of luxury brands, customer assistance (particularly for international customers) and improving the financial results of the points of sale. As of the date of this registration document, over 2,500 sales assistants have taken this training program.

6.5.6 Logistics organization

6.5.6.1 IT system

The Group has set up an IT architecture that is adapted to the management of an integrated network of stores and covers all of its points of sale, including e-commerce and international activities.

This system is based on Group Retail ERP (Enterprise Resource Planning) software, common to all brands and all geographical areas in which the Group operates, providing a single point of sale solution, a single e-commerce development platform and a central logistic management solution. The Group has an IT team of approximately 49 people, situated at the Group's headquarters and internationally, in charge of managing projects and ensuring the development and maintenance of its applications and IT infrastructure.

Points of sale use this architecture to forward information on products sold and customer segmentation, allowing the Group to benchmark its points of sale and, together with its logistics network, manage the rapid restocking of its points of sale. In addition, the information sent via its IT system allows the Group to identify its best customers and make adjustments in product design on the basis of sales results.

6.5.6.2 In-house logistics

The Group's principal logistics center is used by all three brands and serves all points of sale, directly or indirectly, via satellite logistics centers located in the United States and mainland China (see Section 4.1.10 of this registration document). A team of approximately 155 employees is dedicated to the logistics and supply of the Group's distribution network. Since November 2015, two directly-managed main sites close to Roissy-Charles De Gaulle airport are dedicated to the Group's central warehouse complex for France and internationally: the first one is located in Marly-la-Ville with a surface area of 10,000 square meters and the second one is located in Vémars with a surface area of 24,000 square meters. The Group opened a third site in September 2017 in Vatry (Paris area) with a surface area of 17,000 square meters and dedicated to finished products. It is managed by a logistics specialist who deals with former collections. This new site creates additional storage capacity and allows the two current sites to be dedicated to the management of current collections and also internalize all e-commerce order processing. In addition to gaining additional surface area necessary for the Group's growth in the coming years, this organization ensures an optimized customer service quality, especially for omni-channel sales, and provides additional available sites in case of force majeure.

For its U.S. business, the Group subcontracts product procurement through a warehouse located in New Jersey managed by Panalpina. This warehouse has a surface area of 18,000 square meters (partly used by the Group) and serves the entire North American market.

The Group also subcontracts product procurement for its points of sale in mainland China, organized through a warehouse with a total surface area of 7,200 square meters (partly used by the Group), leased by DHL and located in Shanghai.

The warehouses allow the Group to limit inventory and storage requirements at each of its points of sale. The IT systems established by the Group link the points of sale to its warehouses so that when a product category needs restocking, the information is forwarded to the warehouse and the product category is generally back on sale two days later for points of sale located in Europe, four days later for points of sale in the Americas and around ten days later for points of sale in the APAC region. This restocking model means the Group can ensure that only the best-selling products are reordered, thereby maximizing sales, optimizing its working capital requirement and reducing inventory-related risks.

6.5.6.3 External service providers

The Group subcontracts the air and road transport of its products from its warehouses to other warehouses or points of sale using common service providers for the main brands shipped. In general, the Group is responsible for inner and outer packaging and labeling of its products and the carriers are responsible for any damage caused during transportation, for arranging transportation and for the execution of ancillary services.

6.6 Dependency factors

Information on the Group's dependency factors is provided in Chapter 4 "Risk Factors" of this registration document.

6.7 Legislative and regulatory environment

As a result of its retail sales activity, the Group is subject, in each of the countries where it is present, to regulations on consumer protection, e-commerce, product liability, protection of personal data, opening hours for points of sale, international commerce and customs duties. In the European Union (and notably in France), where the Group conducts a large proportion of its business, the regulatory framework consists of directives which have to be transposed in each Member State.

6.7.1 Consumer protection and e-commerce

As a distributor, through its various points of sale and websites, the Group is subject to a set of strict rules governing sales and relations between merchants and consumers (such as labeling, terms of sale, regulation on unfair practices and e-commerce specific rules), and more generally, the functioning of its retail stores (such as opening days, sales periods, administrative approval for trading, regulations covering buildings open to the public, accessibility and safety).

At the European level, the main directive on consumer law is Directive 2011/83/EU of October 25, 2011 on consumer rights. This directive has fully harmonized various aspects of consumer and contract law applicable to sales between professionals and consumers at the European level, such as the obligation of information incumbent on the vendor (including the price and the availability of after-sales service) and the right of cancellation for online sales. However, in other areas, such as those covered by Directive 1999/44/EC of May 25, 1999 on certain aspects of the sale of consumer goods and related guarantees and by Directive 93/13/EEC of April 5, 1993 on unfair terms in consumer contracts, the harmonization of rules is currently minimal. Member States may supplement the rules with more stringent national regulations.

French law in particular tends to reinforce consumer protection. Directive 2011/83/EU was transposed into French law in the Consumer Code by Law No. 2014-344 of March 17, 2014 on consumption (the "**Hamon** Law") and decree No. 2014-1061 of September 17, 2014 on the obligation of pre-contractual and contractual information for consumers and the right of cancellation. The French Consumer Code provides for a system of consumer protection and failure to comply with its provisions may result in financial penalties. Under Articles L. 121-21 *et seq*. of the French Consumer Code (added by the Hamon Law and modified by Law No. 2015-990 of August 6, 2015 for growth, activity and equal economic opportunities), with certain exceptions, consumers have the right to withdraw their acceptance of contracts entered into remotely. Consumers have a period of 14 full days to exercise their withdrawal right without explanation. The Hamon Law also established, in Article L.423-1 of the Consumer Code, a class action which allows consumers to obtain compensation for financial loss resulting from material damage suffered in the course of the sale of goods or the provision of services. In addition, pursuant to Law No. 2004-575 of June 21, 2004 on confidence in the digital economy, service providers and vendors of goods must provide certain detailed information to consumers when contracts are concluded remotely by electronic means. Professional sellers have an obligation to inform consumers at several stages of the contractual process: before the order is placed, at the time the consumer places the order (to enable the consumer to verify the details), and after the contract is entered into (when the good or service is delivered at the latest).

Furthermore, ordinance No. 2016-131 of February 10, 2016 on contract law reform, the general scheme and the proof of obligations significantly modified the French rules on the law of obligations by introducing new provisions regarding co-contractors' protection, such as the unwritten nature of the provisions creating a significant imbalance between the rights and obligations of the parties to the contract within adhesion contracts or by setting up an obligation to renegotiate the rights in the event of the occurrence of unforeseen circumstances.

In the United States, many laws, at both the Federal and State level, govern the relationships between retailers and consumers of textile products. At the Federal level, the Textile and Wool Acts, the application of which is controlled by the Federal Trade Commission, apply to the sale of textile products. They require a label to be affixed detailing the composition, country of origin and identity of the manufacturer. At the State level, many of them, Delaware in particular, have adopted the Uniform Deceptive Trade Practices Act which regulates fraudulent business activities and misleading advertising.

6.7.2 Product liability

As a vendor and distributor, the Group is liable for any harmful consequences of the products it sells or distributes. This liability may be criminal or civil on the basis of several regimes, certain of which are summarized below. Moreover, contracts concluded between the Group and its suppliers provide in principle for clauses on compliance with applicable standards and regulations, compensation mechanisms, guarantees relating to supplier qualification (such as reputation, financial health, existence of adequate insurance policies and compliance with applicable standards and regulations) and "product return" clauses under which the supplier undertakes to take back products subject to certain conditions.

Directive 2001/95/EC of December 3, 2001 on general product safety imposes a general obligation of safety for all products placed on the market intended for consumers or which may be used by them. In France, Order No. 2004-670 of July 9, 2004 transposes this directive and aligns French domestic legislation with Community law on product safety and conformity. Pursuant to Article L.221-1 of the French Consumer Code, "products and services must, under normal conditions of use or under other circumstances that may reasonably be foreseen by the professional, offer the safety that can legitimately be expected and must not be a danger to public health".

The Group, as a distributor, must adopt all useful measures to achieve compliance with all obligations of safety and the absence of harm to consumers' health as provided by the legislative and regulatory texts. A safe product is one which does not present any risk or which presents only reduced risks (compatible with use of the product) which are acceptable such that the products ensure a high standard of protection for the health and safety of consumers. When a distributor is informed that products intended for consumers which it has placed on the market do not satisfy the requirements of safety and of avoidance of any harm to consumers' health, it must immediately inform the competent administrative authorities, indicating the actions it intends to undertake to prevent risks to consumers. Distributors must also refrain from supplying products which they are aware, on the basis of information in their possession and their status as professionals, do not satisfy the safety obligations provided by the texts. Finally, distributors must contribute to the safety of products placed on the market by forwarding information concerning the risks linked to these products, by maintaining and providing the necessary documents to ensure traceability and by cooperating in actions taken by manufacturers and competent administrative authorities to avoid risks.

Lastly, pursuant to Articles 1245 *et seq.* of the French Civil Code, the Group is liable for personal injuries and damage to property of a value exceeding €500 caused by products which do not offer the degree of safety which the Group's customers can legitimately expect and of which the Group states that it is the manufacturer by affixing its name, brand or any other distinctive sign on the products. Excluding fault, liability actions are statute-barred ten years after the placing on the market of the product causing the damage, unless the victim has brought legal proceedings during this period. An action for compensation is statute-barred after three years. Vis-à-vis consumers, clauses which seek to eliminate or limit liability for defective products are prohibited or deemed void.

In the United States, the Consumer Product Safety Act regulates the safety of consumer products such as those sold by the Group and vests in the United States Consumer Product Safety Commission the power to establish regulatory standards and recall defective products.

6.7.3 Regulations on the protection of personal data

In connection with its business, the Group collects and processes personal data concerning customers of its retail stores and users of its websites.

In the European Union, Directive 95/46/EC of October 24, 1995 (the "**Data Protection Directive**") provides the reference framework for the processing of personal data in all Member States. Although the personal data law has been harmonized in the European Economic Area, the transposition of the Data Protection Directive into the national laws of the Member States has led to regimes that can vary and may be more restrictive than the regime imposed by the Data Protection Directive. However, the adoption of the Regulation (EU) 2016/679 by the European Parliament, as described below, means that current national laws will be replaced by a European regulation that is directly applicable in the Member States.

The Data Protection Directive applies to the automated or manual processing of personal data if the data concerned are contained or intended to be contained in a file. The concept of "personal data" is broadly defined as any information concerning a directly or indirectly identified or identifiable natural person, irrespective of the country of residence or nationality of that person. It compels personal data processing controllers in the European Economic Area or those making use of processing systems located in the territory of a European Economic Area member State to adopt a number of measures prior to data collection, during their storage and until they are deleted. Under the Data Protection Directive, the "data controller" is the person or entity which alone or jointly with others, decides on the purposes and means for the processing of personal data.

In France, the Data Protection Directive was transposed by a number of amendments to Law No. 78-17 of January 6, 1978 on information technology, computer files and civil liberties, known as the French Data Protection Act. The French Data Protection Act imposes an obligation to declare or to request authorization from the Commission Nationale de l'Informatique et des Libertés (French National Commission for Information Technology and Civil Liberties, or "**CNIL**") for any processing, whether automated or manual, of personal data contained in, or which are intended to be included in, Group companies' files. It also imposes a set of obligations concerning customer information, notably exercise of the right to access, correct or delete data contained in files. In particular, the nature of the banking data provided by customers while making an online purchase has led to the adoption of strict and highly secure data storage conditions and measures. The collection and storage of data is subject to compliance with the prescriptions of the French Data Protection Act. Beyond the transaction, the storage of such data is subject to the customer's consent and can occur for a limited period only. In addition, the CNIL has powers of control and investigation, and to issue injunctions and impose administrative penalties. Finally, failure to comply with the provisions of the French Data Protection Act may give rise to civil, administrative or criminal penalties. The CNIL may impose fines of up to €1.5 million for entities. In addition to these financial penalties, the CNIL may publish the warnings and penalties that it pronounces.

Regulation (EU) 2016/679 of the European Parliament and of the Council of April 27, 2016 on the protection of individuals with regard to the processing of personal data and on the free movement of such data (the General Data Protection Regulation, the "**GDPR**") repeals the Data Protection Directive.

The GDPR, which will enter into force on May 25, 2018, will constitute the new reference framework for the processing of personal data in all Member States of the European Union; these provisions will be directly applicable in each Member State. This new legal framework for the protection of personal data in the European Union is intended to reinforce individual rights, give them more control over their personal data and more generally guarantee privacy rights. These proposals are designed to ensure that people's personal information is protected, no matter where it is sent, processed or stored, even outside the European Union. These new arrangements also introduce an obligation for companies to report any loss or theft of personal data, to collect the minimum personal information, to verify the impact of their projects on personal data protection and lastly to appoint a Data Protection Officer in charge of managing these issues within the company. The Regulation will also strengthen the CNIL's power to impose sanctions; the fines will be as much as €20 million or 4% of an entity's global annual revenues.

Unlike the European system, the United States does not have any general framework for the protection of data in the private sector, but there are sector-specific laws. Files used in day-to-day commercial transactions are not subject to any personal data protection legislation. Merchants are free to collect, use or disseminate the personal information they obtain from consumers. Lastly, there is no dedicated independent authority for data protection in the United States.

6.7.4 Regulation of opening times

In almost all countries where the Group has a presence, the opening and closing hours of shops are regulated, notably during weekends and on public holidays.

In Europe, the regulations on opening hours derive in particular from Directive 2003/88/EC of November 4, 2003 concerning certain aspects of the organization of working time, amending Directives 2000/34/EC of June 22, 2000 and 93/104/EC of November 23, 1993. The directive establishes working time rules to protect the health and safety of workers. The text imposes minimum prescriptions for working time, rest time, the entitlement to paid leave and night working. As of the date of this registration document, the directive has not been transposed into French law.

In France, Law No. 2015-990 of August 6, 2015 on growth, activity and equality of economic opportunity amended the legislation on Sunday and evening opening hours for stores. For Sunday working, without calling into question the principle of weekly rest for employees as a priority on Sunday, this law amends the regime through the following derogations: those granted to retail establishments in particular geographic areas, including tourist areas and municipalities, those authorized by the prefect when closing of the establishment is damaging to the public or interferes with the normal functioning of the establishment and those granted to retail shops by the municipal government. There are four types of geographic area in which an employer may allow weekly rest days on a rolling basis for all or some staff (tourist areas, commercial areas, “international tourist areas” and very busy railway stations). This option is offered to retail establishments which supply goods and services and affects many of the Group’s points of sale in France.

On December 17, 2015 the Group concluded a collective agreement with trade union representatives to implement the provisions of Law No. 2015-990 on Sunday and night-time working. This agreement covers applicable rules for the Sunday openings of the Group’s points of sale as of February 1, 2016 and allows the Group to open a significant number of additional points of sale on Sundays, particularly in Paris.

Law No. 2016-1088 of August 8, 2016 also reformed night-time working. In principle, any work performed during a period of at least nine consecutive hours, including the period between midnight and 5 a.m., shall be considered as night-time working. The night work period begins no earlier than 9 p.m. and ends no later than 7 a.m. Pursuant to article 8 of Law No. 2016-1088, by way of exception, for retail establishments providing goods and services in international tourism areas, the night-time working period, if it begins after 10 p.m., shall be at least seven consecutive hours including the period between midnight and 7 a.m.

In the United States, the regulations applicable to opening hours are largely decentralized. By way of illustration, the “blue laws” which restrict Sunday working have gradually been abolished and States have established their own regulations. The rules are varied and depend on the economic interests at stake and the cultural context.

6.7.5 Regulation of bulk selling, sales, price reductions and stock liquidations

As a distributor, the Group is subject to a set of strict rules on bulk selling, **sales, price reductions** and stock liquidations.

At the European level, Directive 2005/29/EC of May 11, 2005 concerning unfair business-to-consumer commercial practices in the internal market is applicable to bulk selling, sales and stock liquidations. The text establishes a general prohibition on unfair business-to-consumer commercial practices, such as selling loss leaders.

In France, the regulations are established in the Commercial Code in Articles L. 310-1 *et seq*. and R. 310-1 *et seq*. The legislation establishes a framework for stock liquidations, bulk selling and sales to guarantee fair competition between traders and ensure consumer protection. Law No. 2008-776 of August 4, 2008 on the modernization of the economy has made the regime for these practices more flexible by replacing administrative authorizations by advance declarations and allowing traders more freedom to choose **sales** periods. Moreover, the two annual sales periods (in principle, January to February and June to August) have been increased from five to six weeks, and floating sales were eliminated by Law No. 2014-626 of June 18, 2014 on craft industries, trading and micro-enterprises.

Furthermore, following the publication of the decree of March 11, 2015 regarding price reduction announcements for the consumer, any price reduction announcement is lawful so long as it does not constitute an unfair business practice within the meaning of Article L.120-1 of the French Consumer Code. Where a price reduction is announced in a commercial establishment, the labeling, marking or display of the prices carried out in accordance with the provisions in force should specify, in addition to the announced price reduction, the reference price which is determined by the announcer and on which the announced price reduction is based. Lastly, the announcer must be able to prove the reality of the reference price on which the reduction is based.

In the United States, brands may freely determine the dates and frequencies of sales periods.

6.7.6 Legal Framework Governing Private Sales

In the course of its activities, the Group must comply with the provisions applicable to "private" sales. Since the passage of Law No. 2008-776 of August 4, 2008 on the modernization of the economy, private sales may be conducted outside of legal end-of-season sales periods. Unlike end-of-season sales, which are governed by Articles L. 310-3 and L. 310-5 of the French Commercial Code, private sales may not result in selling at a loss and may not legally be called "sales".

The Group must also comply with legislation applicable to sales at reduced prices, including Directive 2005/29/EC of May 11, 2005 on unfair business-to-consumer commercial practices in the internal market. In France, the Decree of March 11, 2015, transposing the above mentioned Directive, addresses price-reduction announcements to consumers. Price-reduction announcements must not constitute unfair competitive practices within the meaning of Article L.121-1 of the French Consumer Code. In this context, when the Group announces a reduced price on its website, it must also include the reference price on the basis of which the price reduction is announced. The Group must also state the amount of the reduction on its website. The website operator must be able to prove the reality of the reference price on which the reduction is based.

6.7.7 International trade and customs duties

The Group's products are manufactured and distributed mainly in Europe, North Africa and Asia. In the European Union internal market, the principles of free movement of goods apply.

For the import and export of goods from countries which are not members of the European Union, the Group is subject to national and European regulations on customs and foreign trade. In particular, the basic customs legislation of the European Union is set out in the Customs Code of the Union adopted on October 9, 2013 as Regulation (EU) No. 952/2013 of the European Parliament and of the Council.

Although imports and exports are not subject in principle to customs duties inside the European Economic Area (EEA), the movement of goods beyond the borders of the EEA may be subject to customs controls.

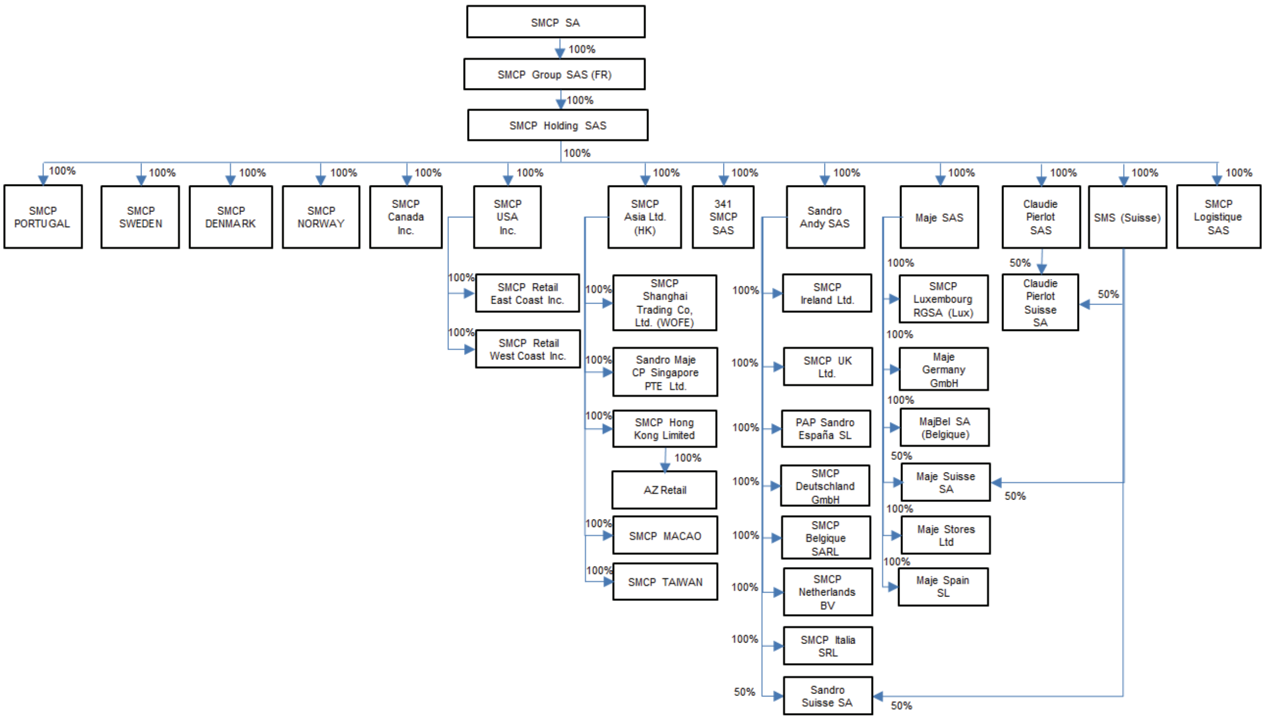
6.7.8 Environmental regulations

See Section 8.2 of Chapter 8 "Real estate, plant and equipment" of this registration document.

7. ORGANIZATIONAL STRUCTURE

7.1 Legal organizational structure of the Group as of December 31, 2017

The percentages indicated in the organization chart below represent the capital and voting rights held as of December 31, 2017:



The ownership percentages in the organizational chart are expressed as capital and voting rights.

7.2 Subsidiaries and equity interests

(i) Main subsidiaries

The principal direct or indirect subsidiaries of the Company on the date of this Registration Document are as follows:

– **SMCP Group S.A.S.** is a French simplified joint-stock company with capital of €58,153,391.00, having its registered office at 49, rue Etienne Marcel, 75001 Paris, France, registered under number 819 258 773 in the Paris Trade and Companies Register. It is a holding company.

– **SMCP Holding S.A.S.** is a French simplified joint-stock company with capital of €93,617,711.70, having its registered office at 49, rue Etienne Marcel, 75001 Paris, France, registered under number 792 113 193 in the Paris Trade and

Companies Register. It is a holding company and the sole shareholder of the French and international subsidiaries of the Group.

- **SMCP UK Limited** is a private company limited by shares incorporated under English law with capital of £10,000, having its registered office at the Chambre de Commerce Française de Grande-Bretagne, Lincoln House, 300 High Holborn, London and registered under number 06806544 in the Register of Companies for England and Wales. It is the operating company of the Group for the Sandro and Claudie Pierlot brands in the United Kingdom.

- **MAJE S.A.S.** is a simplified joint-stock company incorporated under French law with capital of €100,000, having its registered office at 24, rue du Mail, 75002 Paris, France and registered under number 382 544 310 in the Paris Trade and Companies Register. It is the Group's holding and operating company for the Maje brand in France.

- **SANDRO ANDY S.A.S.** is a simplified joint-stock company incorporated under French law with capital of €279,344, having its registered office at 61, rue de Turenne, 75003 Paris, France and registered under number 319 427 316 in the Paris Trade and Companies Register. It is the Group's holding company for the Sandro brand in France.

- **CLAUDIE PIERLOT S.A.S.** is a simplified joint-stock company incorporated under French law with capital of €50,000, having its registered office at 49, rue Etienne Marcel, 75001 Paris, France and registered under number 328 759 857 in the Paris Trade and Companies Register. It is the Group's operating company for the Claudie Pierlot brand in France and abroad.

- **SMCP USA Inc**. is a company incorporated under U.S. law with capital of U.S.$1, having its registered office at 2711 Centerville Road Suite 400, Wilmington, Delaware 19808, United States and registered under number 4850860 in Delaware. It is the Group's holding company for its business in the United States.

- **MAJE Stores Limited** is a private company limited by shares incorporated under English law with capital of £10,000, having its registered office at Tower Bridge House, St Katharine's Way, London and registered under number 6857179 in the Register of Companies for England and Wales. It is the Group's operating company for the Maje brand in the United Kingdom.

- **AZ Retail** is a private limited company incorporated under Hong Kong law with capital of HKD 500,000, having its registered office at 21/F, On Hing Building, 1 On Hing Terrace, Central, Hong Kong and registered on June 14, 2012 under number 1759778. It is the operating company for the three brands in Asia.

- **SMCP Hong Kong Limited** is a private company incorporated under Hong Kong law with capital of HKD 10,000, having its registered office at 21/F, On Hing Building, 1 On Hing Terrace, Central, Hong Kong and registered under number 2003876 in Hong Kong. It is the Group's holding company for its business in Hong Kong.

- **SMCP Shanghai Trading Co. Ltd** is a limited liability company incorporated under Chinese law with capital of US $5,000,000, having its registered office at Room 701, Floor 7, North Annex of building 1, No. 757 Jiaozhou Road, Jing'An District, Shanghai, China and registered under number 310000400709003 in Shanghai. It is the Group's operating company for mainland China.

(ii) Recent acquisitions and sales

Recent acquisitions by the Group are described in Section 5.2(a) of this Registration Document.

8. PROPERTY, PLANT AND EQUIPMENT

8.1 Significant existing or planned tangible assets

The table below shows the geographical distribution of the Group's directly-operated points of sale as at December 31, 2017 (free-standing stores, corners, factory outlets, and affiliates, excluding partnerships and online stores):

	Number of points of sale	Sales area (m^2)
Total France	**465**	**29,123**
Spain	70	5,040
United Kingdom	55	3,907
Germany	35	1,994
Belgium	13	1,323
Switzerland	44	2,147
Netherlands	17	1,091
Norway	4	305
Sweden	2	199
Ireland	11	442
Luxembourg	3	336
Italy	31	2,353
Portugal	6	301
Total EMEA	**291**	**19,438**
Mainland China	94	8,999
Singapore	4	408
Hong Kong	20	1,604
Macao	7	771
Taiwan	3	267
Total APAC	**128**	**12,049**
United States	109	6,834
Canada	21	1,386
Total Americas	**130**	**8,220**
Total points of sale	**1 014**	**68,830**

At December 31, 2017, the total sales area of the 1,014 directly operated points of sale was 68,830 square meters.

The table below shows the distribution by brand of the Group's directly-operated points of sale as at December 31, 2017 (free-standing stores, corners, factory outlets and affiliates, excluding partnerships and online stores):

	Number of points of sale
Sandro	443
Maje	348
Claudie Pierlot	177
Suite 341	46
Total points of sale	**1 014**

In 2013, the Group concluded a lease for a term of nine years for the premises of its headquarters in Paris. The Group also leases the headquarters of the three brands located in Paris.

In addition, it leases some of its warehouses, including those based in the Paris region in Marly-la-Ville, with an area of 10,000 square meters, and in Vemars, for an area of 24,000 square meters (see Section 6.5.6.2 of this Registration Document) and the buildings housing directly-operated points of sale.

During the twelve-month period ended December 31, 2017, the Group allocated €100.1 million for rent and service charges. Certain Group leases (including for the Maje headquarters) were signed with related parties (see Chapter 19 of this Registration Document).

The table below shows the amounts for rent and service charges for the twelve-month period ended December 31, 2017 and for the pro forma twelve-month period ended December 31, 2016.

(In millions of euros)	**Twelve-month period ended December 31, 2017**	**Twelve-months period ended December 31, 2016 *pro forma***
Rents and service charges	100.1	83.8

8.2 Environmental factors that could influence the use of the Group's property, plant and equipment

In view of the Group's business and its existing tangible fixed assets, the Group considers that there are no environmental issues which could significantly influence the use of its tangible fixed assets. Nevertheless, the Group pays close attention to the environmental footprint of its business and the products it distributes and its aim is to maintain its policy of profitable but sustainable and responsible growth from a social, environmental and corporate standpoint.

The Corporate Social and Environment Responsibility report (CSR) stipulated by Article R. 225-105 of the French Commercial Code is included in Appendix 2 of this Registration Document.

9. REVIEW OF FINANCIAL POSITION AND RESULTS OF THE GROUP

The Company was created on April 20, 2016 and its financial year runs from May 1, 2016 to December 31, 2017, i.e. a twenty-month financial year. In order to facilitate the reader's understanding, the Company is presenting and commenting in this Section on the Company's consolidated financial information for an interim period of twelve months running from January 1, 2017 to December 31, 2017. The financial information for the twelve-month interim period ended December 31, 2017 presented in this Registration Document is taken from the consolidated financial statements of the Company for the twenty-month period ended December 31, 2017 prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

Readers are invited to read the following information on the Group's financial results for the twelve-month period ended December 31, 2017, together with the Group's consolidated financial statements for the twenty-month period ended December 31, 2017, prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, provided in Section 20.1 of this Registration Document.

The consolidated financial statements of the Company for the twenty-month period ended December 31, 2017 have been audited by the Statutory Auditors. The audit report prepared by the Statutory Auditors on the consolidated financial statements for the twenty-month period ended December 31, 2017 is provided in Section 20.1.1.2 of this Registration Document.

Pursuant to Article 28-1 of Regulation (EC) No. 809/2004, the comparison of the Group's results for the twelve-month period ended December 31, 2016 and the year ended December 31, 2015 provided in Chapter 9 "Review of the financial positions and results" of the Basic Document is included by reference in this Registration Document.

9.1 Overview

9.1.1 Introduction

The Group is a fast-growing international apparel and accessories retail player. The Group markets its products under three brands: Sandro, Maje and Claudie Pierlot. The Group's product range is composed of on-trend and high-quality womenswear, menswear and accessories, offered at more accessible prices compared to luxury brands. The cornerstone of its business philosophy is a model in which the Group successfully combines the codes of the luxury industry and the fast fashion industry. The Group offers to its customers attributes associated with luxury, such as on-trend, high-quality products, high-end communication, premium store locations and a superior personalized shopping experience. At the same time, inspired by fast fashion, the Group has created a short and reactive design-to-production cycle, a vertically integrated and closely monitored distribution model (mostly through directly operated points of sale), a proven and globally scalable retail model, as well as a global platform and supply chain.

The Group mainly sells its products through its retail network, which is primarily a mix of directly-operated stores in premium locations and concessions in prestigious department stores. Its retail network also includes Eshops and third-party e-commerce platforms, as well as factory outlets and affiliates (in France and Spain). In addition to its retail network, the Group sells products via its retail partners' network in countries where the complexity of the market does not justify operating its own retail network. Moreover, partnered retail allows the Group to sell its products in countries where it would be impracticable, difficult, less profitable or inefficient for it to operate its own retail network, especially due to local laws.

During the twelve-month period ended December 31, 2017, the Group generated consolidated net sales of €912.4 million and consolidated adjusted EBITDA of €153.7 million.

During the twenty-month period ended December 31, 2017, the Group generated consolidated net sales of €1,136.5 million and consolidated adjusted EBITDA of €196.7 million.

The Group organizes its activities primarily by brand, and then on the basis of geographic segments.

Business segmentation

The Group organizes its activities around its three brands:

Sandro, the Group's largest brand, generated net sales of €456 million and adjusted EBITDA of €78.9 million over the twelve-month period ended December 31, 2017, representing 50% and 51% of consolidated net sales and consolidated adjusted EBITDA, respectively. This segment includes Sandro Homme[32]. Over the twenty-month period ended December 31, 2017, the brand generated net sales of €568.6 million and adjusted EBITDA of €101.9 million;

Maje, the Group's second largest brand, generated net sales of €343 million and adjusted EBITDA of €60.9 million over the twelve-month period ended December 31, 2017, representing 38% and 40% of the Group's consolidated net sales and consolidated adjusted EBITDA, respectively. Over the twenty-month period ended December 31, 2017, the brand generated net sales of €425.3 million and adjusted EBITDA of €76.2 million;

Claudie Pierlot, a brand acquired in 2009, generated net sales of €113.1 million and an adjusted EBITDA of €18.9 million during the twelve-month period ended December 31, 2017, representing 12% and 9% of the Group's consolidated net sales and consolidated adjusted EBITDA, respectively. Over the twenty-month period ended December 31, 2017, the brand represented net sales of €142.6 million and adjusted EBITDA of €18.9 million.

Segmentation by geographical area

The Group operates in the following four geographical segments:

[32] The activities of Sandro Homme generated net sales of €73 million for the *pro forma* twelvemonth period ended December 31, 2016, and €86 million for the twelve-month period ended December 31, 2017.

France. The France segment generated net sales of €376.8 million for the twelve-month period ended December 31, 2017, representing 41% of the Group's consolidated net sales. Over the twenty-month period ended December 31, 2017, the brand represented net sales of €476.1 million. As of December 31, 2017 the Group had 475 points of sale in France.

EMEA. The EMEA segment, which includes European countries other than France (primarily the United Kingdom, Italy, Spain, Germany and Switzerland), as well as the Middle East (notably the United Arab Emirates, Saudi Arabia and Kuwait), generated net sales of €274.7 million for the twelve-month period ended December 31, 2017, representing 30% of the Group's consolidated net sales. Over the twenty-month period ended December 31, 2017, the EMEA segment represented net sales of €339.9 million. As of December 31, 2017 the Group had 431 points of sale (of which 327 were directly operated points of sale) in the EMEA region.

APAC. The APAC segment, which includes the Group's business in the Asia-Pacific region (primarily mainland China, Hong Kong, Macao, Singapore, South Korea and Australia), generated net sales of €153.2 million for the twelve-month period ended December 31, 2017, representing 17% of the Group's consolidated net sales. Over the twenty-month period ended December 31, 2017, the APAC segment represented net sales of €185.3 million. As of December 31, 2017, the Group had 271 points of sale in this region (133 of which were directly operated points of sale), including 130 directly operated points of sale in Greater China.

Americas. The Americas segment generated net sales of €107.6 million for the twelve-month period ended December 31, 2017, representing 12% of the Group's consolidated net sales. Over the twenty-month period ended December 31, 2017, the Americas segment represented net sales of €135.2 million. As of December 31, 2017, the Group had 155 points of sale (of which 135 were directly operated points of sale) in the Americas segment.

Price Policy

In the apparel and accessories sector, companies have different pricing strategies. The Group considers that it is in line with the average of the market in term of pricing and it considers that its prices are lower than most other brands in the sector in which it operates.

The pricing of the Group's products differs between the euro zone and other regions. Inside the euro zone, the Group applies the same price. Outside the euro zone, the Group applies a coefficient to the euro price to translate into local currency. This coefficient reflects currency fluctuation, the local cost of living and competitors pricing in the market in question. Consequently, the evolution of the Group's pricing outside the euro zone also reflects fluctuations in exchange rates. The Group considers that price differences among regions, including Asia and the United States, are below or in line with competitors for similar products.

9.1.2 Principal factors having an impact on results

Certain key factors, past events and transactions have had, and could continue to have, an impact on the business and operating results of the Group presented below. The main factors that impact the Group's results are (i) the Group's expansion by opening new points of sale, (ii) general economic conditions, (iii) changing fashion trends, the success of collections and brand awareness, (iv) seasonal effects, (v) weather conditions, (vi) mix of products and sales channels, (vii) production and distribution costs, (viii) variable and fixed costs, and (ix) currency fluctuations. A more detailed description of each of these factors is provided below.

9.1.2.1 Expansion through points of sale openings

A significant portion of the growth of the Group's net sales during the financial years 2015, 2016 and 2017 is attributable to the opening of new points of sale. As of December 31, 2017, the Group directly operated[33] 1,070 points of sale, of which 386 were free-standing stores, 501 were concessions in department stores and the remainder were affiliate-operated stores, factory outlets and online stores. During the period from December 31, 2015 to December 31, 2017, the Group opened an average of 107 points of sale (including partnerships) per year, and significantly expanded its presence internationally (especially in Europe and Asia). The Group plans to continue opening new points of sale in the coming years, with a particular focus on the United Kingdom, Spain, Italy, North America and Greater China (including mainland China, Hong Kong, Macao and Taiwan).

The Group maintains rigorous control over its expansion strategy. When it is considering a new site for a point of sale, the Group investigates the demographics of the location to ensure it will have access to its target customers, while taking into account the expected impact of the opening on its existing points of sale in the immediate area, in order to minimize any potential cannibalization effect. The Group has a dedicated team responsible for point-of-sale roll-out and lease negotiation, and another team dedicated to the exterior and interior design of new locations. A new point of sale will only be considered if it can be opened in an attractive location at an appropriate cost. When the Group decides to enter a new geographic market, it generally follows a flexible approach and tailors its roll-out strategy to the needs of the particular market. In general, the Group initially accesses new markets through concessions, allowing it to test the appeal of its brands and gain market knowledge with minimal capital expenditures, before building up its own store network. The point-of-sale investment process includes a review by the Group's management, involving strict selection criteria such as the payback period and return on investment, and a final decision is made by a dedicated committee chaired by the Group's Chief Executive Officer.

9.1.2.2 General economic conditions

The Group's results of operations are affected by global economic conditions as well as specific economic conditions in the markets in which it operates, especially in France, which remained its principal market in 2017 (representing 41% of net sales for the twelve-month period ended December 31, 2017). These conditions include levels of employment, inflation, growth in gross domestic product, real disposable income, exchange and interest rates, availability of consumer credit, consumer confidence and the willingness of consumers to spend. Consumer purchases of apparel items or accessories generally decline in an unfavorable economic environment,

[33] Directly operated points of sale include free-standing stores, concessions, affiliates, websites and factory outlets, but exclude retail partners.

especially when disposable income has decreased. While these economic fluctuations have an impact on the Group's net sales, the Group believes that its business is impacted to a lesser extent than that of its competitors because its clientele is potentially less price sensitive and less exposed to general macro-economic conditions when compared to the mass market.

9.1.2.3 Exposure to changing fashion trends, success of collections and brand awareness

The level of sales and margins in the apparel and accessories sector can be impacted by changing fashion trends and the relative success of a collection. The success of a collection is attributable to a variety of factors, including the newness and attractiveness of the product or the concept of the collection, pricing, perceived product quality, and competition from other comparable collections. While the Group's "on trend" model, its analytical approach to collection planning (based, among other things, on a detailed analysis of previous collection performance and incorporating feedback from the Group's sales teams at its points of sale), and very short design-to-production cycle have, in its view, helped mitigate its exposure to changing fashion trends, the Group is not able to guarantee that all of its collections will be equally successful.

The collections are inspired by all the latest trends (including the fashion shows) and capture the "air du temps". The Group believes that its considerable operational flexibility allows it to test new collections by producing an initial, relatively limited order and by emphasizing the products that most appeal to its customers as the season progresses. Moreover, the Group profits from the independent creative process it follows for each of its brands (Sandro, Maje, Claudie Pierlot), giving each brand its own distinct design identity. The Group believes that this multi-brand strategy also limits its exposure to changing fashion trends.

The Group believes that an effective communication strategy is essential to the success of its brands. For example, the Group utilizes its point-of-sale locations as a medium of communication with its customers. The Group strives to achieve luxury visual merchandising through carefully designed product displays, the point-of-sale environment, and packaging, all of which provide fulfilling shopping experiences, aided by its experienced sales teams. With its main target customers, the Group tries to build and reinforce strong personal relationships through exclusive events at its stores and online, in particular through social networks.

9.1.2.4 Seasonal effects

As with all other apparel and accessory retailers, the Group's business is subject to certain seasonal trends. The Group offers two main season collections implemented through more than 10 rounds of implementation and complemented by a "pre-collection" and "capsule" collections. Typically, the first product of the fall/winter collection is available from June onwards and the first product of the spring/summer collection is available from December/January onwards. The Group has a limited dependency on Christmas sales and its margins in the fourth quarter have historically been higher due to fewer promotional rebates in the run-up to Christmas. In line with the rest of the apparel and accessory sector, the Group's net sales tend to peak in the first weeks of the sales periods (i.e. January and June/July), although its margins during those periods are lower due to promotional discounts. The adjusted

EBITDA margin is generally lower in the first and third quarters of the year due to the sales period and lower sales in February (shorter month) and August (summer vacation). The effect of sales and discounts on the Group's financial statements is typically stronger for the January sales period than for the June/July sales period, since this period overlaps its second and third quarters.

In addition, the Group's working capital requirement is affected by the seasonal structure of its business. The Group's inventory generally peaks in April and in October/November, in connection with its spring/summer collections and fall/winter collections, respectively, due to ordering patterns from its suppliers. During the past three financial years, the typical working capital peak-to-trough range was approximately 25 to 50 days of net sales; the Group believes this range may increase in the future as it continues to expand and its working capital levels grow in line with this expansion. The Group's working capital needs are mainly driven by the level of inventory. The rapid resupply process the Group has implemented in recent years, which relies on three automated logistics platforms based in France, the United States and Shanghai, has helped the Group to optimize its inventory levels, leading to improvements in working capital requirements.

The Group follows a policy of gradually depreciating inventories; for example the Group began depreciating its 2016 winter collection inventories in December 2017.

9.1.2.5 Weather conditions

The Group's sales and profitability can be affected by unfavorable weather conditions. For example, unusually cold temperatures in autumn or early winter may trigger an upsurge in sales of the fall/winter collections, while a longer than expected winter may have a negative impact on sales of the spring/summer collections. Unfavorable weather conditions typically have a stronger negative effect on its sales of womenswear than on menswear. In addition, the sales of certain categories of apparel are more affected by unfavorable weather conditions, especially tee-shirts and shorts in the spring/summer collections and coats and sweaters in the fall/winter collections. On the other hand, men's suits from the spring/summer collections can be worn in fall or winter and vice versa.

9.1.2.6 Product and sales channel mix

The Group's margins vary depending on the mix of sales of its brands, the type of products sold, the channels through which it sells its products, and the rental costs of its points of sale.

In the past, the Group has achieved the highest margins through sales of its Sandro women's collections and Maje collections. The Group believes that this is due to the relative maturity in the market of these brands. Sandro Homme and Claudie Pierlot have lower margins and have significant potential to improve margins as their business and the productivity of their points of sale develop.

The Group's margins as a percentage of net sales also vary according to the type of products it sells. For example, its margins on leather goods may be lower than its margins on apparel products due to the relative cost of raw materials.

The Group's margins may also vary according to the channels through which it sells its products. For example, although concessions require lower capital expenditures than free-standing stores, the margins on direct costs are typically lower for its concessions than for its stores, primarily due to the level of rent paid for its free-standing compared with the higher level of concession fees paid in department stores.

Finally, the Group's margins may vary according to rental costs. For example, the rental costs of stores leased outside of France are generally higher given the absence of key money (i.e., upfront payments to landlords or former tenants to secure premium rental properties).

9.1.2.7 Production and distribution costs

The Group's results of operations can be impacted by changes in production and distribution costs. The Group's production costs (which primarily include purchases of goods, subcontracting, and ancillary expenses) represented less than 24% of its net sales over the last three fiscal years (23% for the twelve-month period ended December 31, 2017, 23.6% for the *pro forma* twelve-month period ended December 31, 2016, and 23.7% for the period ended December 31, 2015). The Group's production costs can be significantly impacted by raw material costs, transportation expenses and wage inflation.

The Group relies on two types of production: it estimates that approximately half of its products are tailored "cut and sew" products, for which it purchases materials and outsources their production to subcontractors; the remainder are finished products that it buys directly from manufacturers. Although raw material prices generally constitute a relatively small portion of the Group's cost base compared to the mass market, any fluctuation in the price of its principal raw materials, such as cotton, leather, wool, silk, polyester and viscose, could have a direct impact on its production costs. An increase in costs related to transporting products from their place of manufacture to the Group's warehouses (largely dependent on shipping and freight costs, which are themselves largely dependent on fuel costs) could also add to the cost of the products. The costs of products could also be impacted by wage inflation in markets where its products are manufactured (such as Asia).

The Group's distribution and other logistics costs are recorded as part of "other operating expenses" in its consolidated income statement. An increase in costs related to transporting products from the Group's warehouses to its points of sale can impact the Group's costs, particularly due to its model of maintaining a low level of stocks at its stores and concessions. Transportation is mostly done by air to ensure faster reaction times.

The Group has made efforts to implement an efficient sourcing policy. This, together with the relatively high average selling prices for its products as compared to the *mass market* allows the Group to maintain margins. Nonetheless, further price fluctuations and potential changes in the dynamics of competition could restrict or delay the Group's ability to pass on all or a part of any additional costs to its customers in the future.

9.1.2.8 Variable and fixed costs

Like other businesses in the apparel and accessories sector, the Group's cost base is composed of a mixture of variable and fixed costs. Variable costs include most of the concession fees payable to major department stores, transportation and packaging expenses, taxes and some rental costs (in particular in Asia), marketing costs and profit-sharing costs. Fixed costs mainly include rental expenses and personnel costs.

Rents are one of the Group's largest fixed costs. In France, its largest market, increases in rent follow an index published quarterly by INSEE, and in other countries rents may evolve according to a similar index. The Group does, however, retain some flexibility regarding its rental costs. For example, lease agreements for its stores in France are typically entered into for a period of nine years, with the tenant able to terminate the lease without penalty at the end of each three-year period. In the United Kingdom, several of the Group's leases include break clauses after five years. In Asia, the lease agreements are typically entered into for a period of three years. In the United States, leases are taken out for a period of ten years but with the option of subletting.

Personnel costs include the costs of staff in the Group's points of sale and at its headquarters and central functions. The compensation of its point-of-sale employees includes a variable component based on the level of sales achieved. The Group can also control personnel costs in its points of sale by varying staffing levels in anticipation of customer numbers. However, the Group's personnel costs can be impacted by changes in wage levels, such as adjustments to national or local minimum wage levels.

In the event of a decrease in net sales, the Group may not be able to maintain its margins by reducing its cost base in a timely manner, particularly with respect to its fixed costs.

9.1.2.9 Currency fluctuations

The Group prepares its financial statements in euros, but a portion of its net sales (38.2% for the twelve-month period ended December 31, 2017) is generated in other currencies, particularly in pounds sterling, Chinese yuan, Swiss francs and US dollars. A portion of its cost of sales is also denominated in other currencies, particularly purchases denominated in US dollars or Chinese yuan from its Asian suppliers. The Group also holds certain assets that are recorded in other currencies on its balance sheet.

As a result, the Group's results of operations are affected by fluctuations in exchange rates and, therefore, the Group has implemented a prudent hedging strategy designed to reduce this exposure (on average, six months before the beginning of the season). The Group also believes that its expansion worldwide will result in a more balanced exposure to the U.S. dollar and Chinese yuan, with net sales in the United States and mainland China denominated in the local currency, partially offsetting its purchases in those currencies.

9.1.3 Main items of the income statement

The main items of the Group's income statement, which are used by the Group's management to analyze its consolidated financial results, are described below:

Net sales consist of total sales of products (retail sales and sales recorded by partners and third-party websites) net of promotion, discounts, VAT and other sales taxes, but before deduction of concession fees paid to department stores and commissions paid to affiliates. Net sales from Suite 341 stores (which carry products from the Group's three brands) are allocated to the corresponding brand of the product sold.

Commissions consist of concession fees paid to department stores and commissions paid to affiliates. Concession fees paid to department stores are primarily composed of payments under concession agreements, which are mainly based on a percentage of net sales. The cost for use of space associated with the Group's concessions in department stores is included in these concession payments. Commissions are paid to affiliates by deducting the relevant amount from the sales revenue generated by such affiliate.

Net sales after commissions consist of net sales minus commissions. It is recorded in the income statement when the significant risks and benefits of ownership are transferred to the buyer.

Cost of sales primarily consists of the cost of goods sold, which represents the Group's largest single cost item. Cost of goods sold covers mainly raw material costs, labor costs of contract manufacturers, purchases of finished goods, and customs, transport and logistics costs for in-bound goods. As the Group does not operate or own any manufacturing facilities, it relies on independent third parties for the manufacture of its products. The Group purchases two types of products: "cut and sew" products, for which it purchases the different materials and subcontracts the manufacturing to third parties, and finished products, which it purchases directly from manufacturers who are responsible for sourcing raw materials and for the production process, but not for design, which remains under the Group's control.

Changes in inventories are the other main component of this line item. The Group owns the stock held in its stores, its concessions in department stores, factory outlets, points of sale operated by its affiliates, and logistical warehouses, from the date of shipment of the stock by the manufacturer until the date the product is sold to the end customer.

In general, cost of goods sold and changes in inventory are influenced, apart from the volume of merchandise being sourced, by currency fluctuations (in particular any change in the exchange rate of the U.S. dollar or Chinese yuan against the euro), as well as by the composition of the product range.

Gross margin represents the sum of total net sales after commissions realized by the Group, net of Cost of sales.

Personnel costs primarily consist of wages and salaries. In addition, personnel costs include social security charges as well as expenses related to the Group's profit sharing arrangements.

The Group's personnel costs largely relate to the staff employed in its stores. Since the concession staff in department stores are the Group's own employees (and not employees of the department stores), personnel costs also include the cost of these employees. The costs of employees of affiliates are not included in personnel costs.

Other personnel costs relate to employees in the areas of product management, procurement and supply chain management, as well as personnel costs attributable to central functions such as marketing, human resources, finance and IT. The Group has implemented incentive systems at store level based on sales objectives. Its staff in central functions benefits from various bonus schemes.

Other operating income and expenses:

- *Other operating expenses* mainly cover rents, logistics and marketing costs, as well as a range of other smaller operating expenses. Rental costs are the Group's single largest cost item within other operating expenses. They primarily represent the rents for its store network and rental expenses for its head office and distribution center. The cost for the use of space by its concessions in department stores is part of the concession fee paid to the department stores, and is not recorded as rental expenses but deducted from revenue.

  Marketing expenses primarily relate to communication and advertising campaigns in fashion magazines.

  Logistics primarily consist of transportation of merchandise to the points of sale and to warehouses. The Group outsources much of its transportation costs to dedicated logistics providers.

  Finally, other operating expenses include bank fees linked to the processing of payments in stores (i.e., only bank fees related to the Group's operating activities and not those connected with its own financing), consulting fees (which consist mainly of legal, consultancy and audit fees), management fees (in respect of an agreement with KKR, until October 2016 and, subsequently, an agreement concluded with Shandong Ruyi, the Group's principal shareholder), monitoring fees, travel expenses and IT and telephone costs.

- *Other operating income* essentially comprises damages awarded to the Group in the context of legal actions for counterfeit products.

Depreciation, amortization and provisions consist of regular depreciation on equipment (in particular, furniture, fixtures and IT equipment in stores and on warehouse premises), as well as amortization of intangible assets (mostly IT licenses). Provisions consist mainly of provisions for current assets, risks, pension commitments and disputes.

Other income and expenses comprise items on the income statement that, due to their nature, amount or frequency, cannot be considered as inherent to the Group's recurring operations. This item represents (i) the costs incurred at the acquisition of new entities; (ii) any provisions for impairment of brands, lease rights and *goodwill*, and any profits or losses recognized on the disposal of non-current assets when they are significant; (iii) the costs of capital transactions, the expenses incurred for disputes, or any other non-recurring income or expense, including the bonus share allocation plan established in the context of the Shandong Ruyi acquisition of the Group in October 2016, which the Group presents separately in order to facilitate understanding of current operating performance and to give the reader useful elements to provisionally assess results.

Financial income and other expenses include financial items recognized in net income or loss for the period, including interest expenses payable on financial costs calculated using the effective interest method (mainly current account overdrafts and medium- to long-term financing), foreign exchange profits and losses, gains and losses on derivative financial instruments, dividends received, and the portion of financial expenses arising from the accounting treatment of employee benefits (IAS 19).

Income tax includes both current taxes and deferred taxes. It is recorded in net income or loss for the period, unless it is triggered by transactions recorded directly in shareholders' equity. In this case, the corresponding deferred tax liabilities are also recognized under shareholders' equity.

Current taxes on taxable income for the period represent the tax burden determined by using the tax rates in effect at the reference date and any adjustments to the tax payables calculated during previous periods.

Deferred tax liabilities refer to temporary differences between the book values of assets and liabilities of consolidated companies and their respective tax values relevant for determination of future taxable income.

9.1.4 Key performance indicators

The Group uses certain key financial and non-financial measures to analyze the performance of its business. The principal performance indicators used include the number of its points of sale, *like-for-like* sales growth, net sales, adjusted EBITDA and the adjusted EBITDA margin.

Number of points of sale

The number of the Group's points of sale comprises total retail points of sale open at the relevant date, which includes (i) directly-operated stores, including free-standing stores, concessions in department stores, affiliate-operated stores, factory outlets and online stores, and (ii) partnered retail points of sale.

The following table presents the Group's points of sale (including partners) by brand and geographical area for the periods indicated.

(In number of points of sale, including partners)	**As of December 31, 2017**	**As of December 31, 2016**
Brand		
Sandro	593	540
Maje	484	445
Claudie Pierlot	209	188
Suite 341(1)	46	50
Geographic region		
France	475	479
EMEA	431	383
APAC	271	221
Americas	155	140
Total points of sale	**1,332**	**1,223**

(1) Net sales from Suite 341 stores (which carry products from the Group's three brands) are allocated to the corresponding brand of the products sold).

As of December 31, 2017, the total number of Group points of sale rose to 1,332, compared with 1,223 at December 31, 2016. This figure reflects the net opening of 109 points of sale, outside of France, primarily in the APAC area, mainly Greater China, where the Group is now present in 21 cities, as well as in Taiwan with the opening of the first directly-operated points of sale, the EMEA region, primarily in Italy, and Germany, and in the Middle East where the Group is now present in two new countries - Qatar and Bahrain. In France, the Group continued its policy to optimize the quality of its network with the net closing of four points of sales. Of the 1,332 points of sale at December 31, 2017, 386 were free-standing stores and 501 were concessions; the remainder are affiliates, factory outlets, online stores and partner points of sale.

Like-for-like sales growth

Like-for-like sales growth corresponds to retail sales from directly operated points of sale on a like-for-like basis in a given period compared with the same period in the previous year, expressed as a percentage change between the two periods. Like-for-like points of sale for a given period include all of the Group's points of sale that were open at the beginning of the previous period and exclude points of sale closed during the period, including points of sale closed for renovation for more than one month, as well as points of sale that changed their activity (for example, Sandro points of sale changing from Sandro Femme to Sandro Homme or to a mixed Sandro Femme and Sandro Homme store). Like-for-like sales growth percentage is presented at constant exchange rates (sales for year N and year N-1 in foreign currencies are converted at the average N-1 rate, as presented in the annexes to the Group's consolidated financial statements as at December 31 for the year N in question).

The following table presents the Group's like-for-like sales growth by segment at constant exchange rates[34].

	Twelve-month period ended December 31, 2017	Twelve-month period ended December 31, 2016
Total like-for-like growth	**7.8%**	**7.1%**

For the twelve-month period ended December 31, 2017, total like-for-like net sales were up 7.8% over 2016, a performance that continues that of 2016 and reflects the progress made on each of the Group's strategic growth levers (development of ready-to-wear, e-commerce, accessories and Sandro for men - (see Section 6.3.2 of this Registration Document) both in France and internationally. In France, where it generated 41% of its net sales, the Group continued to increase its market share, despite a difficult context. Internationally, the Group recorded very strong growth, particularly in its key markets, such as the United Kingdom, North America and Greater China. Finally, the performance of the Group was positively impacted by the development of its online sales which represent 12% of the Group's net sales.

Net sales

The following table presents the Group's net sales by brand and geographical area for the periods indicated:

(In thousands of euros)	Twenty-month fiscal year ended December 31, 2017	Twelve-month period ended December 31, 2017	*Pro forma* twelve-month period ended December 31, 2016
Brand			
Sandro	568,552	456,325	375,823
Maje	425,306	342,958	312,936
Claudie Pierlot	142,632	113,088	97,528
Other and holdings	0	0	0
Geographic region			
France	476,052	376,810	364,838
EMEA	339,865	274,741	221,150
APAC	185,342	153,195	109,214
Americas	135,231	107,625	91,083
Total net sales	**1,136,490**	**912,371**	**786,286**

Net sales from Suite 341 stores (which carry products from the Group's three brands) are allocated to the corresponding brand of the products sold.

[34] Corresponding to the exchange rate used to establish the financial statements for the preceding period.

For the twenty-month financial year ended December 31, 2017, total net sales was €1,136.5 million. For the twelve-month period ended December 31, 2017, total net sales increased by €126.1 million, or 16%, (over 17.5% at constant exchange rates), from €786.3 million for the twelve-month *pro forma* period ended December 31, 2016 to €912.4 million for the twelve-month period ended December 31, 2017. This exceptional growth is the result of the success of the collections of its three brands in all geographic regions, the progress made in all the strategic growth vectors of the Group (development of ready-to-wear, e-commerce, accessories and menswear for Sandro) and the Group's continued expansion with the opening of 109 new points of sale in 2017.

Net sales by brand:

The **Sandro** brand generated €568.6 million for the twenty-month period ended December 31, 2017. For the twelve-month period ended December 31, 2017, the brand generated strong growth in net sales with an increase of €80.5 million (about 21%). This performance reflects the success of the Sandro brand women's and men's collections, the continued expansion of the brand network, with a net 53 new points of sale in 2017, including new openings in prestigious locations in Europe.

The **Maje** brand generated €425.3 million in net sales for the twenty-month period ended December 31, 2017. For the twelve-month period ended December 31, 2017, the brand recorded growth in net sales of €30 million (around 10%), driven by the success of the brand's accessories, particularly leather goods. In 2017, the brand continued its geographic expansion, especially in Greater China and opened 39 new points of sale.

The **Claudie Pierlot** brand generated €142.6 million in net sales for the twenty-month period ended December 31, 2017. For the twelve-month period ended December 31, 2017, its net sales were up €15.6 million (about 16%). This excellent performance demonstrates the growing name recognition of the brand in the EMEA region, where it began operations directly in two new markets, Italy and Luxembourg. In 2017, Claudie Pierlot expanded its footprint with 21 new points of sale.

Net sales by geographic region:

In the geographic regions covered, France generated €476.1 million in net sales for the twenty-month period ended December 31, 2017. For the twelve-month period ended December 31, 2017, net sales rose €12 million, representing solid growth of around 3% in a French market that grew slightly in 2017. This solid performance reflects new gains in market share, driven particularly by the development of Sandro Homme, the expansion of e-commerce and sales of accessories, and by the expansion of the area and renovation of certain strategic points of sale. Moreover, in line with its policy to optimize the quality of its network in France, the Group conducted no net openings of new points of sale in this area during the twelve-month period ended December 31, 2017, but improved its existing points of sale (which led to the net closing of four points of sale).

The **EMEA** region generated €339.9 million in net sales for the twenty-month period ended December 31, 2017. For the twelve-month period ended December 31, 2017, the EMEA region was the leading contribution to growth with a €53.6 million increase in sales (24%). The Group recorded a very strong performance in all its strategic market, including the United Kingdom, which was however penalized by a difficult economic environment. 2017 marked a major step in the Group's expansion in Europe. SMCP opened a number of points of sale in prized regions, including London, Milan, Rome, Barcelona and Munich. In total, the Group increased the density of its network with 48 net openings, primarily in Italy and Germany, in 2017. At the same time, the Group significantly improved the rate of penetration of its e-commerce sales, with a particularly high level in northern Europe.

The **APAC** region generated €185.3 million in net sales for the twenty-month period ended December 31, 2017. For the twelve-month period ended December 31, 2017, the APAC region was the second largest contributor to the Group's growth with a €44 million increase in sales (representing around 40%). This very strong performance reflects the growing recognition of the Group's brands in this geographic area, in particular in the Chinese market, and the continued expansion of its network. During this period, the Group opened 50 new points of sale in the APAC region, including 37 in Greater China where the Group is now present on 21 cities, 5 more in mainland China than in 2016. The Group is also operating directly in Taiwan. Finally, the Group continued to develop its e-commerce offer along with its Chinese partner T-Mall and with the opening of the Sandro and Maje websites in mainland China.

The **Americas region** generated €135.2 million in net sales for the twenty-month period ended December 31, 2017. For the twelve-month period ended December 31, 2017, net sales in the APAC region rose €16.5 million, representing growth of 18%. Backed by a unique business model based on strict control of its distribution, the Group recorded dynamic performances over all its distribution channels, despite difficult market conditions. SMCP continued to expand its network with 15 net openings in 2017, including selective openings in Los Angeles, Toronto and Miami, and the launch of a partnership with Nordstrom based on the model of the existing Group partnerships.

Adjusted EBITDA and adjusted EBITDA margin

Adjusted EBITDA is defined by the Group as being the current operating income before depreciation, amortization, provisions and expenses related to the bonus share allocation plan set up in the fourth quarter of 2017 following the initial public offering of the Company in October 2017 (in the amount of €1.9 million). Adjusted EBITDA is not a standardized accounting measure that meets a single generally accepted definition. It must not be considered as a substitute for operating income, net income, cash flow from operating activities, or as a measure of liquidity. Other companies may calculate adjusted EBITDA differently from the definition used by the Group.

Adjusted EBITDA margin represents adjusted EBITDA divided by net sales.

The table below shows the calculation of the Group's adjusted EBITDA for the following periods:

(In millions of euros)	**Twenty-month fiscal year ended December 31, 2017**	**Twelve-month period ended December 31, 2017**	***Pro forma* twelve-month period ended December 31, 2016**[35]
Net sales	1,136.5	912.4	786.3
Commissions	(148)	(117)	(105.2)
Net sales after commissions	988.5	795.4	**681.1**
Cost of sales	(256.8)	(210.3)	(185.7)
Gross margin[36]	**731.7**	**585.1**	**495.4**
Other operating income and expenses	(297.6)	(239.8)	(198.9)
Personnel costs	(237.3)	(191.6)	(166.9)
Adjusted EBITDA	**196.7**	**153.7**	**129.6**
IPO bonus share allocation plan	**(1.9)**	**(1.9)**	**-**
EBITDA	**194.8**	**151.8**	**129.6**

The following table presents the Group's adjusted EBITDA and its EBITDA margin for the following periods:

(In millions of euros)	**Twenty-month fiscal year ended December 31, 2017**	**Twelve-month period ended December 31, 2017**	***Pro forma* twelve-month period ended December 31, 2016**
Adjusted EBITDA	196.7	153.7	129.6
Adjusted EBITDA margin	-	16.8%	16.5%

The impact of the bonus share allocation plan set up in the fourth quarter of 2017 following the initial public offering of the Company was €1.9 million. EBITDA was €151.8 million for the twelve-month period ended December 31, 2017 compared with €194.8 million for the twenty-month period ended December 31, 2017.

35 Pro forma data to reflect the acquisition of the Group by Shandong Ruyi as if it had taken place on January 1, 2016.

36 Gross margin corresponds to net sales after deduction of the cost of sales and commissions paid to the department stores and affiliates.

9.1.5 Other indicators

Gross margin and retail margin

The gross margin corresponds to the sales after deducting rebates and cost of sales only. The gross margin (as appearing in the accounts) corresponds to the sales after deducting the rebates, the cost of sales and the commissions paid to the department stores and affiliates.

The Group's gross margin went from €603 million for the twelve-month *pro forma* period ended December 31, 2016 to €701 million for the twelve-month period ended December 31, 2017. The gross margin thus represented 76.6% of total net sales for the *pro forma* twelve-month period ended December 31, 2016, and 76.9% of net sales for the twelve-month period ended December 31, 2017. The high level of the gross margin rate reflects the distribution model of the Group relying mostly on its integrated points of sale network.

Retail margin corresponds to the gross margin before taking into account the points of sale's direct expenses such as rent, personnel costs, commissions paid to the department stores and other operating costs.

The Group's retail margin increased from approximately €288 million for the *pro forma* twelve-month period ended December 31, 2016 to approximately €339 million for the twelve-month period ended December 31, 2017. The retail margin represented 36.6% of total net sales for the *pro forma* twelve-month period ended December 31, 2016, and 37.1% of net sales for the twelve-month period ended December 31, 2017. The increase in the retail margin as a percentage of net sales between the *pro-forma* twelve-month period ended December 31, 2016 and the twelve-month period ended December 31, 2017 was driven by development on the international market, where the Group's profitability continues to rise, and by the increase in the Group's digital sales.

The table below summarizes the reconciliation of the gross management margin and the retail margin with the accounting gross margin as included in the Group's financial statements for the following periods:

(In thousands of euros)	***Pro forma* twelve-month period ended December 31, 2016**[37]	**Twelve-month period ended December 31, 2017**
Gross margin (as appearing in the accounts)	**495,407**	**585,105**
Readjustment of the commissions and other adjustments	107,118	116,248
Gross Margin	**602,525**	**701,353**
Direct costs of points of sale	(314,914)	(362,448)
Retail Margin	**287,611**	**338,905**

[37] *Pro forma* data, as if the Group's acquisition by Shandong Ruyi had taken place on January 1, 2016.

Selling, general and administrative expenses

Selling, general and administrative expenses are those incurred at the corporate level/central costs and not allocated to a point of sale or partner. These elements are added to the retail margin to obtain EBITDA.

Selling, general and administrative expenses recorded by the Group at the central level totaled approximately €158.0 million for the *pro forma* twelve-month period ended December 31, 2016, and approximately €185.2 million for the twelve-month period ended December 31, 2017. As a percentage of sales, these expenses remained relatively stable at 20.3% for the twelve-month period ended December 31, 2017, compared with 20.1% for the *pro forma* twelve-month period ended December 31, 2016. In recent years, the Group has continued its investments to support its growth strategy, particularly in digital, international structures and infrastructures while benefiting from an operational vector driven by the growth of the Group. The Group has also invested in marketing to increase the visibility of its brands on the international market and online.

9.2 Analysis of results for the twenty-month period and the twelve-month period ended December 31, 2017

In this Section, unless otherwise stated, data as at December 31, 2016 have been extracted from the Company's *pro forma* financial information for the 12-month period ended December 31, 2016 *pro forma*.

INCOME STATEMENT *(in millions of euros)*	**Twenty-month fiscal year ended December 31, 2017**	**Twelve-month period ended December 31, 2017**	***Pro forma* twelve-month period ended December 31, 2016**[38]
Net sales	1,136.5	912.4	786.3
Commissions	(148)	(117)	(105.2)
Net sales after commissions	**988.5**	**795.4**	**681.1**
Cost of sales	(256.8)	(210.3)	(185.7)
Gross margin[39]	**731.7**	**585.1**	**495.4**
Personnel costs	(237.3)	(191.6)	(166.9)
Other operating expenses, net	(297.6)	(240)	(199)
Depreciation, amortization and provisions	(42.5)	(35.0)	(37.9)
Bonus share allocation plan	(1.9)	(1.9)	
Current operating income	**152.3**	**116.8**	**91.7**
Other income and expenses	(67.8)	(46.7)	(31.3)
Operating profit	**84.5**	**70.1**	**60.3**
Cost of net debt	(93.7)	(68.1)	(77.7)
Other financial income and expenses	(1.8)	(1.8)	(0.4)
Financial result	**(95.5)**	**(69.9)**	**(78.1)**
Profit (loss) before tax	**(11.0)**	**(0.2)**	**(17.7)**
Income tax	47.9	6.1	39.9
Net profit (loss)	**36.9**	**6.3**	**22.2**
Attributable to owners of the Company	36.9	6.3	22.2
Attributable to non-controlling interests	-	-	-
Attributable net profit (loss)	**36.9**	**6.3**	**22.2**

9.2.1 Net sales after commissions

For the twenty-month fiscal year ended December 31, 2017, total net sales after commissions was €988.5 million. Net sales after commissions increased by 16.8%, from €681.1 million for the *pro forma* twelve-month period ended December 31, 2016 to €795.4 million for the twelve-month period ended December 31, 2017. This exceptional growth particularly reflects the

[38] *Pro forma* data adjusted as if Shandong Ruyi had acquired the Group on January 1, 2016.

[39] Gross margin corresponds to the net sales after deduction of cost of sales and commissions paid to the department stores and affiliates.

continued expansion of the Group with the net opening of 109 new points of sale in 2017, the success of the collections of its three brands in all geographic regions, and the progress made in all the strategic growth vectors of the Group (development of ready-to-wear, e-commerce, accessories and menswear for Sandro).

The table below sets out the Group's net sales after commissions for by brand and geographic region for the following periods:

(In thousands of euros)	**Twenty-month fiscal year ended December 31, 2017**	**Twelve-month period ended December 31, 2017**	***Pro forma* twelve-month period ended December 31, 2016**
Brand			
Sandro	496,766	399,323	327,027
Maje	371,177	300,109	271,813
Claudie Pierlot	120,513	95,961	82,260
Other and Holdings	0	0	0
Geographic region			
France	403,344	319,415	309,237
EMEA	289,837	235,554	187,481
APAC	173,328	143,197	103,507
Americas	121,948	97,231	80,875

9.2.1.1 *Net sales after commissions by brand*

Sandro

For the twenty-month fiscal year ended December 31, 2017, total net sales after commissions for the *Sandro* brand was €496.8 million. Net sales after commissions for the *Sandro* brand increased by 22.1%, from €327.0 million for the *pro forma* period of twelve months ended December 31, 2016 to €399.3 million for the twelve-month period ended December 31, 2017. This performance reflects the success of the Sandro brand women's and men's collections, and the continued expansion of its network, including openings in prestigious locations in Europe. During the twelve-month period ended December 31, 2017, the Group opened 53 new points of sale for the Sandro brand.

Maje

For the twenty-month year ended December 31, 2017, total net sales after commissions for the *Maje* brand was €371.2 million. Net sales after commissions increased for the *Maje* brand by 10.4%, from €271.8 million for the *pro forma* twelve-month period ended December 31, 2016 to €300.1 million for the twelve-month period ended December 31, 2017. This growth was primarily driven by the online success of the accessories, particularly leather goods. During the twelve-month period ended December 31, 2017, the Group opened 39 new points of sale for the Maje brand.

Claudie Pierlot

For the twenty-month year ended December 31, 2017, total net sales after commissions for the *Claudie Pierlot* brand was €120.5 million. Net sales after commissions for the *Claudie Pierlot* brand increased by 16.7%, from €82.3 million for the *pro forma* period of twelve months ended December 31, 2016 to €96 million for the twelve-month period ended December 31, 2017. This increase is the result of the growing brand recognition of Claudie Pierlot, particularly in the EMEA region where the brand is now present in two new markets - Italy and Luxembourg. During the twelve-month period ended December 31, 2017, the Claudie Pierlot brand opened 21 points of sale.

9.2.1.2 *Net sales after commissions by geographical area*

France

For the twenty-month year ended December 31, 2017, total net sales after commissions for the *France* segment was €403.3 million. Net sales after commissions for this segment increased 3.3%, from €309.2 million for the *pro forma* twelve-month period ended December 31, 2016 to €319.4 million for the twelve-month period ended December 31, 2017. The Group gained market share, outperforming the French market, which remained stable in 2017.

EMEA

For the twenty-month period ended December 31, 2017, total net sales after commissions for the *EMEA* segment was €289.8 million. Net sales after commissions for this segment increased 25.6%, from €187.5 million for the *pro forma* twelve-month period ended December 31, 2016 to €235.6 million for the twelve-month period ended December 31, 2017. This growth was supported by the increase density of the Group's network, with a net 48 openings in 2017, particularly in Italy and Germany.

APAC

For the twenty-month period ended December 31, 2017, net sales after commissions for the *APAC* segment was €173.3 million. Net sales after commissions for this segment increased 38.3%, from €103.5 million for the *pro forma* twelve-month period ended December 31, 2016 to €143.2 million for the twelve-month period ended December 31, 2017. This growth demonstrates the growing appeal of the Group's brands in this region, and particularly in the

Chinese market. During the twelve-month period ended December 31, 2017, the Group opened 50 new points of sale in the region, including 37 in Greater China. In 2017, the Group opened points of sale in five new cities in mainland China: Wuhan, Xian, Kunming, Harbin and Jinan, bringing the total number of cities where the Group is present in Greater China to 21, and it also opened its first directly operated points of sale in Taiwan.

Americas

For the twenty-month year ended December 31, 2017, net sales after commissions for the *Americas* segment was €121.9 million. Net sales after commissions for this segment rose 20.2%, from €80.9 million for the *pro forma* twelve-month period ended December 31, 2016 to €97.2 million for the twelve-month period ended December 31, 2017. This strong growth in a difficult market was built on the success of the Group's unique business model. The Group confirmed its commitment to establish itself firmly in this key market by opening fifteen new points of sale in the twelve-month period ended December 31, 2017, including selective openings in Los Angeles, Toronto and Miami, as well as the launch of a partnership with Nordstrom based on the Group's existing partnership model.

9.2.2 Cost of sales

For the twenty-month year ended December 31, 2017, net sales totaled €256.8 million. The cost of sales increased by 13.2%, from €185.7 million for the *pro forma* twelve-month period ended December 31, 2016 to €210.3 million for the twelve-month period ended December 31, 2017. Cost of sales as a percentage of net sales remained stable at 23.6% for the *pro forma* twelve-month period ended December 31, 2016 and 23.0% for the twelve-month period ended December 31, 2017.

9.2.3 Gross margin[40]

For the twenty-month year ended December 31, 2017, gross margin was €731.7 million. The gross margin increased by 18.1%, from €495.4 million for the *pro forma* twelve-month period ended December 31, 2016 to €585.1 million for the twelve-month period ended December 31, 2017. As a proportion of net sales after commissions, the Group's gross margin increased slightly to 73.6% for the twelve-month period ended December 31, 2017, compared with 72.7% for the *pro forma* twelve-month period ended December 31, 2016, reflecting the Group's international growth, particularly in the APAC region.

The Group uses the gross management margin as an operating indicator, which differs from the accounting gross margin and is calculated before deducting commissions (see Section 9.1.5 of this Registration Document).

[40] Gross margin corresponds to net sales after deduction of the cost of sales and commissions paid to the department stores and affiliates.

9.2.4 Personnel costs

For the twenty-month year ended December 31, 2017, personnel costs totaled €237.3 million. Personnel costs were up 14.8%, from €166.9 million for the *pro forma* twelve-month period ended December 31, 2016 to €191.6 million for the twelve-month period ended December 31, 2017. This increase reflects the staff expansion related to the growth in the network of stores and the expansion of corporate support functions at the headquarters of the brands and the Group.

9.2.5 Other net operating expenses

For the twenty-month year ended December 31, 2017, other net operating expenses totaled €297.6 million (see Note 5.3 of the Group's consolidated financial statements for the twenty-month period ended December 31, 2017, which is included in Section 20.1 of this Registration Document. Other operating income and expenses represented a net expense and increased by 20.6%, from €199 million for the *pro forma* twelve-month period ended December 31, 2016 to €239.9 million for the twelve-month period ended December 31, 2017. This increase was mainly driven by the impact of the growth in Group net sales on variable costs and by ongoing efforts made to structure the Group's central and local operations.

9.2.6 Depreciation, amortization and provisions

For the twenty-month year ended December 31, 2017, depreciation, amortization and provisions amounted to €42.5 million. The depreciation, amortization and provision expenses dropped slightly, from €37.9 million for the *pro forma* twelve-month period ended December 31, 2016 to €35.0 million for the twelve-month period ended December 31, 2017.

9.2.7 Current operating income

For the twenty-month year ended December 31, 2017, current operating income totaled €152.3 million. Current operating income was up 27.4%, from €91.7 million for the *pro forma* twelve-month period ended December 31, 2016 to €116.8 million for the twelve-month period ended December 31, 2017.

9.2.8 Adjusted EBITDA and EBITDA

For the twenty-month year ended December 31, 2017, adjusted EBITDA was €196.7 million. Adjusted EBITDA for the twelve-month period ended December 31, 2017, was €153.7 million compared with €129.6 million for the *pro forma* twelve-month period ended December 31, 2016, an increase of 18.6%.

The adjusted EBITDA margin also rose from 16.5% for the *pro forma* twelve-month period ended December 31, 2016 to 16.8% for the twelve-month period ended December 31, 2017. This increase was primarily driven by the favorable change in the *retail* margin tied to the growth of e-commerce and in Asia, and by the successful management of general, administrative and sales expenses.

The table below shows the Group's adjusted EBITDA and adjusted EBITDA margin by brand for the following periods:

(In thousands of euros)	***Brands***				**Total**
	Sandro	*Maje*	*Claudie Pierlot*	*Other and Holdings*	
***Pro forma* twelve-month period ended December 31, 2016**					
Adjusted EBITDA	59,721	58,023	11,871	(23)	**129,592**
Adjusted EBITDA margin	15.9%	18.5%	12.2%	-	**16.5%**
Twelve-month period ended December 31, 2017					
Adjusted EBITDA	78,930	60,944	13,791	-	**153,665**
Adjusted EBITDA margin	17.3%	17.8%	12.2%	-	**16.8%**
Twenty-month fiscal year ended December 31, 2017					
Adjusted EBITDA	101,907	76,241	18,961	(389)	**196,720**

The impact of the bonus share allocation plan set up in the fourth quarter of 2017 following the initial public offering of the Company was €1.9 million. EBITDA was €151.8 million for the twelve-month period ended December 31, 2017 compared with €194.8 million for the twenty-month period ended December 31, 2017.

Sandro

For the twenty-month year ended December 31, 2017, adjusted EBITDA for the *Sandro* brand totaled €101.9 million. The *Sandro* brand adjusted EBITDA rose 32.2%, from €59.7 million for the *pro forma* twelve-month period ended December 31, 2016 to €78.9 million for the twelve-month period ended December 31, 2017.

The brand's EBITDA margin went from 15.9% for the *pro forma* twelve-month period ended December 31, 2016 to 17.3% for the twelve-month period ended December 31, 2017. This was primarily due to greater consideration of its fixed costs and a strong increase in online sales.

Maje

For the twenty-month year ended December 31, 2017, adjusted EBITDA for the *Maje* brand was €76.2 million. The *Maje* brand adjusted EBITDA was up 5%, from €58.0 million for the *pro forma* twelve-month period ended December 31, 2016 to €60.9 million for the twelve-month period ended December 31, 2017.

The brand's adjusted EBITDA margin went from 18.5% for the *pro forma* twelve-month period ended December 31, 2016 to 17.8% for the twelve-month period ended December 31, 2017. This change was essentially driven by the temporary impact of new prestigious points of sale in Europe.

Claudie Pierlot

For the twenty-month year ended December 31, 2017, adjusted EBITDA for the *Claudie Pierlot* brand was €19.0 million. The adjusted EBITDA of the *Claudie Pierlot* brand rose 16.2%, from €11.9 million for the *pro forma* twelve-month period ended December 31, 2016 to €13.8 million for the twelve-month period ended December 31, 2017.

The brand's adjusted EBITDA margin remained stable at 12.2% for the twelve-month period ended December 31, 2017. This was due to a profit on the brand's *retail margin* that was reinvested in additional resources in order to prepare for the future growth of the Group's newest brand.

9.2.9 Other income and expenses

For the twenty-month year ended December 31, 2017, other income and expenses totaled €67.8 million. Other income and expenses moved from a net expense of €31.3 million for the *pro forma* twelve-month period ended December 31, 2016 to a net expense of €46.7 million for the twelve-month period ended December 31, 2017, representing an increase of €15.4 million. For the twelve-month period ended December 31, 2017, other income and expenses primarily consists of the €10.3 million for costs related to the IPO, the impact of the bonus shares allocation plan established at the time the Group was acquired by Shandong Ruyi for €31.6 million, the impact of closing points of sale for €1.6 million, and depreciation of non-current assets (lease right) for €1.4 million.

9.2.10 Net financial expense

For the twenty-month year ended December 31, 2017, net financial expenses was €95.5 million. The net financial results represents a financial expense of €69.9 million for the twelve-month period ended December 31, 2017, compared with a financial expense of €78.1 million for the *pro forma* twelve-month period ended December 31, 2016.

The financial expense for the twelve-month period ended December 31, 2017 primarily reflect an expense of €35.9 million relating to the 2023 Bonds (including €18.6 million in interest, €8.3 million in early redemption penalties, and €9 million in amortization of issue costs), an expense of €11 million for the 2022 Bonds (including €4.8 million in interest, €1 million in early redemption penalties, and €5.2 million in amortization of issue costs), and an expense of €19.5 million related to the PIK Shareholder Loan.

Financial interest expense, including the interest expense for the Credit Facility Agreement and 2022 and 2023 Bonds, declined from €28.9 million for the *pro forma* twelve-month period ended December 31, 2016 to €25.1 million for the twelve-month period ended December 31, 2017. As a percentage of net sales, this expense fell from 3.7% of net sales for the *pro forma* twelve-month period ended December 31, 2016 to 2.6% of net sales for the twelve-month period ended December 31, 2017 *pro forma*. The redemption of the 2022 Bonds and the partial redemption of the 2023 Bonds resulted in early redemption penalties for €9.3 million and the amortization of issue costs for €14.2 million.

Financial interest expense on the shareholder loan declined from €24.1 million for the *pro forma* twelve-month period ended December 31, 2016 to €19.5 million for the twelve-month period ended December 31, 2017 following the capitalization of this loan at the time of the IPO.

During the twelve-month period ended December 31, 2017, the financial result also reflects currency impacts of €1 million.

9.2.11 Profit (loss) before tax

For the twenty-month year ended December 31, 2017, profit before tax totaled €11.0 million. Profit before tax was up 17.9%, from a loss of €17.7 million for the *pro forma* twelve-month period ended December 31, 2016 to a profit of €0.2 million for the twelve-month period ended December 31, 2017. The Group's income tax rose went from a net expense of €39.9 million for the *pro forma* twelve-month year ended December 31, 2016 to €6.1 million for the twelve-month period ended December 31, 2017. The deferred tax liability fell from €50.9 million for the *pro forma* twelve-month period ended December 31, 2016 to a deferred tax asset of €16.0 million for the twelve-month period ended December 31, 2017 *pro forma*. These positive impacts are primarily related to the implementation of the 2017 and 2018 finance laws that reduced the corporate tax rate in France. The 2017 finance law passed in late 2016 reduced the long-term tax rate from 34.43 to 28.84%, an impact of €36 million for the *pro forma* twelve-month period ended December 31, 2016. The 2018 finance law passed in late 2017 reduced the long-term tax rate from 28.84 to 25.83%, an impact of €20.6 million for the twelve-month period ended December 31, 2017.

9.2.12 Attributable net profit (loss)

For the twenty-month period ended December 31, 2017, net profit tax totaled €36.9 million. As a result of the factors described above, the Group's net profit rose from €22.2 million for the *pro forma* twelve-month period ended December 31, 2016 to of €6.3 million for the twelve-month period ended December 31, 2017.

10. THE GROUP’S LIQUIDITY AND CAPITAL

10.1 Overview

The Group’s main financing needs include its working capital requirement, capital expenditure, interest payments and repayments of borrowings.

The Group’s principal source of liquidity on an ongoing basis consists of its operating cash flows. The Group’s ability to generate cash in the future through its operating activities will depend upon its future operating performance which is, in turn, dependent, to some extent, on economic, financial, competitive, market, regulatory and other factors, most of which are beyond the Group’s control (particularly the risk factors described in Chapter 4 of this Registration Document). The Group uses its cash and cash equivalents to fund the ongoing requirements of its business. The Group holds cash only in euros.

The Group is also financed through debt. The Group refinanced its debt in 2017 at the same time as its IPO on the Euronext Paris market by redeeming in full its bonds maturing in 2022 (in the amount of €100 million) and by partially redeeming its 2023 Bonds (for €170.7 million - see Section 10.2.2.2), and by signing a new Credit Facility Agreement (see Section 10.2.2.1).

Pursuant to Article 28-1 of Regulation (EC) No. 809/2004, the Group’s information on its cash and capital for the years ended December 31, 2016 and December 31, 2015 provided in Chapter 10 “Group Cash and Capital” of the Basic Document is included by reference in this Registration Document.

10.2 Financial resources and financial liabilities

10.2.1 Overview

During the twenty-month period ended December 31, 2017, the Group primarily relied on the following sources of financing: (i) cash, consisting mainly of the net cash flows from operating activities, and (ii) debt, which consists essentially of the 2023 Bonds (see Section 10.2.2.2 of this Registration Document), the Credit Facility Agreement (see Section 10.2.2.1 of this Registration Document), direct loans from banks and other lenders and short-term bank credit lines.

10.2.2 Financial liabilities

The Group’s financial liabilities were €759.9 million and €332.4 million, respectively, at December 31, 2016 and December 31, 2017.

The table below shows the breakdown of the Group’s gross debt on the dates indicated:

(In thousands of euros)	**December 31, 2017**	**December 31, 2016** ***pro forma***
Loans	**192,312**	**758,588**
Bonds	192,312	453,141
Shareholder loan	-	-
PIK Shareholder Loan	-	305,447
Bank overdrafts and short-term financial debt	6,507	1,224
Other loans and borrowings	**133,578**	**90**
Short-term financial debt	133,572	-
Other loans and long term financial debt	6	90
Financial liabilities	**332,397**	**759,903**

The table below shows the Group's adjusted net debt/EBITDA ratio for the twelve-month periods ended December 31, 2017 and December 31, 2016.

(In thousands of euros)	**December 31, 2017**	**December 31, 2016** ***pro forma***
Adjusted EBITDA	153,665	129,592
Financial liabilities	332,397	759,903
Cash and cash equivalents	40,422	57,326
Net financial debt	**291,975**	**702,577**
Shareholder Loan	-	-
PIK Shareholder Loan	-	305,447
Adjusted net financial debt	**291,975**	**397,129**
Adjusted net financial debt / adjusted EBITDA	**1.9**	**3.1x**

As of December 31, 2017, the Group's ratio adjusted net debt including the rent multiplier[41] to EBITDAR[42] was 3.1x, and was also 3.8x at December 31, 2016.

[41] The rent multiplier is equal to five times the amount of "rents and rental expenses" for the reference period, as defined in the methodology of Moody's Investors Service, Inc. for retail players. The Group's rents and rental expenses amounted to €100,128 thousand for the twelve-month period ended December 31, 2017 and €83,833 thousand for the *pro forma* twelve-month period ended December 31, 2016.

[42] EBITDAR represents EBITDA after deducting "rents and rental fees" for the relevant period. The amount of EBITDAR for the twelve-months period ended December 31, 2017 is equal to €253.8 million and is €213.4 million for the pro forma twelve-month period ended December 31, 2016.

The main items comprising the Group's financial liabilities are described below.

10.2.2.1 Credit Facility Agreement

At the time of its initial public offering, the signed a new "*Senior Facility Agreement*", (the "**Credit Facility Agreement**") a multi-currency revolving credit in the amount of €250 million (with the possibility of drawing Additional Credit amounts under certain conditions), with a pool of international banks (the "**Lenders**") for the benefit of SMCP Group S.A.S. and, as applicable, other Group subsidiaries participating in the Credit Facility Agreement as borrowers.

10.2.2.1.1 Credit Facility

The Credit Facility Agreement provides for a revolving credit facility in a total amount of €250 million, which may be drawn down in the form of cash advances, bank guarantees, on a bilateral basis (if applicable), or ancillary borrowings (which may take the form of overdrafts, current accounts, letters of credit, bank guarantees, short-term facilities or export facilities) (the "**Facility**"). The Credit Facility will be available in euros, pounds sterling, US dollars, or any other readily available currency that is freely convertible to euros. The Credit Facility will be available for a term of 60 months from the date of first use of the Credit, in order to (i) refinance any Group debts, (ii) finance expenses associated with the Group's initial public offering and (iii) finance or refinance, directly or indirectly, the Group's general operating needs and/or its working capital requirements (including any investments).

On the date of signing the Credit Agreement, SMCP Group S.A.S. was the sole borrower; it was specified that other members of the Group may join in this capacity, provided they meet certain customary conditions, and are registered in France, the United Kingdom, Luxembourg, or the Netherlands, or are approved by all relevant lenders. On the date of this Registration Document, SMCP Group S.A.S. remains the sole borrower under this agreement.

Moreover, subject to certain conditions provided for in the Credit Facility Agreement, the Group may add one or more additional facilities or one or more additional tranches to the Agreement, up to a total amount so that, taking into account such additional loans or tranches so added, the leverage ratio for the test period immediately preceding such an addition (calculated on a pro forma basis) does not exceed 2.75:1 (the "**Additional Facilities**").

10.2.2.1.2 Interest and fees

The loans contracted under the Credit Agreement will bear interest at a variable rate indexed to the EURIBOR for advances in euros, and to the LIBOR for advances in a currency other than the euro, plus the applicable margin in each case. The applicable margin is initially set at 2.50% per annum, with a ratchet mechanism upwards or downwards.

The table below sets out the margin, which is ratcheted as a function of the leverage ratio (total net debt/ Group consolidated EBITDA) of the Group:

Leverage Ratio (total net debt/ consolidated EBITDA)	**Margin**
≥2.5x	2.50%
<2.5x and ≥2.0x	2.25%
<2.0x and ≥1.5x	2.00%
<1.5x and ≥1.0x	1.75%
<1.0x and ≥0.5x	1.50%
<0.5x	1.25%

The margin applicable to an Additional Facility will be set out in an agreement between the Group and the lenders of such Additional Facility, provided that any Additional Facility drawn during the first 12 months following the first utilization of the Facility, the average weighted margin for all Additional Facilities may not exceed the maximum margin applicable to the Facility (2.50%) by more than 1%, unless the margin applicable to the Facility is itself increased accordingly.

Interest on late payments will also be payable from the due date for any outstanding amount until actual payment of such outstanding amount, at a rate of 1% above the applicable interest rate.

In addition, the Group must pay a commitment fee equal to 35% of the applicable margin per annum, calculated on the basis of the undrawn and non-canceled commitments. The Group must also pay the usual commissions, including agent's commissions, fees for letters of credit and fees for ancillary facilities.

10.2.2.1.3 Guarantees and securities

On the date of this Registration Document, the Credit Facility is guaranteed by SMCP Holding, Sandro Andy, Maje, Claudie Pierlot, SMCP UK Ltd, SMCP Asia Ltd and SMCP USA Inc. Moreover, pursuant to the Credit Facility, the Group must ensure that the consolidated EBITDA of all guarantor Group members together represents at least 80% of the Group's consolidated EBITDA (as specified in the Credit Facility Agreement). As from the date of full redemption of the 2023 Bonds, all of said guarantees will be discharged, with the exception of the security interests granted by French companies or companies registered in other jurisdictions named at the request of a majority of the Lenders (except for Mainland China in any event).

The Credit Facility Agreement further stipulates that, for as long as the 2023 Bonds benefit from security interests granted by the Group, the Facility (including any Additional Facility) will also benefit from the same security interests.

On the date of this Registration Document, the principal real sureties covering the Credit Facility are as follows: (1) made by the Company: a pledge of the shares of SMCP Group SAS, a pledge of its bank accounts, and a pledge of receivables held by SMCP Group SAS; (2) made by SMCP Group SAS: a pledge of the shares of SMCP Holding S.A.S., a pledge on its bank accounts, a pledge of receivables linked to the contract for the acquisition of the Group, and a pledge of receivables held by members of the Group; (3) made by SMCP Holding S.A.S.: a pledge of the shares of Sandro Andy, Maje and Claudie Pierlot, a pledge of its bank accounts ("*security*"), a pledge of the shares of SMCP Asia Ltd, and a pledge ("*security*") of the shares of SMCP USA Inc.; (4) made by SMCP UK Ltd: a pledge ("*debenture*") on its assets; (5) made by SMCP Asia Ltd.: a pledge ("*debenture*") of its assets; and (6) made by SMCP USA Inc.: a pledge ("*pledge and security*") on its assets.

As from the date of the redemption in full of the 2023 Bonds, all of the above security interests will be released. The guarantees made by the members of the Group that are not registered in France, the United Kingdom, Hong Kong or the United States of America and who are not borrowers under the Credit Agreement, will also be released.

10.2.2.1.4 Undertakings and covenants

The Credit Agreement will contain certain covenants, including restrictions on:

- mergers (with the exception of mergers that do not involve the Company itself);
- for the incurrence of additional financial indebtedness;
- disposals of assets;
- changing the nature of the Group's business,

in each case subject to the minimum amounts stipulated and the usual exceptions for this type of financing.

The Credit Agreement also imposes a leverage ratio, which will limit the amount of debt that can be contracted by members of the Group. Accordingly, the leverage ratio, for a rolling test period of 12 months, must not exceed the ratio shown opposite the corresponding period in the following table:

Test period expiring	Leverage ratio
June 30, 2018	3.75:1
December 31, 2018	3.75:1
June 30, 2019	3.75:1
December 31, 2019	3.75:1
June 30, 2020	3.25:1
December 31, 2020	3.25:1
Each subsequent December 31 and June 30	3.00:1

However, if the leverage ratio is less than or equal to 2.25:1, or if the credit rating of the Company or any affiliate by Moody's, Standard & Poor's, or Fitch is equal to or better than Baa3 or BBB- (as applicable), the covenants in the Credit Agreement restricting mergers and the subscription of new financial debt by the Group will not apply.

10.2.2.1.5 Voluntary early repayment

The Credit Agreement authorizes voluntary prepayments, provided advance notice is given. Breakage costs will be charged if the early repayment is made on a date other than the end of an interest period.

10.2.2.1.6 Mandatory early repayment

The Credit Agreement provides for prepayment in the event of a change of control or the disposal of the Group's entire business and/or assets, at the request of any lender, within 30 days after receipt by the credit agent of the Company's notification informing the agent of the occurrence of a mandatory prepayment.

10.2.2.1.7 Acceleration events

The Credit Agreement provides for a number of standard acceleration events for this type of loan, including payment default, cessation of business, breach of financial covenants or of any other obligation or representation, cross-default, creditors' and bankruptcy proceedings, certain monetary judgments, or the occurrence of a material adverse event.

10.2.2.2 Senior secured notes (2023 Bonds)

On September 18, 2016, the Company issued senior secured notes for principal of €371 million, redeemable at maturity on May 1, 2023 (the "**2023 Bonds**").

The 2023 Bonds are remunerated at a fixed interest rate of $5^{7/8}$%, payable every six months on May 1 and November 1 of each year, and are listed for trading on the Euro MTF market of the Luxembourg stock exchange. The proceeds from the issuance of the 2023 Bonds have been lent to different entities of the Group in the form of intra group loans.

Concurrently with its IPO, the Group partially redeemed the 2023 Bonds (for €170.7 million); on the date of registration of this Registration Document, the remaining principle of the 2023 bonds was €200.3 million.

Finally, the Group plans to repay the balance of the 2023 Bonds in the 2018 and/or 2019 financial year, at the applicable redemption prices set forth in the issue contract, using, for all or a portion of these redemptions, draws on credit lines available under the Credit Agreement.

The terms of the indenture of the 2023 Bonds provides that until May 1, 2019 the 2023 Bonds may be redeemed at the price of 102.9375% of their nominal value plus an early repayment penalty (make-whole) and accrued interest until the redemption date. Between May 1, 2019 and April 30, 2020, the 2023 Bonds may be redeemed at the price of 102.9375% of their nominal value plus accrued interest until the redemption date. Between May 1, 2020 and Friday, April 30, 2021, the 2023 Bonds may be redeemed at the price of 101.46875% of their nominal value plus accrued interest until the redemption date. Lastly, from May 1, 2021, the 2023 Bonds may be redeemed at their nominal value plus accrued interest until the redemption date.

10.2.2.3 Intercreditor Agreement

On May 18, 2016, the Company, as subordinated creditor, signed an English document titled "*Intercreditor Agreement*" with Wilmington Trust, National Association as Trustee of the 2023 Bonds, SMCP Group S.A.S. as issuer of the 2023 Bonds and borrower under the Credit Facility Agreement, and Wilmington Trust (London) Limited as Security Agent (hereinafter, as amended, the "**Intercreditor Agreement**"). The Intercreditor Agreement is governed by English law. The rights of the lenders under the Credit Agreement, and the rights and obligations of the Company, SMCP Group S.A.S. and its subsidiaries that are party to the Credit Agreement are also governed by the Intercreditor Agreement.

The Intercreditor Agreement organizes relations between the financial and intragroup creditors of SMCP Group S.A.S. and its subsidiaries, and the direct or indirect shareholders (in their capacity as shareholders, bondholders, or other financial backers) of SMCP Group S.A.S. and its subsidiaries.

The Intercreditor Agreement governs the following:

– the ranking of borrowers' debt (including SMCP Group S.A.S. and its subsidiaries) under the Credit Agreement and the 2023 Bonds with respect to their lenders;

– the relative ranking of certain security interests granted by various members of the Group for the 2023 Bonds and the Credit Facility Agreement;

– the conditions and periods in which various payments can be made for various debts and payment obligations of the members of the Group, specifically under the Credit Agreement and the 2023 Bonds;

– the periods during which measures and procedures (including any declaration of acceleration or other repayment demands) may be taken under such financing, such security interests, or such debtors;

– the conditions under which certain receivables will be subordinated to others in the case of certain insolvency proceedings;

– the obligation to pay to the security agent, for redistribution using the agreed-upon distribution procedures and, taking into account the rules and principles described above, certain payments received in the event of insufficient funds available, insolvency proceedings or enforcement of such security interests; and

– under what conditions certain security interests and/or guarantees of various members of the Group shall be discharged, or rights against members of the Group shall be transferred to third parties to facilitate the enforcement of such security interests.

Under the Intercreditor Agreement, creditors' rights under the Credit Agreement and the 2023 Bonds supersede the Company's rights against SMCP Group S.A.S. and the other members of the Group, whether as shareholders or fund lenders. The Intercreditor Agreement shall be terminated upon the full redemption of the 2023 Bonds.

10.3 Presentation and analysis of the main categories of use of the Group's cash

10.3.1 Capital expenditure

The Group's capital expenditure is divided among the following categories: opening new points of sale, renovating existing points of sale and infrastructure and other expenses (including head office expenses, investments in shared infrastructure, logistics and digital).

The Group's capital expenditures for the twenty-month period ended December 31, 2017 was €1007.9 million (including the €940.0 million for the Shandong Ruyi acquisition of the Group[42] and expenditures for the renovation of existing points of sale, new points of sale and infrastructure for €67.9 million; for the twelve-month period ended December 31, 2017, investments totaled €48.9 million (including €8.8 million for renovations existing points of sale, €12.1 million for infrastructure and other items, and €28 million to open new points of sale) (see Section 5.2 of this Registration Document).

10.3.2 Payment of interest and repayment of loans

A significant part of the Group's cash flow is allocated to servicing and reimbursing its debt. The Group paid interest of €38.4 million (including €9.3 million in penalties) for the twenty-month period ended December 31, 2017 and €37.3 million (including €9.3 million in early redemption penalties) during the twelve-month period ended December 31, 2017. In addition, it

[42] See Note 4.2 of the financial statements for the twelve-month period ended December 31, 2017, which is included in Section 20.1.1 of this Registration Document.

repaid borrowings in the amount of €561.3 million during the twenty-month period ended December 31, 2017, and €270.7 million for the twelve-month period ended December 31, 2017.

10.3.3 Financing the working capital requirement

The Group's working capital requirement relates primarily to the value of inventories plus customer receivables and other operating receivables, less supplier payables and other operating payables.

The change in working capital requirement amounted to €(87.5) million for the twenty-month year ended December 31, 2017. The change in working capital for the twelve-month year ended December 31, 2017 €(59.3) million and was impacted by the amount of €(17.5) million for exceptional items (including €15.3 million for the IPO and bonus preferred shares. Adjusted for these items, the change in working capital requirement amounted to €(41.8) million at December 31, 2017.

10.4 Consolidated cash flow

The table below summarizes the Group's cash flow for the twelve-month period ended December 31, 2017:

(In thousands of euros)	**Twelve-month period ended December 31, 2017**	**Twenty-month fiscal year ended December 31, 2017**
Net cash flow from operating activities	81,248	89,037
Net cash flow used in investing activities	(48,930)	(1,007,948)
Net cash flow from financing activities	(50,384)	(956,330)
Net currency translation adjustments	(1,749)	(1,132)
Change in net cash and cash equivalents	(19,814)	(36,288)
Net cash and cash equivalents at the beginning of the period	56,102	-
Net cash and cash equivalents at the end of the period	36,286	36,286

Evolution of free cash flow

Group free cash flow[43] totaled €45.4 million euros for the twelve-month period ended December 31, 2017, and (898.8) million for the twenty-month year ended December 31, 2017, including (940) million euros for the Shandong Ruyi acquisition of the Group; restated for this item, free cash flow would be €41.2 million.

[43] Free cash flow is defined as adjusted EBITDA after taking into account changes in working capital requirements, non-current items paid, and net cash flows from investing activities.

10.4.1 Net cash flow from operating activities

The following table sets out the Group's net cash flow from operating activities for the twenty-month period and the twelve month period ended December June 31, 2017:

(In thousands of euros)	**Twelve-month period ended December 31, 2017**	**Twenty-month fiscal year ended December 31, 2017**
Profit (loss) before tax	187	10,991
Adjusted EBITDA	153,666	196,722
Non-current items paid	(17,500)	(41,848)
Change in working capital	(41,832)	(46,696)
Income tax refunded/(paid)	(13,086)	(20,141)
Net cash flow from operating activities	**81,248**	**89,037**

Net cash flow from operating activities was €81.2 million for the twelve-month period ended December 31, 2017 and €89.0 million for the twenty-month period ended December 31, 2017, which reflects the Group's ability to generate cash.

The change in working capital had an impact of (€41.8) million on the generation of cash flow for the twelve-month period ended December 31, 2017, compared with (€46.7) million impact on cash flow for the twenty-month period ended December 31, 2017, which was impacted by calendar effects.

Income tax paid for the twelve-month period ended December 31, 2017 represents a net disbursement of €13.1 million, compared with a net disbursement of €20.1 million for the twenty-month period ended December 31, 2017.

10.4.2 Net cash flow used in investing activities

The following table sets out the Group's net cash flow used in investing activities for the twenty-month and twelve-month periods ended December 31, 2017.

(In thousands of euros)	**Twelve-month period ended December 31, 2017**	**Twenty-month fiscal year ended December 31, 2017**
Purchases of property, plant and equipment	(47,108)	(65,459)
Sales of property, plant, equipment and intangible assets	65	449
Purchases of financial instruments	(4,303)	(5,575)
Proceeds from sales of financial instruments	2,416	2,625
Purchases of subsidiaries net of cash acquired	-	(939,988)
Net cash flow used in investing activities	**(48,930)**	**(1,007,948)**

Net cash flow used in investing activities was (€49) million for the twelve-month period ended December 31, 2017 and (€1007.8) million for the twenty-month period ended December 31, 2017.

The acquisition flow for property, plant and equipment totaled €(47.1) million for the twelve-month period ended December 31, 2017 and €65.5 million for the twenty-month period ended December 31, 2017, reflecting the new points of sale opened and the renovation of existing points of sale.

Cash flow from the purchase and disposal of financial instruments includes the use of hedging instruments for purchases and sales of the spring/summer collections to mitigate the risk of exchange rate fluctuations. Purchases of financial instruments amounted to (€4.3) million for the twelve-month period ended December 31, 2017, compared with (€5.6) million for the twenty-month period ended December 31, 2017.

The Group also disposed of intangible assets for €0.1 million over the twelve-month period ended December 31, 2017.

10.4.3 Net cash flow from financing activities

The following table sets out the Group's net cash flow used in investing activities for the twenty-month and twelve-month periods ended December 31, 2017.

(In thousands of euros)	**Twelve-month period ended December 31, 2017**	**Twenty-month fiscal year ended December 31, 2017**
Capital increases	127,000	708,683
Purchases and sales of treasury shares	(723)	
Change in long-term borrowings and debt	(270,744)	185,547
Change in short-term borrowings and debt	132,454	132,454
Other financial income and expenses	(1,025)	(1,952)
Interest paid	(37,346)	(68,402)
Net cash flow from financing activities	**(50,384)**	**(956,330)**

Net cash from financing activities represented a net outflow of (€50.4) million for the twelve-month period ended December 31, 2017, compared with (€956.3) million for the twenty-month period ended December 31, 2017.

The change in long-term financial liabilities of €(270.7) million during the twelve-month period ended December 31, 2017 reflects the partial redemption of the 2023 Bonds. Financial interest paid for the twelve-month period ended December 31, 2017 was €(37.3) million, compared with €(68.4) million for the twenty-month period ended December 31, 2017.

11. RESEARCH AND DEVELOPMENT, PATENTS AND LICENCES

Given the nature of its businesses, the Group does not conduct any research and development activity. Hence, it does not own any patents or patent licenses.

The Group holds a portfolio of approximately 40 trademarks registered worldwide, notably for the names “Sandro”, “Maje” and “Claudie Pierlot”.

The Group also has a portfolio of approximately 120 domain names.

The Group’s intellectual property policy focuses on the protection of its trademarks and domain names. This policy is implemented by local applications or reservations, or applications or reservations in all of the countries where the Group is present or wishes to protect its rights.

The Group has implemented a specific policy to combat counterfeiting, with particular focus on France and Asia. The teams of designers and employees working within the point-of-sale network pay particular attention to reporting any potential counterfeit items to the Group’s legal department. Following examination on a case by case basis and if the conditions are met, the Group brings legal proceedings against the presumed offender. In Asia, the Group has also established an Internet monitoring system. In addition, the Group works closely with customs authorities to promote their knowledge of the particular features of the Group’s products.

12. TRENDS AND OUTLOOK

12.1 Business trends

A detailed description of the Group's results for the twelve-month period ended December 31, 2017 is provided in Chapter 9 "Review of the Group's' financial position and results" of this Registration Document.

12.2 Medium term outlook

The objectives and trends presented below are based on data, assumptions and estimates, including economic prospects, which the Group considers to be reasonable as of the date of registration of this Registration Document.

The outlook and objectives which are based on the Group's strategic goals do not constitute forecast data or estimates of the Group's profit. The figures, data, assumptions, estimates and objectives presented below may change over time or be modified in an unpredictable way due to, among other factors, changes in the economic, financial, competitive, legal, regulatory, accounting and tax environment, or on the basis of other factors unknown to the Group as of the date of this Registration Document.

In addition, if any of the risks described in Chapter 4 "Risk Factors" of this Registration Document were to occur, they could have a material adverse effect on the Group's business, financial position, market position, results or outlook, and could therefore jeopardize its ability to achieve the objectives presented below.

Moreover, the achievement of these objectives implies the success of the Group's strategy.

Therefore, the Group cannot give any assurance or guarantee that it will achieve the objectives described in this Section

Moreover, these estimates do not include the impact of long-term management incentive programs described in Section 15.1.4 of this Registration Document.

Outlook of the evolution of the Group's activities and financial objectives

With the aim of becoming a global leader on the ready-to-wear and accessories market, the Group intends to implement its dynamic growth strategy for the 2018-2020 period, focused particularly on:

- strengthening its core business (ready-to-wear), accelerate digital sales, building up its accessories activity and offer, as well as exploiting the potential of the men's fashion segment, with Sandro Homme;

- continued growth in France by achieving additional market share, on a like-for-like basis; and

- accelerating the expansion of its international network, in particular in six key regions (Greater China, the United Kingdom, Spain, Germany, Italy and North America), and developing partnerships in three key markets (the Middle East, South Korea and Australia).

For the 2018-2020 period, the Group is aiming to open 80 to 90 new points of sales (excluding partners) per year. The Group also intends to generate annual growth at constant exchange rates in its consolidated net sales that is stabilized at 11-13% over the 2018-2020 period.

The Group is also aiming to improve its EBITDA margin rate by 100 basis points by 2020 (over 2016), due to the favorable impact of growth internationally and in online sales, as well as improving operational efficiency in administrative and selling expenses, which will however be partially offset by increased marketing expenditures in order to penetrate new markets.

In terms of capital expenditure, the Group intends to maintain for the 2018-2020 period an annual amount of capital expenditure at approximately 4.5 to 5.0% of net sales, including approximately 2.0% to 2.5% related to renovating existing points of sale and infrastructure.

The Group also intends to refinance the 2023 Bonds by 2019 and will plan a dividend distribution when the changes in its financing structure have been made.

12.3 Key figures and events for the first quarter of 2018

The Group published its sales figures for the first quarter ended March 31, 2018.

12.3.1 Q1 2018 key figures (unaudited)

€ million	Q1 2017	Q1 2018	Sales growth constant currency	Reported sales growth
Sales by Brand				
Sandro	111.7	111.7	111.7	111.7
Maje	85.5	85.5	85.5	85.5
Claudie Pierlot	28.0	28.0	28.0	28.0
Sales by region				
France	99.1	99.1	99.1	99.1
EMEA[44]	64.5	64.5	64.5	64.5
Americas	25.9	25.9	25.9	25.9
APAC[45]	35.7	35.7	35.7	35.7
TOTAL	225.3	225.2	*+15.8%*	*+11.9%*

12.3.2 Key figures and events for the first quarter of 2018

In the first quarter of 2018, consolidated sales reached €252.0 million, up +15.8% at constant currency. Reported sales were up +11.9%, including a -3.9pts impact of exchange rates, mainly due to the US dollar and the Chinese currencies.

Very strong international growth and meaningful market share gains in France

In France, the Group continued to gain meaningful market share thanks to the strong desirability of the three brands, with sales up +0.7% in a declining market impacted by adverse weather conditions and a drop in tourism spending.

In **EMEA1**, the Group posted strong growth across all strategic markets with sales up +13.3% at constant currency despite adverse weather conditions and a drop in tourism spending. The Group continued to achieve strong success in all key strategic markets.

In the Americas, the excellent performance at +29.5% at constant currency across both Sandro and Maje was mainly driven by digital's acceleration and successful in-store activation.

In **APAC2**, sales growth was outstanding at +54.1% at constant currency thanks to strong domestic demand for all three brands, digital sales acceleration and some shifts in Chinese tourism trends from Europe to Asia.

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[44] *EMEA covers the Group's activities in European countries excluding France (mainly the United Kingdom, Spain, Germany, Switzerland, Italy and Russia) as well as the Middle East (including the United Arab Emirates).*

[45] *APAC includes the Group's Asia-Pacific operations (mainly Mainland China, Hong Kong, South Korea, Singapore, Thailand and Australia).*

Double-digit growth across all brands

Sandro generated a strong performance at +15.9% at constant currency reflecting the strong success of the collections, as well as a good momentum on men, Digital and accessories, notably with the launch of the new "flames" sneakers. Over the last twelve months, Sandro opened +45 POS, mostly located in Asia and Europe, such as the recent dual genders Pacific Place store in Hong Kong. Sandro also carried out several key refurbishments such as the Francs Bourgeois store in Paris.

Maje posted a +16.0% growth at constant currency with +37 net openings over the last twelve months, including the prestigious Carrousel du Louvre store in Q1 18 which offers a strategic location in Paris. Maje benefitted from its 20th anniversary to increase its visibility through in-store activation, marketing and press coverage, as well as the continued expansion of Digital.

Lastly, **Claudie Pierlot** grew by +14.1% at constant currency thanks to growing awareness through successful capsule collections, Ile de Ré and the optimization of Digital Media, as well as accessories' development. Over the last twelve months, the brand opened +15 POS, like a new free-standing store in Palma de Mallorca in Q1 18.

13. PROFIT FORECASTS

The forecasts for the twelve-month period ended December 31, 2018 presented below are based on data, assumptions and estimates that the Group considers reasonable on the date of registration of this Registration Document. These data and assumptions may change or be modified because of uncertainties related in particular to the economic, financial, accounting, competitive, tax and regulatory environment or as a result of other factors unknown to the Group on the date of registration of this Registration Document. Moreover, the occurrence of one or more of the risks described in Chapter 4 "Risk Factors" of this Registration Document could also affect the Group's business, financial position, results or outlook and thus affect its ability to achieve these forecasts. Moreover, the achievement of these forecasts implies the success of the Group's strategy. Therefore, the Group is making no commitment or guarantee that it will achieve the forecasts described in this Section.

The forecasts presented below and the assumptions underlying them were established in accordance with the provisions of Regulation (EC) N°809/2004, as amended, and ESMA recommendations on forecasts.

13.1 Assumptions

The Group has developed its forecasts for the twelve-month period ended December 31, 2018 in accordance with the accounting methods applied in the Company's consolidated financial statements for the twenty-month period ended December 31, 2017.

These forecasts are based primarily on the following assumptions for the period ended December 31, 2018:

- market developments in France and internationally in line with the trends presented in Section 6.4 of this Registration Document;
- the continued attractiveness of each of the Group's brands and their performance in the geographical areas where the Group is present;
- the continued expansion of the Group's network of points of sale during the second half (see Section 5.2 of this Registration Document);
- the continued implementation of the Group's strategy, as described in Section 6.3 of this Registration Document;
- continued control over the Group's selling general and administrative expenses;
- the absence of any significant change in the Group's accounting policies; and
- the absence of any significant change in the regulatory and fiscal environment existing on the date of registration of this Registration Document.

13.2 Group objectives for the period ended December 31, 2018

On the basis of the assumptions described below, the Group is setting a target to achieve growth in its net sales, at constant exchange rates, of between +11% and +13% for the year ended December 31, 2018 and an increase in its adjusted EBITDA margin[46] to reach around 17% (versus the 16.8% for the twelve-month period ended December 31, 2017).

[46] Adjusted EBITDA is defined by the Group as being the recurring operating income before depreciation, amortization, provisions and expenses related to the bonus share allocation plan set up in the fourth quarter of 2017 following the initial public offering of the Company in October 2017 (in the amount of €1.9 million).

14. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES, AND SENIOR MANAGEMENT

14.1 Composition and Functioning of the Company's Management and Supervisory Bodies

(a) Board of Directors

The following table lists the members of the Board of Directors on the date of registration of this Registration Document, as well as the principal offices and positions held by the Board members in the last five years.

First and last name	Nationality	Expiration date of the term of office	Principal duty performed for the Company	Principal terms of office and duties performed outside the Company during the past five years
Yafu Qiu[(1)]	Chinese	Shareholders' meeting called to approve the financial statements for the year ended December 31, 2020	Chairman of the Board of Directors	Offices and positions held on the registration date of this Registration Document: *Within the Group:* None *Outside the Group:* Chairman of the Shandong Ruyi Group Trinity Limited – member of the Board of Directors Positions and offices held during the past five years that are no longer held: *Within the Group:* None *Outside the Group:* None
Daniel Lalonde	Canadian	Shareholders' meeting called to approve the financial statements for the year ended December 31, 2020	Chief Executive Officer and Director	Offices and positions held on the registration date of this Registration Document: *Within the Group:* SMCP Holding S.A.S. – Chairman CLAUDIE PIERLOT SAS – Chairman, 341 SMCP SAS – Chairman, SMCP Logistique S.A. – Chairman SMCP Deutschland GmbH – Managing Director SMS Holding SA – *Chairman*, member of the Board of Directors,

First and last name	Nationality	Expiration date of the term of office	Principal duty performed for the Company	Principal terms of office and duties performed outside the Company during the past five years
				Claudie Pierlot Suisse SA - Director, Member of the Board of Directors Maje Suisse SA – Director, member of the Board of Directors, Sandro Suisse SA - *Chairman*, Member of the Board of Directors SMCP USA Inc. – *Director*, SMCP Canada Inc – *Director*, SMCP Asia Ltd. (HK) – *Director*, SMCP Hong Kong Limited – *Director* SMCP Shanghai Trading Co. Ltd. – *Direct*or SMCP Retail East Coast Inc. – *Director* SMCP Retail West Coast Inc. – *Director* AZ Retail – *Director* SMCP Portugal – *Managing Director* SMCP Sweden – Chairman and member of the Board of Directors Trinity Limited – member of the Board of Directors *Outside the Group:* None Positions and offices held during the past five years that are no longer held: *Within the Group:* None *Outside the Group:* None
Evelyne Chétrite	French	Shareholders' meeting called to approve the financial statements for the year ended December 31, 2020	Deputy Chief Executive Officer and Director	Offices and positions held on the registration date of this Registration Document: *Within the Group:* Sandro Andy SAS – Chairman: Evelyne Chétrite SASU - represented by Evelyne Chétrite *Outside the Group:* Eve Art - Chairman

First and last name	Nationality	Expiration date of the term of office	Principal duty performed for the Company	Principal terms of office and duties performed outside the Company during the past five years
				EDID – Manager Evelyne Chétrite SAS – Chairman Grand Chene - Manager Petite Princesse - Manager Hessed – Manager Sagesse – Manager Kemisi – Co-Manager Kismi – Co-Manager Maison Blanche – Co-Manager SIVAN S.à.r.l. – Co-Manager Fonds TAL – Chairman JOIE S.à.r.l. – Co-Manager Positions and offices held during the past five years that are no longer held: *Within the Group:* SMCP ITALIA srl - Director SMCP Asia Ltd. – Director Claudie Pierlot Suisse SA – Director Sandro Suisse SA – Director SMCP Belgique SARL – Director PAP Sandro Espana SL - Director SMCP USA Inc. - Director Sandro France - Co-manager Sandro Andy SAS, Chairman Groupe SMCP SAS, Chairman Claudie Pierlot SAS Chairman *Outside the Group:* None
Judith Milgrom	French	Shareholders' meeting called to approve the financial statements for the year ended December 31, 2020	Deputy Chief Executive Officer and Director	Offices and positions held on the registration date of this Registration Document: *Within the Group:* Maje SAS – Judith Milgrom SAS - Chairman, represented by Judith Milgrom *Outside the Group:* SC SAVA – Manager SC SHMIL - Manager SC AVANA: Co-manager SCI MAJ - Co-manager SCI MAIL – Manager;

First and last name	Nationality	Expiration date of the term of office	Principal duty performed for the Company	Principal terms of office and duties performed outside the Company during the past five years
				SCI J&A - Co-manager JUDITH MILGROM SAS - Chairman Fonds TODA - Chairman Judor Investissements - Co-Manager HARMONY SAS - SAVA Chairman, represented by Ms Judith Milgrom SCI PALOMA 2011- Co-managing partner Positions and offices held during the past five years that are no longer held: *Within the Group:* Maje Stores Ltd - Director MajBel SA (Belgique) – Director Duke Fashion - Director Maje Suisse SA - Director SMCP USA Inc. - Director Co-manager of Maje Boutique Maje SAS – Chairman Groupe SMCP SAS – CEO Maje Spain SL – Director *Outside the Group:* SCI A&J – Co-Manager SC AMJM – Co-Manager
Weiying Sun(1)	Chinese	Shareholders' meeting called to approve the financial statements for the year ended December 31, 2020	Director	Offices and positions held on the registration date of this Registration Document: *Within the Group:* None. *Outside the Group:* Vice Chairman of Shandong Ruyi Technology Group Co., Ltd. Positions and offices held during the past five years that are no longer held: *Within the Group:* None *Outside the Group:* None

Chenran Qiu[1]	Chinese	Shareholders' meeting called to approve the financial statements for the year ended December 31, 2020	Deputy Chief Executive Officer and Director	Offices and positions held on the registration date of this Registration Document: *Within the Group:* None *Outside the Group:* Vice Chairman and Executive President, Shandong Ruyi Technology Group Director, Renown Incorporated Positions and offices held during the past five years that are no longer held: *Within the Group:* None *Outside the Group:* None
Xiao Su[1]	Chinese	Shareholders' meeting called to approve the financial statements for the year ended December 31, 2020	Director	Offices and positions held on the registration date of this Registration Document: *Within the Group:* None *Outside the Group:* Chairman, Shandong Ruyi Technology Group Director, Shandong Ruyi Woolen Garment Group Director, Aquascutum Holdings Limited Positions and offices held during the past five years that are no longer held: *Within the Group:* None *Outside the Group:* None
Francis Srun[1]	French	Shareholders' meeting called to approve the financial statements for the year ended December 31, 2020	Director	Offices and positions held on the registration date of this Registration Document: *Within the Group:* None *Outside the Group:* Executive President of Ruyi International Group Director, Aquascutum (Ruyi Group) Positions and offices held during the past five years that are no longer held: *Within the Group:*

				None *Outside the Group:* Managing Director APAC, Boucheron (Kering Group)
Orla Noonan(2)	Irish	Shareholders' meeting called to approve the financial statements for the year ended December 31, 2020	Independent Director	Offices and positions held on the date of this Registration Document: *Within the Group:* None *Outside the Group:* Chief Executive Officer of Groupe AB Director of AB Entertainment SA Independent Director and member of the Audit Committee of Iliad SA Member of the Mediawan Strategic Committee Independent Director of Schibsted ASA Positions and offices held during the past five years that are no longer held: *Within the Group:* None *Outside the Group:* Director of Groupe AB Chairman of Team Co
Fanny Moizant	French	Shareholders' meeting called to approve the financial statements for the year ended December 31, 2020	Independent Director	Offices and positions held on the date of this Registration Document: *Within the Group:* None *Outside the Group:* Co-Founder – Vice Chairman and Director of Communication of Vestiaire Collective Positions and offices held during the past five years that are no longer held: *Within the Group:* None *Outside the Group:* None

Patrizio di Marco(2)	Italian	Shareholders' meeting called to approve the financial statements for the year ended December 31, 2020	Independent Director	Offices and positions held on the date of this Registration Document: *Within the Group:* None *Outside the Group:* Director – Dolce & Gabbana Positions and offices held during the past five years that are no longer held: *Within the Group:* None *Outside the Group:* Gucci (Groupe Kering) – Chairman-Chief Executive Officer and member of the Executive Committee
Dajun Yang	Chinese	Shareholders' meeting called to approve the financial statements for the year ended December 31, 2020	Independent Director	Offices and positions held on the date of this Registration Document: *Within the Group:* None *Outside the Group:* UTA International Brand Inv. Management Co. Ltd – Chairman-Chief Executive Officer Positions and offices held during the past five years that are no longer held: *Within the Group:* None *Outside the Group:* UTA Fashion Management Group – Chairman-Chief Executive Officer

(1) Director designated by Shandong Ruyi.

Biographical Information about the Members of the Board of Directors

Yafu Qiu, 60, holds an EMBA from the University of Tsinghua (China), a master in textile industry management from the University of Donghua and a Bachelor's in textile industry from the University of Donghua (China). Mr. Qiu also holds a degree in Engineering Technology Application and has received, as an expert, the Special Government Allowances of the State Council. Mr. Qiu has more than 40 years of textile industry experience and is the Chairman of Shandong Ruyi since 1998. Mr. Qiu has received the first prize at the National Science & Technology Advancement Awards and a National Labor Medal and has been ranked as one of the more influential figure of the Chinese textile and apparel industry in 2010. Mr. Qiu has been elected to the National People's Congress of the People's Republic of China for three consecutive terms.

Daniel Lalonde, 54, holds an MBA from INSEAD and a Bachelor's degree in Mathematics from the University of Waterloo in Ontario (Canada). He became Chairman of the Group in April 2014 on the basis of his extensive experience with major international groups in Europe and North America. He began his management career as the President and Chief Executive Officer of Nespresso North America and then as Global Deputy Chief Executive Officer of Nestlé Nespresso. He then joined the LVMH Group, spending ten years there, firstly as President and Chief Executive Officer of LVMH Watches & Jewelry North America, and then as President and Chief Executive Officer of Louis Vuitton North America. He then took over at Moët & Chandon/Dom Pérignon Monde as President and Chief Executive Officer. His most recent post before joining the Group was as International President of Ralph Lauren Corporation, New York. Mr. Lalonde is also a member of the Board of Directors of INSEAD. Mr. Lalonde is Chief Executive Officer and a member of the Board of Directors of the Company.

Evelyne Chétrite, 60, studied law at the University Paris 1 Panthéon-Sorbonne. Passionate about fashion and styling, Ms. Chétrite created the Sandro brand in 1984 with her husband Didier Chétrite. The first store opened in 2004 in the heart of the Marais district of Paris. Under the creative impetus and vision of Ms. Chétrite, Sandro quickly became a leading brand in the market ready-to-wear. Since the creation of the brand, Ms. Chétrite creates and directs Sandro collections as creative director. In addition to these operational duties, Ms. Chétrite, who served for many years as Chairman of the Group, is currently a member of the Board of Directors, and Executive Vice President of the Company charged with the design and marketing strategy of Sandro and Claudie Pierlot.

Judith Milgrom, 53, worked for many years in creation and design, passionate about fashion and style. With this experience, Ms. Milgrom founded Maje in 1998, for which she creates and directs the collections since the creation of the brand. Maje opened its first shop in Paris in 2003 and quickly became a leading brand in the ready-to-wear market. Ms. Milgrom is currently artistic director of Maje. In addition to these operational duties, Judith Milgrom is currently a member of the Board of Directors and Executive Vice President of the Company charged with the design policy and the marketing strategy of Maje and Claudie Pierlot.

Weiying Sun, 47, obtained a Bachelor's degree in Textiles Engineering from Tianjin Textiles Institute in 1993 and a Master's degree in Textiles Management from Donghua University in 2004. She has over 20 years of experience in textiles and apparel production and sales businesses and has devoted her career entirely in Ruyi. She joined Shandong Ruyi Wool Spinning Group Co., Ltd. in 1993 as a Technician of the First Weaving Mill, and was promoted to the Vice Minister of the Technology Development Department in 1996 and the Director of the First Weaving Mill in 1999. She then joined Shandong Jining Ruyi Woolen Textile Co., Ltd. in 2000 as the Vice General Manager and the Director of Technology Development Department, and as a member of its board from 2000 to 2003. She has been working with Shandong Ruyi Technology Group Co., Ltd. since 2003, successively holding various positions including the Vice President and the General Manager of the Cotton Spinning Group. She currently services as Vice President and Chief Executive Officer of Shandong Ruyi Technology Group Co., Ltd. She is also a member of the Board of Directors of Renown Japan, Cubbie Station and Hong Kong Forever Winner International Development Limited.

Chenran Qiu, 37, holds a Master's from the University of Manchester (United Kingdom) and a Bachelor's degree from the University of Suzhou in China. Ms. Qiu is currently Vice Chairman and Executive President of Shandong Ruyi Technology Group and a member of the Board of Directors of Renown Incorporated. Ms. Qiu is currently in charge of the development of the Ruyi brand and of the international investments. Ms. Qiu received several awards in the industry sector, such as the "Fashion Innovation Award" of the China National Garment Association and the "Brand Builder" award of the Shandong region.

Xiao Su, 42, holds a Master's degree from the University of Tsinghua in China. She has been working within the Shandong Ruyi Technology Group since July 1999 having successively held the positions of General Manger of the investment development department, of Deputy Chief Accountant, Chief Economist and Vice President. Ms. Su is currently President of Shandong Ruyi Technology Group as well as a member of the Boards of Directors of Shandong Ruyi Woolen Garment Group and Aquascutum Holdings Limited. She is also responsible for sales operations, the development of investments, and the Group's investments.

Francis Srun, 52, graduated from Paris University in 1987 with a Bachelor's degree in Economics Sciences and from the French Top 10 Business School KEDGE in 1993 with a Master's degree in Business and Administration. He obtained the Swiss Federal Professional Trainer and Coach Certificate in 2008. Mr. Srun has over 20 years of experience in retail and distribution industry. He began his career with Carrefour, serving as the Department Manager in France, China and Taiwan from 1993 to 1998, following which he worked at Lagardère Services as its Country Manager of Taiwan till 2000. He joined Piaget (Richemont Group) in 2000 as the Brand Manager of Taiwan and then joined Piaget International (Richemont Group) in 2003 as the International Retail Director. He served as the Managing Director Asia of Ralph Lauren Watch & Jewelry from 2008 to 2013, and as the Managing Director APAC of Boucheron (Kering Group) from 2013 to 2016. He is currently the Executive President of the Ruyi International Hong Kong Group and a director of Aquascutum (Ruyi Group).

Orla Noonan, 48, is a graduate of HEC in France (1994) and holds a Bachelor of Arts from Trinity College in Dublin (1992). She began her career in 1994 with the investment bank Salomon Brothers International in London as a financial analyst, particularly in the telecom and media sectors. She joined Groupe AB in 1996 as Deputy Director of Financial Communication and Development. She directed the IPOs in New York and Paris, the external growth transactions, including the acquisitions of the television channels RTL9 and TMC. She served as President of the television channel NT1 between 2005 and 2010. Still with Groupe AB, Ms. Noonan became Corporate Secretary of the Group in 1999 and a member of the Board of Directors in 2003. She now serves as Chief Executive Officer. She also sits on the strategic committee of Mediawan, a listed company that acquired Groupe AB in March 2017. She also sits on the Board of Directors of RTL9 SA and AB Entertainment SA. Since 2009, Ms.

Noonan has served on the Board of Directors and been a member of the Audit Committee of Iliad S.A. and has been an independent member of the Board of Directors of Schibsted since May 2017.

Fanny Moizant, 42, is a graduate of the Reims Business School, which became the Neoma Business School in 2001, and of the Fashion, Design and Luxury Management program of the *Institut Français de la Mode* in 2007. During those years, she worked with the brands John Galliano, Dim and Mexx. In 2008, she participated in the creation of a digital platform dedicated to the online sale of pre-owned luxury clothing, known as "Vestiaire Collective". After noting the need expressed by fashion bloggers to sell their old luxury clothing in order to buy new articles, Fanny Moizant worked with a team of five professional--an engineer, analyst, stylists and sales personnel, to launch the online platform in France in 2009. Within the Vestiaire Collective company, Fanny Moizant holds the positions of Co-Founder – APAC Vice President. Passionate about fashion and luxury, Ms. Moizant made an enormous contributed to the roll-out of Vestiaire Collective in markets that included the United Kingdom, Germany, Italy, Spain and the Scandinavian countries, before turning her focus to Asia.

Patrizio di Marco, 56, holds a Bachelor's degree in Business Administration from the *Università Degli Studi di Modena* and a Master's in Corporate Management, Business Management and Administration from the Polytechnic School of Milan. He began his career in the textile industry in 1988 with GFT in Japan before holding various positions with Prada Japan Ltd. He was named Chairman and Chief Executive Officer of Prada America Corp in 1994, positions that he has held for four years. He became President of Celine Inc. in 1999 before being appointed as Senior Vice-President of Market and Communication for Louis Vuitton Americas until 2001. Mr. Marco then joined the Kering Group, where he successively served as Chairman-Chief Executive Officer of Bottega Veneta from 2001 to 2008, then as Chairman-Chief Executive Officer and member of the Executive Committee of Gucci from 2009 to 2015. Mr. di Marco joined Dolce & Gabbana in 2016 where he currently serves on the Board of Directors and as a Consultant.

Dajun Yang, 50, holds an MBA from the International University of Commerce, Agriculture and Technology of Dhaka in Bangladesh. From 1998 to 2012, he served as Chairman-Chief Executive Officer of the UTA Fashion Management Group, and then in 2012 served as Chairman and Chief Executive Officer of the company UTA International Brand Inv. Management Co. Ltd. Mr. Yang is the author of a number of works on analysis of fashion markets. Backed by more than 25 years of experience in the fashion industry, Mr. Yang is regularly consulted about investments in China by European companies.

Independent members of the Board of Directors

Four members of the Board of Directors are independent pursuant to the AFEP-MEDEF Code.

Gender Balance representation of women and men

The Board of Directors has six women members and is therefore in compliance with the provisions of Law 2011-103 of January 27, 2011 on gender balance representation on boards of directors and supervisory boards and equal opportunity in business.

Non-voting director

Ylane Chétrite is a non-voting member of the Company's Board of Directors.

Mr. Ylane Chétrite studied finance at the University Paris-Dauphine prior joining Sandro in 2006. He opened Sandro to male clientele by founding Sandro Homme in 2007. He is the brand's founding artistic director since its creation. He is also an Executive Vice President of the Company.

(b) Chief Executive Officer

The offices of Chairman of the Board and Chief Executive Officer of the Company are separated. Mr. Yafu Qiu will be Chairman of the Board of Directors and Mr. Daniel Lalonde will be Chief Executive Officer of the Company.

(c) Deputy Chief Executive Officers

The positions of Deputy Chief Executive Officer in the Company will be assumed respectively by Evelyne Chétrite, Judith Milgrom and Ylane Chétrite and Chenran Qiu. Each Deputy Chief Executive Officer will be responsible for the development of policy for creation, design, artistic direction and marketing strategy of the brand(s) within his or her area of responsibility, namely:

- Sandro and Claudie Pierlot for Evelyne Chétrite;
- Maje and Claudie Pierlot for Judith Milgrom;
- Sandro Homme for Ylane Chétrite.

In addition, Chenran Qiu is responsible for the strategy and development of the Group in Asia.

14.2 Declarations concerning the administrative bodies

Evelyne Chétrite, director and Deputy Chief Executive Officer, is the sister of Judith Milgrom, who is also director and Deputy Chief Executive Officer; Evelyne Chétrite is furthermore the mother of Ylane Chétrite, a non-voting director and Deputy Chief Executive Officer. Chenran Qiu, director and Deputy Chief Executive Officer, is the daughter of Yafu Qiu, Chairman of the Board of Directors of the Company. Other than these circumstances, there are, as far as the

Company is aware, no other family relationships between the members of the Board of Directors, the Chief Executive Officer and the Deputy Chief Executive Officers.

In addition, to the Company's knowledge, over the last five years: (i) no convictions for fraud have been handed down against any member of the Board of Directors, Chief Executive Officer or Deputy Chief Executive Officers; (ii) no member of the Board of Directors, Chief Executive Officer or Deputy Chief Executive Officers have been involved in bankruptcy, receivership or liquidation; (iii) no convictions and/or official public sanctions have been handed down against any member of the Board of Directors, Chief Executive Officer or Deputy Chief Executive Officers by judicial or administrative authorities (including designated professional bodies); and (iv) no member of the Board of Directors, Chief Executive Officer or Deputy Chief Executive Officers have been prohibited by a court from acting as a member of an administrative body, a board of directors or a supervisory board of an issuer, or from involvement in the management or conduct of an issuer's business.

14.3 Conflicts of interest

To the Company's knowledge and subject to the relationships described in chapter 19 of this Registration Document, on the date of registration of this document, there are no potential conflicts of interest between the corporate obligations of the members of the Company's Board of Directors and their private interests.

15. COMPENSATION AND BENEFITS

15.1 Compensation and benefits paid to Directors and Executives

At the date of this Registration Document, the Company is incorporated as a joint stock company (*société anonyme*) with a Board of Directors.

Pursuant to the recommendations of the AFEP-MEDEF Code, all fixed, variable and exceptional elements comprising the total compensation and benefits of any kind due or awarded for fiscal 2017 to the Chief Executive Officer and the Deputy Chief Executive Officers of the Company, as described in this chapter, will be submitted to Company shareholders on an advisory basis at the Annual Shareholders' Meeting scheduled for June 18, 2018 in a specific resolution for each executive officer.

In addition, pursuant to Article L.225-37-2 of the French Commercial Code, the principles and criteria for determining, dividing and awarding the fixed, variable and exceptional elements comprising the total compensation and benefits of any kind attributable to executive officers for fiscal 2018 will be submitted for approval to the Annual Shareholders' Meeting scheduled for June 18, 2018 in a specific resolution for each executive officer.

15.1.1 Compensation of members of the Board of Directors

The table below details the amount of director's fees paid to members of the Board of Directors of the Company by the Company or by any other Group company during the years ended December 31, 2016 and 2017:

Table 3 (AMF nomenclature)

Table for director's fees and other compensation received by members of the Board of Directors		
Members of the Board of Directors	**Amounts paid during the 2016 financial year**	**Amounts paid during the 2017 financial year**
Yafu Qiu	None	None
Daniel Lalonde	None	None
Evelyne Chétrite	None	None
Judith Milgrom	None	None
Weiying Sun	None	None
Chenran Qiu	None	None
Xiao Su	None	None
Francis Srun	None	None
Orla Noonan	None	None
Fanny Moizant	None	None
Patrizio di Marco	None	None
Dajun Yang	None	None

15.1.2 Compensation of executive officers

The tables below detail the compensation paid to Daniel Lalonde, Evelyne Chétrite, Judith Milgrom, Ylane Chétrite and Chenran Qiu by the Company and by any other Group company during the years ended December 31, 2016 and 2017: For detailed information on the compensation of the Chief Executive Officer and the Deputy Chief Executive Officers, see the report from the Chairman of the Board provided in Appendix 1 of this Registration Document.

Table 1 (AMF nomenclature)

Summary table of compensation and options allocated to each executive officer		
(amounts paid in euros)	**2016 financial year**	**2017 financial year**
Yafu Qiu, Chairman of the Board of Directors Compensation due for the year (*detailed in Table 2*)	None	0
Valuation of multi-year variable compensation paid during the year	None	None
Valuation of the options awarded during the year (*detailed in Table 4*)	None	None
Valuation of the bonus shares allotted (*detailed in Table 6*)	None	None
Total	**None**	**0**

Summary table of compensation and options allocated to each executive officer		
(amounts paid in euros)	**2016 fiscal year**	**2017 fiscal year**
Daniel Lalonde, Chief Executive Officer Compensation due for the year (*detailed in Table 2*)	€2,247,676	€2,266,653
Valuation of multi-year variable compensation paid during the year	0	0
Valuation of the options awarded during the year (*detailed in Table 4*)	None	None
Valuation of the bonus shares allotted (*detailed in Table 6*)	None	None
Total	**€2,247,676**	**€2,266,653**

Summary table of compensation and options allocated to each executive officer		
(amounts paid in euros)	**2016 fiscal year**	**2017 fiscal year**
Evelyne Chétrite, Deputy Chief Executive Officer Compensation due for the year (*detailed in Table 2*)	€1,965,675[(a)]	€2,196,293[(b)]
Valuation of multi-year variable compensation paid during the year	0	0
Valuation of the options awarded during the year (*detailed in Table 4*)	None	None
Valuation of the bonus shares allotted (*detailed in Table 6*)	None	None
Total	**€1,965,675**	**€2,196,293**

(a) This amount includes €1,535,127 in fees (excluding tax) paid to Evelyne Chétrite SASU for the management functions and services provided in companies of the Group.

(b) This amount includes €1,736,601 in fees (excluding tax) paid to Evelyne Chétrite SASU for the management functions and services provided in companies of the Group.

	Summary table of compensation and options allocated to each executive officer	
(amounts paid in euros)	**2016 financial year**	**2017 financial year**
Judith Milgrom, Deputy Chief Executive Officer		
Compensation due for the year (*detailed in Table 2*)	€2,028,366[(a)]	€1,947,983[(b)]
Valuation of multi-year variable compensation paid during the year	0	0
Valuation of the options awarded during the year (*detailed in Table 4*)	None	None
Valuation of the bonus shares allotted (*detailed in Table 6*)	None	None
Total	**€2,028,366**	**€1,947,983**

(a) This amount includes €1,580,026 in fees (excluding tax) paid to Judith Milgrom SASU for management functions and services provided in companies of the Group.

(b) This amount includes €1,947,983 in fees (excluding tax) paid to Judith Milgrom SASU for management functions and services provided in companies of the Group.

Summary table of compensation and options allocated to each executive officer		
(amounts paid in euros)	**2016 financial year**	**2017 financial year**
Ylane Chétrite, Deputy Chief Executive Officer		
Compensation due for the year (*detailed in Table 2*)	€1,023,675	€1,188,239
Valuation of multi-year variable compensation paid during the year	0	0
Valuation of the options awarded during the year (*detailed in Table 4*)	None	None
Valuation of the bonus shares allotted (*detailed in Table 6*)	None	None
Total	**€1,023,675**	**€1,188,239**

Summary table of compensation and options allocated to each executive officer		
(amounts paid in euros)	**2016 financial year**	**2017 financial year**
Chenran Qiu, Deputy Chief Executive Officer		
Compensation due for the year (*detailed in Table 2*)	None	None
Valuation of multi-year variable compensation paid during the year	None	None
Valuation of the options awarded during the year (*detailed in Table 4*)	None	None
Valuation of the bonus shares allotted (*detailed in Table 6*)	None	None
Total	**None**	None

Table 2 (AMF nomenclature)

Summary table of compensation paid to each executive officer				
(amounts paid in euros)	**2016 financial year**		**2017 financial year**	
	Amounts due	**Amounts paid**	**Amounts due**	**Amounts paid**
Yafu Qiu, Chairman of the Board of Directors				
Fixed compensation	None	None	None	None
Annual variable compensation	None	None	None	None
Multi-year variable compensation	None	None	None	None
Exceptional compensation	None	None	None	None
In-kind benefits	None	None	None	None
Total	None	None	None	None

Summary table of compensation paid to each executive officer				
(amounts paid in euros)	**2016 financial year**		**2017 financial year**	
	Amounts due	**Amounts paid**	**Amounts due**	**Amounts paid**
Daniel Lalonde, Chief Executive Officer				
Fixed compensation(1)	€632,961	€632,961	€766,806	€766,806
Annual variable compensation(2)	€1,094,715	€1,231,250	€1,466,147	€1,094,715
Multi-year variable compensation	0	0	0	0
Exceptional compensation(3)	€520,000	€520,000	€33,700	€33,700
In-kind benefits(4)	€91,685	€92,231	€27,520	€27,520
Total	**€2,339,361**	**€2,476,442**	**€2,294,173**	**€1,922,741**

(1) The fixed annual compensation of Daniel Lalonde was set at €900,000 as from October 5, 2017.

(2) The annual variable compensation of Daniel Lalonde was a gross amount of €675,000 until October 5, 2017 and increased to a gross amount of €900,000 for a complete calendar year if the objectives are met. The objectives are related to the achievement of the Group's and of each brand's EBITDA provided in the annual budget. In case of significant overachievement (notably by reaching a predefined threshold of EBITDA), the bonus is increased proportionally and can be doubled (which is, on the basis of the 2017 compensation, a maximum of €1,800,000 gross, corresponding to 200% of the aforementioned fixed compensation). Achievement of the performance condition is reviewed and noted at the end of each year and the variable compensation for year N is paid in March of year N+1 For fiscal 2017, the aforementioned bonus was also increased by €475,000 because of the work performed by Mr. Lalonde in the preparation of the Company's initial public offering in 2017.

(3) Daniel Lalonde's exceptional compensation for 2016 includes compensation paid with regard to his specific work performed in order to successfully conduct the transaction in 2016 for the purchase of the SMCP Group by Shandong Ruyi in 2016.

(4) These amounts include in particular products of the Group's brands and a company car.

	Summary table of compensation paid to each executive officer				
(amounts paid in euros)		**2016 financial year**		**2017 financial year**	
		Amounts due	**Amounts paid**	**Amounts due**	**Amounts paid**
Evelyne Chétrite, Deputy Chief Executive Officer					
Fixed compensation(1)		€499,797	€499,797	€524,862	€524,862
Annual variable compensation(2)	Corporate office	€1,122,128	€672,258	€1,296,431	€1,122,128
	Service agreements	€343,750	€343,750	€375,000	€375,000
	Total variable compensation	€1, 465, 878	€1,016,008	€1,671,431	€1,497,128
Multi-year variable compensation		None	None	None	None
Exceptional compensation		0	0	0	0
In-kind benefits(3)		€6,137	€6,137	€6,177	€6,177
Total		**€1,971,812**	**€1,521,942**	**€2,202,470**	**€2,028,167**

(1) The fixed compensation includes fixed compensation paid in respect of the corporate offices of (i) Evelyne Chétrite as Deputy Chief Executive Officer of SMCP SA and (ii) Evelyne Chétrite SASU as Chairman of Sandro Andy. The fixed annual compensation of Evelyne Chétrite was set at €620,000 as from October 5, 2017.

(2) The annual variable compensation of Evelyne Chétrite includes

(i) compensation paid in respect of the corporate offices of Evelyne Chétrite as Deputy Chief Executive Officer of SMCP SA and of Evelyne Chétrite SASU as Chairman of Sandro Andy, subject to performance conditions (see Chapter 19 of this Registration Document for the compensation awarded for the corporate office held at SMCP SA for the 20-month period ended December 31, 2017 paid for a 15-month period by the Company), The variable compensation paid in respect of the corporate offices held represented a gross amount of €292,000 for a full calendar year until April 1, 2016. On that date it increased to a gross amount of €869,729, and then to €995,000 as of October 5, 2017 if targets are met. Given the role played by Ms. Chétrite in both the management of the Sandro brand and as a Deputy Chief Executive Officer of the Group, approximately 30% of the objectives relate to achievement of the EBITDA of Sandro brand and approximately 70% of the objectives relate to achievement of the Group's EBITDA planned in the annual budget. In case of significant overachievement, the bonus can be doubled(which is, on the basis of the 2017 compensation, a maximum of €1,990,000 gross, corresponding to 380% of the aforementioned fixed compensation), as was the case for 2016. Achievement of these performance conditions is reviewed and noted at the end of each year and the variable compensation for year N is paid in March of year N+1;

and (ii) compensation paid to Evelyne Chétrite SASU under service agreements signed with a number of Group companies (see Section 16.2 of this Registration Document). The variable compensation paid under the above-mentioned service agreements amounted to €343,750 for 2016 and €375,000 for 2017. The total variable compensation (referred to in (i) and (ii) above) corresponds to 380% of the fixed compensation as described in (1) above.

3) This amount includes a company car.

	Summary table of compensation paid to each executive officer				
(amounts paid in euros)		**2016 financial year**		**2017 financial year**	
		Amounts due	**Amounts paid**	**Amounts due**	**Amounts paid**
Judith Milgrom, Deputy Chief Executive Officer					
Fixed compensation(1)		€499,797	€499,797	€524,862	€524,862
Annual variable compensation(2)	Corporate office	€1,184,819	€1,320,000	€1,048,121	€1,184,819
	Service agreements	€343,750	€343,750	€375,000	€375,000
	Total variable compensation	€1,528,569	€1,663,750	€1,423,121	€1,559,819
Multi-year variable compensation		None	None	None	None
Exceptional compensation **In-kind benefits**		0 0	0 0	0	0
Total		**€2,028,366**	**€163,547**	**€1,947,983**	**€2,084,681**

1) The fixed compensation includes fixed compensation paid in respect of the corporate offices of (i) Judith Milgrom as Deputy Chief Executive Officer of SMCP SA and (ii) Judith Milgrom SASU as Chairman of Maje.The annual fixed compensation of Judith Milgrom was set at €620,000 as from October 5, 2017.

The annual variable compensation of Judith Milgrom includes (i) compensation paid in respect of the corporate offices of Judith Milgrom as Deputy Chief Executive Officer of SMCP SA and Judith Milgrom SASU as Chairman of Maje, subject to performance conditions (see Chapter 19 of this Registration Document for details of the compensation awarded in respect of the corporate office held at SMCP SA for the 20-month period ended December 31, 2017, paid for a 15-month period by the Company). The variable compensation paid in respect of the corporate offices was a gross amount of €292,000 for a full calendar year up to April 1, 2016. On that date it increased to a gross amount of €869,729, and then to €995,000 as from October 5, 2017 if targets are met. Given the role played by Ms. Milgrom in both the management of the Maje brand and as a Deputy Chief Executive Officer of the Group, approximately 30% of the targets relate to achievement of the EBITDA of Sandro brand and approximately 70% of the targets relate to achievement of the Group's EBITDA planned in the annual budget. In case of significant overachievement, the bonus can be doubled(which is, on the basis of the 2017 compensation, a maximum of €1,990,000 gross, corresponding to 380% of the aforementioned fixed compensation), as was the case for 2016. Achievement of these performance conditions is reviewed and noted at the end of each year and the variable compensation for year N is paid in March of year N+1; and (ii) the compensation paid to Judith Milgrom SASU under service agreements signed with a number of Group companies (see Section 16.2 of this Registration Document). The variable compensation paid under the above-mentioned service agreements amounted to €343,750 for 2016 and €375,000 for 2017. The total amount of variable compensation (referred to in (i) and (ii) above) corresponds to 380% of fixed compensation as described in (1) above.

Summary table of compensation paid to each executive officer				
(amounts paid in euros)	**2016 financial year**		**2017 financial year**	
	Amounts due	**Amounts paid**	**Amounts due**	**Amounts paid**
Ylane Chétrite, Deputy Chief Executive Officer				
Fixed compensation(1)	€412,500	€412,500	€497,778	€497,778
Annual variable compensation(2) **Multi-year variable compensation**	€611,175	€300,000	€690,461	€611,175
Exceptional compensation **In-kind benefits**	0 0	0 0	0 0	0 0
Total	**€1,023,675**	**€712,500**	**€1,188,239**	**€1,108,953**

(1) *The fixed compensation includes the fixed compensation paid in respect of the corporate offices of (i) Ylane Chétrite as Deputy Chief Executive Officer of SMCP SA and (ii) Sandro Andy SAS as Chief Executive Officer. The annual fixed compensation of Ylane Chétrite was set at €650,000 as from October 5, 2017.*

(2) *The annual variable compensation of Ylane Chétrite includes compensation paid in respect of the corporate office of Ylane Chétrite as Deputy Chief Executive Officer of SMCP SA and Chief Executive Officer of Sandro Andy SAS, subject to performance conditions (see Chapter 19 of this Registration Document for details of the compensation awarded in respect of the corporate office held at SMCP SA during the 20-month period ended December 31, 2017). The annual variable compensation of Ylane Chétrite has changed since 2013 and was set at €120,000 for a full calendar year until April 1, 2016, and increased to a gross amount of €450,000 for a full year on this date, and then to €650,000 as from October 5, 2017 for a full year if objectives are met. Approximately 30% of the objectives relate to achievement of the EBITDA of the Sandro Homme brand and approximately 70% of the objectives relate to achievement of the Group's EBITDA planned in the annual budget. In case of significant overachievement, the bonus can be doubled (which is, on the basis of the 2017 compensation, a maximum of €1,300,000 gross, corresponding to 200% of the aforementioned fixed compensation), as was the case for fiscal year 2016). Achievement of these performance conditions is reviewed and noted at the end of each year and the variable compensation for year N is paid in March of year N+1.*

Summary table of compensation paid to each executive officer				
(amounts paid in euros)	**2016 financial year**		**2017 financial year**	
	Amounts due	**Amounts paid**	**Amounts due**	**Amounts paid**
Chenran Qiu, Deputy Chief Executive Officer				
Fixed compensation	0	0	0	0
Annual variable compensation **Multi-year variable compensation**	None	None	None	None
Exceptional compensation **In-kind benefits**	None	None	None	None
Total	0	0	0	0

With respect to the performance criteria for executive compensation, the level of achievement expected for each criterion is specifically established by the Board of Directors, but is not made public for reasons of confidentiality.

Evelyne Chétrite and Judith Milgrom receive, through companies they control, compensation under service agreements signed with several Group companies (see Section 16.2 and Chapter 19 of this Registration Document).

Table 11 (AMF nomenclature)

Executive officers	**Employment contract**		**Supplementary pension scheme**		**Severance or benefits due or which may be due on termination of or a change of post**		**Severance under a non-compete clause**	
	Yes	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**
Yafu Qiu, Chairman of the Board of Directors		X		X		X		X
Daniel Lalonde, Chief Executive Officer		X		X	X		X	
Evelyne Chétrite, Deputy Chief Executive Officer		X		X	X		X	
Judith Milgrom, Deputy Chief Executive Officer		X		X	X		X	
Ylane Chétrite, Deputy Chief Executive Officer	X		X		X		X	
Chenran Qiu, Deputy Chief Executive Officer		X		X		X		X

Severance or benefits due or which may be due on termination of or a change of post

Daniel Lalonde benefits from a severance package in a gross amount equal to a maximum 150% of the sum of the gross annual fixed compensation over the last 12 months preceding the end of his appointment and the variable compensation paid for the year preceding the end of his appointment. This package would be due in the event of termination of his appointment as Chief Executive Officer, unless he were dismissed for negligence or resigns his points for a reason other than a forced departure. Payment of this severance package would be subject to a target EBITDA over the last 12 months measured as a function of the EBITDA achieved for the previous 12 months.

Evelyne Chétrite, Judith Milgrom and Ylane Chétrite benefit from a contractual severance payment in the event of forced termination of their management positions or, in the case of Evelyne Chétrite SASU and Judith Milgrom SASU, the termination of the service agreements signed with the entities of the Group, for a gross amount equal to 200% of the fixed and variable compensation received by these parties (in respect of corporate offices held and service agreements) during the 12 months prior to said termination, subject to the meeting certain performance conditions tied to the Group EBITDA recorded for the previous 12 months. The calculation of the above allowances is not consistent with the recommendations of the AFEP-MEDEF Code (as amended in November 2016) to which the Company refers (see explanatory summary table in the report by the Chairman of the Board of Directors, pursuant to Article

L.225-37 of the French Commercial Code, included in Appendix I to this Registration Document).

Severance under a non-compete clause

Daniel Lalonde is also bound by a non-compete commitment for a period of one year and, for this commitment, would receive a gross monthly fixed indemnity equal to 70% of his monthly compensation calculated on the average of his gross contractual compensation (fixed and variable) received during the 12 months prior to his departure date and for the effective duration of the non-compete commitment. In the event of the application of both the severance package described above and the non-compete indemnity, the total of these two items must not exceed two years of Mr. Lalonde's compensation (fixed and variable received during the last 12 months prior to the date of his departure).

Evelyne Chétrite, Judith Milgrom and Ylane Chétrite are bound to the companies of the Group by a non-compete and non-hiring commitment for a period of one year from the date of termination of their management duties within the Company. This commitment will be compensated at 70% of their gross fixed and variable, direct and indirect compensation paid (in respect of positions held and service agreements) during the 12 months preceding the end date of the positions in question. In any event, if the severance payments related to the end of their positions and the aforementioned non-compete commitment represents more than two years of gross compensation received (in respect of positions held and service agreements) directly and indirectly by the party in question, the non-compete severance would be reduced accordingly and considered to be included in the amount received for the aforementioned severance package.

Principles and criteria for determination and distribution of the compensation for executive officers

The compensation policy for executive officers, i.e. Yafu Qiu, as Chairman of the Board of Directors, Daniel Lalonde as Chief Executive Officer, Evelyne Chétrite, Judith Milgrom, Chenran Qiu, and Ylane Chétrite, Deputy Chief Executive Officers of the Company on the date of this report, is approved by the Board of Directors after review and an opinion from the Nominating and Compensation Committee. The Board of Directors applies the recommendations of the AFEP/MEDEF Code, amended in November 2016, concerning the compensation of executive officers of publicly traded companies. In this context, the Board of Directors defines the principles for determining the compensation of the Chairman of the Board of Director, the Chief Executive Officer, and the Deputy Chief Executive Officers of the Company, by ensuring respect for the following principles in particular:

- Principle of balance and measurement: the Board ensures that each component of the compensation of the Chairman of the Board, the Chief Executive Officer, and the Deputy Chief Executive Officers is clearly explained and that none of these components is disproportionate.
- Principle of competitiveness: the Board ensures that the compensation of the Chairman of the Board, the Chief Executive Officer and the Deputy Chief Executive Officers is competitive, primarily through sector compensation surveys.

- Principle of alignment of interests: the compensation policy is both a management tool designed to attract, motivate and retain the talent necessary to the enterprise, but is also a response to the expectations of the shareholders and other stakeholders of the enterprise, particularly in terms of the relation to performance.

- Principle of performance: the compensation of the Chief Executive Officer and the Deputy Chief Executive Officers is closely tied to the Group's performance, primarily using a variable compensation measured every year. The payment of this variable portion depends on the achievement of objectives (both economic and personal), which are simple and measurable and closely tied to the objectives of the Group and regularly communicated to the shareholders. It is specified that these variable annual elements result in no minimum guaranteed payment and are based on operational criteria that are clear and stringent.

The compensation of the Chief Executive Officer and the Deputy Chief Executive Officers consists of a fixed portion and a variable potion on the basis of a number of objectives determined on an annual basis. At the end of each year, on the recommendation of the Nominating and Compensation Committee, the Board of Directors set the amount of the gross fixed annual compensation of the Chief Executive Officer and the Deputy Chief Executive Officers for the following year and, if applicable, the cap on their annual variable compensation for the following year, and the quantitative criteria on the basis of which this variable portion will be calculated. At the beginning of each year, the Board of Directors, on the recommendation of the Nominating and Compensation Committee, determines the amount of the variable annual compensation of the Chief Executive Officer and the Deputy Chief Executive Officers owed for the previous year, on the basis of the results of the previous year and the achievement of their quantitative and qualitative objectives, and sets the objectives of the qualitative portion of their variable annual compensation for the current year.

In addition, in order to associate the Chief Executive Officer and the Deputy Chief Executive Officers in the long-term performance, a portion of their compensation consists of performance shares. This component of compensation is directly related to the Group's performance, since the number of shares vested by the Chief Executive Officer and the Deputy Chief Executive Officers at the end of the vesting period is a function of the Group's performance in consolidated EBITDA and a target for Total Shareholders Return (TSR).

15.1.3 Allocation of stock options

Table 4 (AMF nomenclature)

Stock options for new or existing shares awarded during the fiscal year to each executive officer by the issuer and any company of the Group						
Name of the executive officer	**No. and date of plan**	**Type of option (new or existing shares)**	**Valuation of options according to the method used in the consolidated financial statements**	**Number of options allocated during the financial year**	**Exercise price**	**Exercise period**
Yafu Qiu, Chairman of the Board of Directors	None					
Daniel Lalonde, Chief Executive Officer	None					
Evelyne Chétrite, Deputy Chief Executive Officer	None					
Judith Milgrom, Deputy Chief Executive Officer	None					
Ylane Chétrite, Deputy Chief Executive Officer	None					
Chenran Qiu, Deputy Chief Executive Officer	None					

Table 5 (AMF nomenclature)

Stock options for new or existing shares exercised during the fiscal year by each executive officer			
Name of the executive officer	**No. and date of plan**	**Number of options exercised during the financial year**	**Exercise price**
Yafu Qiu, Chairman of the Board of Directors	None		
Daniel Lalonde, Chief Executive Officer	None		
Evelyne Chétrite, Deputy Chief Executive Officer	None		
Judith Milgrom, Deputy Chief Executive Officer	None		
Ylane Chétrite, Deputy Chief Executive Officer	None		
Chenran Qiu, Deputy Chief Executive Officer	None		

Table 8 (AMF nomenclature)

History of allocation of stock options or share purchase options				
Information on stock options or share purchase options				
Date of Shareholders' Meeting	Plan no. 1	Plan no. 2	Plan no. 3	Etc.
Date of Board of Director's meeting	None			
Total number of shares which may be subscribed or purchased, including the number which may be subscribed or purchased by:				
Starting point for exercise of options				
Expiration date				
Subscription or purchase price				
Option exercise procedures (if the plan incorporates several tranches)				
Number of shares subscribed on **[…]** (most recent date)				
Cumulative number of share subscription or purchase options cancelled or expired				
Share purchase or subscription options outstanding at the end of the financial year				

Table 9 (AMF nomenclature)

Stock options for new or existing shares allocated to the top ten employees who are not executive officers and options exercised by these employees	Total number of options allocated/shares subscribed or purchased	Weighted average price	Plan no. 1	Plan no. 2
Options granted during the financial year by the issuer and any other company included in the scope of allocation of options, to the ten employees of the issuer and any company included in said scope, to whom the greatest number of options is granted (global information)	None			
Options held in the issuer and the aforementioned companies and exercised, during the financial year, by the ten employees of the issuer and said companies, who have purchased or subscribed the greatest number of options (global information)				

15.1.4 Bonus share allotments

Table 6 (AMF nomenclature)

Bonus shares allocated by the Shareholders' Meeting during the financial year to each corporate officer by the issuer and any Group company (named list)	No. and date of plan	Number of shares allocated during financial year	Valuation of shares according to method used for consolidated financial statements	Acquisition date	Availability date	Performance conditions
Yafu Qiu, Chairman of the Board of Directors	Plan No. 1 10/10/16	None	None	None	None	None
	Plan No. 2 11/23/17	None	None	None	None	None
Daniel Lalonde, Chief Executive Officer	Plan No. 1 10/10/16	1,605,000(1)	2,102,079	10/10/17	10/10/18	Conversion into ordinary shares based on the IPO price
	Plan No. 2 11/23/17	242,018	0	11/23/19 11/23/20 11/23/21	11/23/21	Performance conditions tied to a target EBITDA for the Group (70%) and a target *TSR*[47] (30%)
Evelyne Chétrite, Deputy Chief Executive Officer	Plan No. 1 10/10/16	1,750,000(2)	2,291,987	10/10/17	10/10/18	Conversion into ordinary shares based on the IPO price
	Plan No. 2 11/23/17	302,390	0	11/23/19 11/23/20 11/23/21	11/23/21	Performance conditions tied to a target EBITDA for the Group (70%) and a target *TSR* (30%)
Judith Milgrom, Deputy Chief Executive Officer	Plan No. 1 10/10/16	1,750,000(3)	2,291,987	10/10/17	10/10/18	Conversion into ordinary shares based on the IPO price
	Plan No. 2 11/23/17	302,390	0	11/23/19 11/23/20 11/23/21	11/23/21	Performance conditions tied to a target EBITDA for the Group (70%) and a target *TSR* (30%)

[47] *Total shareholder return*

Ylane Chétrite, Deputy Chief Executive Officer	Plan No. 1 10/10/16	1,750,000[4]	2,291,987	10/10/17	10/10/18	Conversion into ordinary shares based on the IPO price
	Plan No. 2 11/23/17	193,700	0	11/23/19 11/23/20 11/23/21	11/23/21	Performance conditions tied to a target EBITDA for the Group (70%) and a target *TSR* (30%)
Chenran Qiu, Deputy Chief Executive Officer	Plan No. 1 10/10/16	None	None	None	None	None
	Plan No. 2 11/23/17	None	None	None	None	None

(1) Daniel Lalonde may convert 1,605,000 Class G preferred shares into 572,411 shares of common stock on or after January 1, 2019.
(2) Evelyne Chétrite may convert 1,750,000 Class G preferred shares into 624,121 shares of common stock on or after January 1, 2019.
(3) Judith Milgrom may convert 1,750,000 Class G preferred shares into 624,121 shares of common stock on or after January 1, 2019.
(4) Ylane Chétrite may convert 1,750,000 Class G preferred shares into 624,297 shares of common stock on or after January 1, 2019.

Table 7 (AMF nomenclature)

Bonus shares allocated to each executive officer	No. and date of plan	Number of shares becoming available during the financial year	Acquisition conditions
Yafu Qiu, Chairman of the Board of Directors	None		
Daniel Lalonde, Chief Executive Officer	None		
Evelyne Chétrite, Deputy Chief Executive Officer	None		
Judith Milgrom, Deputy Chief Executive Officer	None		
Ylane Chétrite, Deputy Chief Executive Officer	None		
Chenran Qiu, Deputy Chief Executive Officer	None		

Table 10 (AMF nomenclature)

History of allocation of bonus shares				
Information on allocated bonus shares				
Free allocation plan	Plan no. 1 (first tranche)	Plan No. 1 (second tranche)	Plan no. 1 (third tranche)	Plan No. 2
Date of Shareholders' Meeting	10/10/16	10/10/2016	10/10/2016	10/05/17
Date of Chairman's decision	10/10/16	14/12/16	27/02/17	11/23/17
Total number of bonus shares allotted, including the number allotted to:	12,768,753	1,520,100	393,000	2,038,324
Executive Officers:	6,855,000	None	None	1,040,498
Yafu Qiu, Chairman of the Board of Directors	None	None	None	None
Daniel Lalonde, Chief Executive Officer	1,605,000	None	None	242,018
Evelyne Chétrite, Deputy Chief Executive Officer	1,750,000	None	None	302,390
Judith Milgrom, Deputy Chief Executive Officer	1,750,000	None	None	302,390
Ylane Chétrite, Deputy Chief Executive Officer	1,750,000	None	None	193,700
Chenran Qiu, Deputy Chief Executive Officer	None	None	None	None

History of allocation of bonus shares				
Information on allocated bonus shares				
Date of acquisition of shares	10/10/17	14/12/17	27/02/18	11/23/19 11/23/20 11/23/21
Date of end of holding period	10/10/18	14/12/18	27/02/19	11/23/19 11/23/20 11/23/21
Number of shares subscribed	None	None	None	None
Cumulative number of shares cancelled or expired	307,178	150,600	0	0
Bonus shares remaining at the end of the financial year	12,461,575	1,369,500	393,000	2,419,881

On October 5, 2017, the Extraordinary Shareholders' Meeting of the Company authorized the Board of Directors, under certain conditions, to award new or existing bonus shares to corporate executive or salaried employees of the Company or of the companies or groups affiliated with the Company, under the conditions stipulated in Article L.225-197-2 of the French Commercial Code, up to a maximum of 3% of the capital stock on the date of the Board's decision.

Meeting on November 23, 2017, the Board of Directors, on the basis of the authority granted by the Shareholders' Meeting, established a bonus share allocation plan for executive officers and salaried employees of the Company and its subsidiaries (Plan No. 2).

Within this framework, the Company decided on the bonus allocation of 2,038,324 performance shares to certain executive officers and employees of the Group. Vesting of the preferred shares of stock in the Company is subject to conditions of employment (for the entire duration of the period in question indicated below) and conditions of internal performance (70%) (achievement of a level of EBITDA) and external performance (30%) (dependent on a target *TSR* against a median TSR of the companies included in the SBF 120 index).

The performance shares will be fully vested by the beneficiaries (subject to meeting the employment and performance conditions) in thirds, at the end of three vesting periods of two, three and four years that begin on the allocation date; therefore:

- one-third of the shares allotted will be fully vested by the beneficiaries on November 23, 2019 and delivered on March 31, 2020;

- one-third of the shares allotted will be fully vested by the beneficiaries on November 23, 2020 and delivered on March 31, 2021;

- one-third of the shares allotted will be fully vested by the beneficiaries on November 23, 2021 and delivered on March 31, 2022.

15.2 Amount of the provisions made or recorded by the Company or its subsidiaries for the payment of pension, retirement or other benefits

The Company and its affiliates have not provisions any sum for payment of pensions, retirement packages, or other similar benefits for its corporate executive officers.

16. OPERATIONS OF ADMINISTRATIVE AND MANAGEMENT BODIES

16.1 Terms of office of the Members of the Company's Administrative and Management Bodies

The information on the expiration date of the terms of members of the Board of Directors and management can be found in Section 14.1 of this Registration Document.

16.2 Information regarding service contracts between members of the Board of Directors and the Company or one of its subsidiaries

The companies Evelyne Chétrite SASU and Judith Milgrom SASU, wholly owned by Evelyne Chétrite and Judith Milgrom respectively, signed services agreements in 2016 with four companies of the Group (SMCP USA Inc., SMCP Asia Ltd, Claudie Pierlot and 341SMCP) to provide services relating to the sales strategy marketing for the Sandro, Maje and Claudie Pierlot brands and services. The agreement concluded with Claudie Pierlot also includes stylistic consulting services. These contracts are for a period of 24 months from April 1, 2016, automatically renewable for periods of 12 months unless terminated by either party with a notice period of three months. Compensation for these agreements is based on hourly rates and capped, for each company, at a maximum total amount of €375,000 (excluding tax) per year.

These contracts were amended on January 1, 2017 without any change to their compensation. These contracts have fixed duration of twenty-four (24) months from January 1st, 2017 and are automatically renewable for periods of 12 months, unless terminated by either party with a notice period of three months.

For the twelve-month period ended December 31, 2017, the total compensation paid to Evelyne Chétrite and Judith Milgrom, through the aforementioned companies under these agreements, totaled €375,000 (excluding tax) each.

16.3 Committees of the Board of Directors

- **Audit Committee**

Composition

The Audit Committee is composed of three members, two of whom are appointed from among the independent members of the Board of Directors. The composition of the Audit Committee may be amended by the Board of Directors, and in any event, must be amended in the event of any change in the general composition of the Board of Directors.

Pursuant to applicable legal provisions, members of the committee must have specific skills in financial and/or accounting matters.

The term of office of the members of the Audit Committee coincide with their terms on the Board of Directors. It may be renewed at the same time as their term on the Board of Directors.

After careful consideration, the chairman of the Audit Committee is appointed by the Board of Directors from among the independent members, on the recommendation of the Nominating and Compensation Committee. The Audit Committee may not include executive officers. The Audit Committee is chaired by an independent member of the Board of Directors.

On the date of registration of this Registration Document, the members of the Audit Committee were: Orla Noonan (Chairman and independent Director), Dajun Yang (independent Director) and Xiao Su.

Role

The role of the Audit Committee is to follow up on matters relating to the preparation and audit of accounting and financial information and to ensure that the risk monitoring and operational internal control procedures are effective, and to assist Board of Directors in exercising its control and monitoring functions in such matters.

In this regard, the Audit Committee's main tasks are as follows:

– monitoring the process for preparing financial information;

– monitoring the effectiveness of the systems for internal control, internal audit and the management of risks relating to financial and accounting information;

– monitoring the audit of the corporate and consolidated financial statements by the Company's auditors; and

– monitoring the independence of the Statutory Auditors.

The Audit Committee will report regularly to the Board of Directors on the performance of its tasks and inform it promptly of any difficulties encountered.

The Audit Committee will meet as often as necessary and, in any event, at least twice a year when the annual financial statements and the half-yearly financial statements are prepared.

– **Nominating and Compensation Committee**

Composition

The Nominating and Compensation Committee is composed of four members, two of whom are independent members of the Board of Directors. They are appointed by the Board with particular regard to their independence and their skills in respect of the compensation of the executive officers of listed companies.

The term of office of the members of the Nominating and Compensation Committee coincides with their terms on the Board of Directors. It may be renewed at the same time as their term on the Board of Directors. The Nominating and Compensation Committee is chaired by an independent member of the Board of Directors.

On the date of registration of this Registration Document, the members of the Nominating and Compensation Committee were: Patrizio di Marco (Chairman and independent Director), Fanny Moizant (independent Director), Chenran Qiu and Evelyne Chétrite.

Role

The Nominating and Compensation Committee is a specialist committee of the Board of Directors whose main role is to assist the Board in (i) the composition of the management bodies of the Company and the Group and (ii) determining and regular review of all remuneration and benefits packages for executive officers and directors or senior managers of the Group, including all deferred benefits and/or Group voluntary or compulsory severance packages.

As part of its role relating to nominations, the Committee performs the following tasks in particular:

- recommending nominations for members of the Board of Directors, senior management and Board committees; and

- annual review of the independence of members of the Board of Directors.

As part of its role relating to compensation, it performs the following tasks in particular:

- review and recommendation to the Board of Directors of all aspects of the components and conditions of compensation for the Group's key executives;

- review and recommendation to the Board of Directors of the method for apportioning attendance fees; and

- consultation for recommendations to the Board of Directors on all other special compensation for special assignments which the Board of Directors may entrust, if applicable, to certain of its members.

The Nominating and Compensation Committee will meet as often as necessary and, in any event, at least once a year, prior to the Board of Directors' meeting to decide on the position of members of the Board of Directors in respect of the independence criteria adopted by the Company and, in any event, prior to any meeting of the Board of Directors to decide on setting the remuneration of members of Senior Management or the apportioning of attendance fees.

16.4 Statement relating to Corporate Governance of the Company

The Company refers to the recommendations of the Corporate Governance Code for publicly trading companies of the Association Française des Entreprises Privées (AFEP) and the Mouvement des Entreprises de France (MEDEF) (the "**AFEP-MEDEF Code**").

The AFEP-MEDEF Code to which the Company refers may be consulted at the following website: http://www.medef.com. The Company will keep copies of the Code available for members of its corporate bodies at all times.

The detailed procedures for the Company to implement the recommendations of the AFEP-MEDEF Code, including those with which the Company does not comply, are described, in the form of an explanatory summary table, in the report of the Chairman of the Board of Directors, pursuant to Article L.225-37 of the French Commercial Code, included in Appendix 1 of this Registration Document.

16.5 Internal control

The internal control system implemented within the Group is described in detail in Section 4.7.2 of this Registration Document. In addition, detailed information is available in the report of the Chairman of the Board of Directors, stipulated by Article L.225-37 of the French Commercial Code, included in Appendix 1 of this Registration Document.

16.6 Activity of the Board of Directors

Detailed information on the activity of the Board of Directors is available in the report of the Chairman of the Board stipulated by Article L.225-37 of the French Commercial Code and included in Appendix 1 of this Registration Document.

17. EMPLOYEES

17.1 Presentation

17.1.1 Number and distribution of employees

(a) General presentation of the work force

At December 31, 2017, the Group employed a total of 5,127 employees, approximately 43% of whom employed for the Sandro brand, approximately 31% for the Maje brand and approximately 14% for the Claudie Pierlot brand.

For twelve-months period ended December 31, 2017, Group payroll represented €191.6 million, compared with €166.9 million for the twelve-month *pro forma* period ended December 31, 2016. The payroll corresponds to the sum of all gross salaries and employer social security charges, as well as employee profit-sharing and incentive plans.

(b) Breakdown of employees

The table below shows the breakdown of Group employees by country at December 31, 2016, and 2017:

Country	December 31, 2016	December 31, 2017
France	2,260	2,368
United Kingdom	301	353
Germany	136	145
Ireland	59	70
Belgium	52	61
Italy	97	164
Luxembourg	10	18
Spain	238	273
Netherlands	52	80
Portugal	19	21
Norway	16	14
Sweden	10	11
Switzerland	134	143
United States	501	645
Asia	564	761
Total	**4,449**	**5,127**

The table below shows the breakdown of Group employees at the main subsidiaries as at December 31, 2016, and 2017:

Subsidiaries	December 31, 2016	December 31, 2017
SMCP S.A.S.	4	24
SMCP GROUP	154	149
SMCP LOGISTIQUE SAS	130	151
SANDRO ANDY	850	884
MAJE S.A.S.	619	651
CLAUDIE PIERLOT SAS	444	454
341 SMCP SAS	59	55
SMCP ASIA Ltd.	564	761
SMCP USA Inc. & SMCP CANADA Inc.	501	645

The table below shows the breakdown of Group employees by function at December 31, 2016, and 2017:

Categories	December 31, 2016	December 31, 2017
Head Offices	660	768
Sales Networks	3,659	4,208
Logistics	130	151
Total	**4,449**	**5,127**

The table below shows the proportion of women within the Group's workforce in France (which accounts for more than half of the Group's employees) at December 31, 2016 and 2017:

Proportion of women	December 31, 2016	December 31, 2017
Proportion of women in the workforce	78%	77%
Proportion of women managers	78%	76%
Proportion of women supervisors	83%	81%
Proportion of non-managerial women employees	76%	76%

The table below shows the breakdown of Group employees by type of contract at December 31, 2016 and 2017:

Employees per type of contract	December 31, 2016	December 31, 2017
Permanent contracts	3,938	4,474
Others[(1)]	511	653

[(1)] *Fixed term contracts, apprenticeships and temporary employees*

The table below shows the age pyramid for Group employees in France as at December 31, 2016 and 2017:

Age pyramid	December 31, 2016	December 31, 2017
< 25 years old	706	660
25 – 40 years old	1,263	1,408
41 – 55 years old	249	259
56 – 60 years old	27	25
>60 years old	15	16

17.1.2 Employment and working conditions

The table below shows the change in employment within the Group in France at December 31, 2016 and 2017:

Employment	December 31, 2016	December 31, 2017
Turnover - permanent employees	63.5%	67.4%
Voluntary turnover - permanent employees	50.1%	53.4%
Recruitment rate - permanent employees	69.0%	68.4%

The table below shows the trends in absenteeism and overtime working in France at December 31, 2016 and 2017:

Working conditions	December 31, 2016	December 31, 2017
Short-term absenteeism rate[(1)]	1.5%	1.8%
Overtime	2,237	2,989
Overtime and supplementary working	60,509	59,971

[(1)] *Number of days of absence out of the total number of theoretical working days.*

The table below shows the trends in safety at work over the last three financial years (occupational accidents – Group employees):

Safety at work	December 31, 2016	December 31, 2017
Number of fatal occupational accidents	None	None
Number of employees having taken sick leave (following an occupational accident or accident when travelling to/from work)	68	91

Policy on diversity and gender equality

The Group is committed to encouraging diversity at all levels of its business. The Group's policy on diversity and gender equality helps to enrich interaction and skills development and challenge views, as well as foster innovation.

The Group employs a large proportion of women among its employees. The number of women is higher than men in operational teams and in the head office. Women are also present in management teams. In addition, 66% of the 50 highest-paid employees within the Group are women.

17.1.3 Training

Training	2016 (France)	2016 (Europe)	2017 (France)	2017 (Europe)
Total training expenses (in euros)	607,072	307,500	575,648	340,571
Employees having received training	577	156	588	274
Total number of training hours	10,292.5	2,914.5	11410	3607

For the twelve-month period ended December 31, 2017, an amount equivalent to 0.5% of payroll in France was devoted to training Group employees in France.

17.1.4 Compensation policy

The total gross compensation paid by the Group (excluding social security contributions) for the years ended December 31, 2016 and 2017 is as follows:

(In thousands of euros)	**December 31, 2016**	**December 31, 2017**
Gross remuneration	122,465	144,792

The compensation of almost all Group employees comprises a fixed and a variable component.

The maximum amount of variable compensation is generally set in the employment contract; this remuneration is paid on an annual or semi-annual basis. The targets are set unilaterally by the employer or by mutual agreement, in relation to performance and conduct indicators for the sector in which the employee works.

The Group's compensation policy was introduced in 2012 and is based on three key concepts which the Group applies when reviewing salaries: competitiveness, fairness and motivation. The variable component of the salary of sales team members is indexed against a collective target, such as net sales for the store.

The pay increase budgets allocated to the salary policy are defined on the basis of the annual economic performance and are negotiated with social partners at various meetings devoted to the mandatory annual negotiations. Some general increases may take place across the store network with the aim of making the Group's recruitment opportunities more competitive. The mandatory annual negotiations also give rise to analyses and proposals for optimizing the allocation of target bonuses within points of sale or the corporate benefits.

In 2017, in the context of its initial public offering, the Company paid an exceptional bonus of around €1,254,000 to certain managers and executives of the Group for their work to prepare the IPO.

17.1.5 Labor relations

The Group's employees are represented at various levels (Group/company/site) by the relevant trade union representatives, employees' representatives, joint works committee and health, safety and working conditions committees.

In 2012, the Group signed a pre-electoral memorandum of understanding acknowledging the existence of an economic and social unit (UES). In this regard, a joint works committee was established for the UES with employees' representatives from each Company comprising the UES.

The Group has also set up three health, safety and working conditions committees (CHSCT): a retail CHSCT, a head office CHSCT and a logistics CHSCT.

In total, as of the date of this registration document, there are 32 employee representatives within the UES (principals and substitutes).

Overall, the Group considers that it enjoys satisfactory labor relations with its employees and their representatives. For example, more than 10 collective agreements or action plans have been negotiated since December 2012 with representatives of the employee trade unions, and the response from the works committee to projects presented by senior management is frequently favorable.

17.2 Equity interest and stock options held by members of the Board of Directors and executive management

17.2.1 Incentives for members of the Board of Directors and senior management

Daniel Lalonde, Chief Executive Officer and director of the Company, is a shareholder of the Company (see Section 18.1 of this Registration Document).

Evelyne Chétrite, director and Deputy Chief Executive Officer of the Company and Judith Milgrom, director and Deputy Chief Executive Officer of the Company, are indirect shareholders of the Company through the Sivan and Judor companies (see Section 18.1 of this Registration Document). Ylane Chétrite, non-voting director and Deputy Chief Executive Officer of the Company, is a direct shareholder of the Company (see Section 18.1 of this Registration Document).

Yafu Qiu, director and Chairman of the board of directors de la Company, Chenran Qiu, director et Deputy Chief Executive Officer of the Company, Weiying Sun director of the Company, Xiao Su – director of the Company, and Francis Srun, director of the Company, are members of the management team of the Shandong Ruyi Group, the majority shareholder of European TopSoho Sàrl (see Section 18.1 of this Registration Document).

17.2.2 Options for subscription or purchase of shares and allocation of bonus shares

In 2016 and 2017, the Group allocated 14,224,075 category G preference shares to certain senior executives of the Group (including Mrs. Daniel Lalonde and Ylane Chétrite), as detailed in Section 21.2.3.2 of this Registration Document. On November 23, 2017, the Group allocated 2,038,324 bonus shares to certain senior executives of the Group (including Daniel Lalonde and Ylane Chétrite and Evelyne Chétrite and Judith Milgrom) and certain Group employees, as detailed in Section 15.2 of this Registration Document.

17.3 Profit-sharing agreements and incentive schemes

17.3.1 Profit-sharing agreements

In France, the employees of certain Group companies (Sandro Andy, Sandro France, Maje SAS, Maje Boutique, Claudie Pierlot SAS and SMCP Logistique) are entitled to profit sharing under a collective agreement concluded on September 1, 2012. Under this agreement, the special reserve for profit sharing is indexed to the earnings of the companies included in the scope of the agreement in the form of deferred financial profit-sharing entitlements calculated on the basis of the relevant companies' net profit. To be entitled to distribution of the special reserve, employees must be able to demonstrate at least three months' service in one or more companies that are signatories to the agreement. The special profit-sharing reserve is calculated pursuant to applicable legal provisions (Article L.3324-1 of the Labor Code) and the amounts are distributed in proportion to the gross salary received in the reference year.

In 2016, the amount was approximately 1.2 months of gross salary (before CSG/CRDS) for an employee present all year round.

In 2017, the amount was approximately 1.16 months of gross salary (before CSG/CRDS) for an employee present all year round.

17.3.2 Incentive schemes

None

17.3.3 Company savings schemes and similar plans

The Group has a Company savings scheme with five funds of different types offering varying degrees of risk and performance outlook (monetary, bonds, shares, etc.).

17.4 Company shareholding

Certain senior executives and employees of the Group are shareholders of the Company (see Section 18.1 of this Registration Document).

Meeting on November 23, 2017, the Board of Directors, on the basis of the authority granted by the Shareholders' Meeting of October 5, 2017, established a bonus share allocation plan for executive officers and salaried employees of the Company and its subsidiaries (Plan No. 3). Within this framework, the Company decided on the bonus allocation of 3,952 performance shares to certain employees of the Group. The vesting date for these performance shares is November 23, 2019.

18. PRINCIPAL SHAREHOLDERS

18.1 Shareholders

The following table shows shareholders of the Company as of December 31, 2017:

Shareholders	Number of common shares	Number of Class G preferred shares(4):	Total number of shares and voting rights	% of voting rights
European TopSoho Sàrl (1)	44,829,918	0	44,829,918	61.3%
Founders: Sivan (2) Judor (3) Evelyne Chétrite	3,025,392	5,250,000	8,275,392	4.1%
Managers	*Daniel Lalonde:* 119,225	1,605,000	1,724,225	0.2%
	Other managers: 582,801	6,976,075	7,558,876	0.8%
Public	24,576,588	0	24,576,588	33.6%
Treasury shares	36,099	0	36,099	0.0%
TOTAL	**73,170,023**	**13,831,075**	**87,001,098**	**100%**

(1) Entity held indirectly at 51.8% by Shandong Ruyi Technology Group and 48.2% by Yinchuan WeiXin Industry Funds Ltd Partnership. Yinchuan WeiXin Industry Funds Ltd Partnership is indirectly and majority-owned by investment funds of the Popular Republic of China.

(2) Entity held by Evelyne Chétrite.

(3) Entity held by Judith Milgrom.

(4) The terms and conditions of the class G preferred shares are detailed in Section 21.2.3.2 of this Registration Document.

Shandong Ruyi

Founded in 1972, Shandong Ruyi is one of the largest textile manufacturers in China and ranks among the Top 100 Chinese multi-national enterprises. The group predominately engages in textile offerings and owns a fully-integrated value chain with operations spanning across raw materials cultivation, textiles processing, and design and sale of brands & apparel.

Headquartered in Jining, Shandong Ruyi Group operates 13 domestic industrial parks and boasts some of the largest production lines and advanced technology in China. Shandong Ruyi Group also has a significant distribution and point of sales network that services a global customer base spread across six continents. In Asia Pacific alone, the group operates over 3,000 points of sale. Shandong Ruyi Group has over 20 subsidiaries, with two listed subsidiaries in China and Japan respectively.

Shareholding of the founding family

On the date of this Registration Document, Evelyne Chétrite, founder of Sandro, and Judith Milgrom, founder of Maje, respectively hold, through the Sivan and Judor companies, 2.0% and 1.8% of the capital and voting rights of the Company.

Mr. Ylane Chétrite, founder of Sandro Homme, is a shareholder of the Company. He holds 0.4% of the Company's share capital and voting rights of the Company.

Shareholding managers

Certain managers, current executives and key employees, i.e., 95 people to date, have become shareholders of the Company in the context of the acquisition of the Group by Shandong Ruyi. As at the date of this registration document, together they hold 1% of the share capital and 1% of the voting rights of the Company.

18.2 Shareholder voting rights

One vote is attached to each share of the Company.

In addition, the Company's bylaws, as amended effective on the date the Company's shares are listed for trading on Euronext Paris, stipulated a double voting right to fully paid-up commons shares that have been held continuously in registered form by the same shareholder for a minimum period of at least two (2) years. The calculation of this holding period does not include the period in which common shares of the Company were held prior to the date the Company's common shares were listed for trading on the Euronext Paris regulated market.

Pursuant to Article L.225-123 para. 2 of the French Commercial Code, if the capital is increased through the capitalization of reserves, profits or issue premiums, the double voting right is granted, at the time they are issued, to the new common shares allotted to a shareholder for the old common shares for which the shareholder already benefited from this right.

This double voting right may be exercised at any shareholders' meeting.

The double voting right automatically ends when the common share is converted to bearer form or ownership of the share is transferred

18.3 Declaration concerning control of the Company

At the Company's initial public offering, Evelyne Chétrite, Judith Milgrom, Ylane Chétrite (the "**Founders**"), Sivan Sàrl[48] and Judor Sàrl[49], and European TopSoho Sàrl, (together the "**Parties|"** "and individually a "**Party**"), established the principal terms of a shareholders' agreement (the "**Agreement**").

The Agreement is for a term that expires June 30, 2020 (unless terminated early related to the ownership by the Founders and the companies they control of a certain percentage of the Company's capital).

The Agreement notes the designation of Evelyne Chétrite, Judith Milgrom and Ylane Chétrite to the positions of Deputy Chief Executive Officers responsible for the creation and marketing strategy of each brand concerned and stipulates the following:

- principles concerning the governance of the Company, including the appointment of Evelyne Chétrite and Judith Milgrom to the Board of Directors of the Company, and of Ylane Chétrite as non-voting member; if they cease their duties, except in a case of fault or non-compliance with their non-compete obligations, the Founders will have the option to recommend their replacements to the competent bodies;
- principles relating to the liquidity of the Company's shares:
    - a right to information for the Founders prior to the execution of any project to sell shares of the Company planned by European TopSoho or one of its affiliates, representing at least 2% of the Company;
    - a best-effort commitment from European TopSoho to allow the Founders (including the shareholder companies they control) to participate, if they so request, at the level of their interest, in any process to sell a block of shares by European TopSoho representing at least 2% of the capital of the Company. Even if the Founders proposed sale fails, European TopSoho alone may sell its shares to the third-party buyer without any impact on the rest of the shareholders' agreement;
    - a best-effort agreement from European TopSoho, if the Founders request no earlier than six (6) months before the end of the Agreement, to give the Founders the assistance of the Company and its executives in the context of any project to sell their shares in the Company to be executed on or off the market;
    - a purchase commitment by European TopSoho, that may be exercised under certain conditions and within a period of 45 days preceding the end date of the Agreement, around 40% of the shares held by each of the Founders and the companies they control (this percentage will be calculated on the basis of all the shares held by each of the Founders on the date of signature of the Agreement,

[48] Company held by Evelyne Chétrite.
[49] Company held by Judith Milgrom.

as well as shares resulting from the conversion of their G PS), at a price equal to the average price of the Company's share weighted by volume over a period of 45 days preceding the date of the purchase request as notified by the Founder in question.

18.4 Agreements that may result in a change of control

As at the date of registration of this Registration Document, there are no agreements which, if implemented, could result in a change of control of the Company.

18.5 Information that could have an impact in the event of a public offering

Pursuant to Article L.225-100-3 of the French Commercial Code, in its version prior to the effective date of Ordinance 2017-1162 of July 12, 2017, the table below provides the information on elements that could have an impact in the event of a public offering:

Legislative or regulatory reference, in the versions prior to the effective date of Ordinance 2017-1162 of July 12, 2017	Elements required	Chapter/Sections of the Registration Document
L.225-37-5 1° of the French Commercial Code	Structure of the Company's capital	18.1 Shareholding
L.225-37-5 2° of the French Commercial Code	The restrictions defined by the bylaws on the exercise of voting rights and stock transfers, or the clauses of agreements of which the Company has been informed pursuant to Article L.233-11 of the French Commercial Code	18.2 Declaration concerning control of the Company 21.2.3 Rights, privileges and restrictions attached to shares (Articles 10, 11, 12 and 13 of the bylaws) 21.2.7 Thresholds and identification of shareholders (Article 15 of the bylaws)
L.225-37-5 3° of the French Commercial Code	The direct or indirect interests held in the capital of the Company of which it is aware under Articles L.233-7 and L.233-12 of the French Commercial Code	18.1 Shareholding
L.225-37-5, 4° of the French Commercial Code	The list of parties holding any security with special control rights and a description of those rights	N/A
L.225-37-5, 5° of the French Commercial Code	Control mechanisms stipulated in a potential employee shareholding system, when the control rights are not exercised by employees.	N/A

Legislative or regulatory reference, in the versions prior to the effective date of Ordinance 2017-1162 of July 12, 2017	Elements required	Chapter/Sections of the Registration Document
L.225-37-5, 6° of the French Commercial Code	Shareholders agreements of which the Company is aware and which could result in restrictions on the transfer of shares and the exercise of voting rights	18.2 Declaration concerning control of the Company
L.225-37-5, 7° of the French Commercial Code	Rules governing the nomination and replacement of members of the Board of Directors or Management Board and the amendment of the Company's bylaws	18.2 Declaration concerning control of the Company 21.2.2 Bylaws governing the administrative and management bodies – Internal rules of the Board of Directors 21.2.5 Shareholders' meetings (Article 20 of the bylaws)
L.225-37-5, 8° of the French Commercial Code	Powers of the Board of Directors and management, particularly with respect to the issuance or purchase of shares	21.1.1 Share capital paid up and share capital authorized by not issued 21.1.3 Shares held by the Company or on its behalf
L.225-37-5, 9° of the French Commercial Code	Agreements signed by the Company that have been amended or end if control of the Company changes, unless this disclosure, excluding legal obligations to disclose, would seriously damage its interests	10.2.2.2 2023 Bonds 10.2.2.1 Credit Facility
L.225-37-5, 10° of the French Commercial Code	Agreements stipulating indemnities for members of the Board of Directors or employees if they resign or are dismissed without real and serious cause, or if their employment ends because of a public offering or exchange	15.1.2 Compensation of executive officers

In addition, the Group is party to a number of contracts containing change of control clauses, including the 2023 Bond issue contract (see Section 10.2.2.2 of this Registration Document) and the Credit Facility (see Section 10.2.2.1 of this Registration Document).

19. RELATED PARTY TRANSACTIONS

19.1 Principal related party transactions

The parties related to the Group consist primarily of the Company's shareholders, its unconsolidated subsidiaries, companies under joint control (companies proportionately consolidated), associate companies (equity associates) and entities over which the different executives of the Group exercise at least significant influence.

Calculated data detailing relationships with these related parties is provided in note 8.3 "Related third party transactions" to the consolidated financial statements for the twelve-month period ended December 31, 2017, presented in Section 20.1.1.1 of this registration document.

19.2 Statutory Auditors' special report on regulated agreements and commitments for the 20-month period ended December 31, 2017

This is a free translation into English of the statutory auditors' special report on regulated agreements and commitments that is issued in the French language and is provided solely for the convenience of English speaking readers. This report on regulated agreements and commitments should be read in conjunction and construed in accordance with, French law and professional auditing standards applicable in France. It should be understood that the agreements and commitments reported on are only those provided by the French Commercial Code (code de commerce) and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.

To the SMCP Annual General Meeting,

In our capacity as statutory auditors of your Company, we hereby report to you on regulated agreements and commitments.

The terms of our engagement require us to communicate to you, based on information provided to us, the principal terms and conditions of those agreements and commitments brought to our attention or which we may have discovered during the course of our audit, as well as the reasons justifying that such commitments and agreements are in the Company's interest, without expressing an opinion on their usefulness and appropriateness or identifying other such agreements and commitments, if any. It is your responsibility, pursuant to Article R. 225-31 of the French Commercial Code (code de commerce), to assess the interest involved in respect of the conclusion of these agreements and commitments for the purpose of approving them.

Our role is also to provide you with the information stipulated in Article R. 225-31 of the French Commercial Code (code de commerce) relating to the implementation during the past year of agreements and commitments previously approved by annual general meeting, if any.

We *performed the procedures that we considered necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (Compagnie Nationale des Commissaires aux Comptes) relating to this engagement. These procedures consisted in agreeing the information provided to us with the relevant source documents.*

AGREEMENTS *AND COMMITMENTS SUBMITTED TO THE APPROVAL OF THE ANNUAL GENERAL MEETING*

Agreements and commitments authorized during the year

Pursuant to Article L. 225-40 of the French Commercial Code (code de commerce), the following agreements and commitments, entered into during the year and previously authorized by the Board of Directors, have been brought to our attention.

1 – Implementation on October 10, 2016 of a €300 million PIK Loan granted to SMCP SA by European MidSoho, bearing fixed-rate interest of 7.875%, capitalized annually. This loan and the accrued interest were capitalized prior to the IPO on October 20, 2017.

Person concerned: Chenran Qiu

2 – Compensation of Mrs. Evelyne Chétrite, a member of the Executive Board

Person concerned: Mrs. Evelyne Chétrite

Mrs. Evelyne Chétrite's compensation was set by the Shareholders' Meeting of October 10, 2016 and reviewed by the Shareholders' Meeting of October 5, 2017. Since this date, her compensation comprises a fixed component of €156,505 and a variable component of €251,165 if objectives are attained. Objectives concern EBITDA of the Sandro brand (30%) and Group EBITDA per the annual budget (70%). The bonus may be doubled in the event objectives are significantly exceeded. Mrs. Evelyne Chétrite received total compensation of €472,632.84 during the 20-month period ended December 31, 2017.

3 – Compensation of Mrs. Judith Milgrom, a member of the Executive Board

Person concerned: Mrs. Judith Milgrom

Mrs. Judith Milgrom's compensation was set by the Shareholders' Meeting of October 10, 2016 and reviewed by the Shareholders' Meeting of October 5, 2017. Since this date, her compensation comprises a fixed component of €156,505 and a variable component of €251,165 if objectives are attained. Objectives concern EBITDA of the Maje brand (30%) and Group EBITDA per the annual budget (70%). The bonus may be doubled in the event objectives are significantly exceeded. Mrs. Judith Milgrom received total compensation of €482,714.11 during the period ended December 31, 2017.

4 – Compensation of Mr. Daniel Lalonde, a member of the Executive Board

Person concerned: Mr. Daniel Lalonde

Mr. Daniel Lalonde's compensation was set by the Shareholders' Meeting of October 10, 2016 and reviewed by the Shareholders' Meeting of October 5, 2017. Since this date, his compensation comprises a fixed component of €900,000 and a variable component of €900,000 if objectives are attained. The objectives concern the attainment of Group EBITDA and EBITDA of each of the brands per the annual budget. The bonus may be doubled in the event objectives are significantly exceeded. Mr. Daniel Lalonde received total compensation of €2,086,678.50 during the period ended December 31, 2017.

5 – Compensation of Mr. Ilan Chétrite, a member of the Executive Board

Person concerned: Mr. Ilan Chétrite

Mr. Ilan Chétrite's compensation was set by the Shareholders' Meeting of October 10, 2016 and reviewed by the Shareholders' Meeting of October 5, 2017. Since this date, his compensation comprises a fixed component of €627,500 and a variable component of €627,500 if objectives are attained. Objectives concern EBITDA of the Sandro Menswear brand (30%) and Group EBITDA per the annual budget (70%). The bonus may be doubled in the event objectives are significantly exceeded. Mr. Ilan Chétrite received total compensation of €1,182,640.30 during the period ended December 31, 2017.

AGREEMENTS AND COMMITMENTS PREVIOUSLY APPROVED BY ANNUAL GENERAL MEETING

Previously approved agreements and commitments that remained in force during the year

We inform you that we have not been advised of any agreement or commitment previously approved by annual general meeting that remained in force during the year.

Paris La Défense and Neuilly-sur-Seine, April 27, 2018

The Statutory Auditors

KPMG S.A.	*Deloitte & Associés*
Valéry Fousse	*Albert Aidan*

20. FINANCIAL INFORMATION CONCERNING THE GROUP'S ASSETS, FINANCIAL POSITION AND EARNINGS

20.1 The Group's consolidated financial statements

20.1.1 The Group's consolidated financial statements for the twenty-month period ended December 31, 2017 and the corresponding Statutory Auditors' report

20.1.1.1 The Group's consolidated financial statements for the twenty-month period ended December 31, 2017

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1. CONSOLIDATED FINANCIAL STATEMENTS

Quantitative data corresponding to the 12-month period between January 1, 2017 and December 31, 2017 has been integrated to highlight the Group's performance across the 2017 calendar year.

1.1. Consolidated income statement

	Notes	*additional information; 12-month period at* **12/31/2017** *€k*	*legal 20-month period at* **12/31/2017 *** *€k*
Revenue		**912,371**	**1,136,490**
Commissions		(116,978)	(148,034)
Revenue after commissions	5.1	**795,393**	**988,456**
Cost of sales	5.2	(210,288)	(256,778)
Gross margin		**585,105**	**731,678**
Other operating income and expenses	5.3	(239,850)	(297,634)
Personnel costs	5.4	(191,589)	(237,323)
Depreciation, amortization and impairment		(35,000)	(42,519)
Bonus shares allocation plan	5.5	(1,861)	(1,861)
Current operating income		**116,805**	**152,341**
Other income and expenses	5.6	(46,693)	(67,797)
Operating profit		**70,112**	**84,544**
Financial income and expenses		(1,804)	(1,812)
Cost of net debt		(68,122)	(93,724)
Financial income/(loss)	5.7	**(69,925)**	**(95,535)**
Profit/(loss) before tax		**187**	**(10,991)**
Income tax expense	5.8	6,140	47,932
Net profit for the period		**6,327**	**36,941**
Attributable to owners of the Company		6,327	36,941
Attributable to non-controlling interests		-	-
Net profit attributable to owners of the Company		**6,327**	**36,941**
Basic earnings per share attributable to owners (€)	5.9	**0.015**	**0.158**
Diluted earnings per share attributable to owners (€)	5.9	**0.015**	**0.158**

** 15 months of operating activity - see note 2.3. "Statement of compliance and basis of preparation".*

No certification report was prepared for the January 1, 2017 to December 31, 2017 period.

Foreign currency items in the consolidated income statement and consolidated statement of comprehensive income are translated at the average exchange rate for each period presented (see Note 3.5.2 – Rates applicable at December 31).

1.2. Consolidated statement of comprehensive income

	additional information; 12-month period at **12/31/2017**	*legal 20-month period at* **12/31/2017 ****
	€k	*€k*
Net profit for the period	**6,327**	**36,941**
Actuarial losses on defined benefit plans, net of tax	(105)	(170)
Total other comprehensive income/(loss) that may not be reclassified to profit or loss	**(105)**	**(170)**
Gains/(losses) on derivative financial instruments (cash flow hedges), net of tax	231	348
Gains/(losses) on exchange differences on translation of foreign operations	(1,255)	(3,979)
Total other comprehensive income/(loss) that may be reclassified to profit or loss	**(397)**	**(3,631)**
Total other comprehensive income/(loss)	**(502)**	**(3,801)**
Total comprehensive income/(loss)	**5,825**	**33,139**

** 15 months of operating activity – see Note 2.3 – Statement of compliance and basis of preparation.*

1.3. Consolidated statement of financial position

TopSoho S.A.S. first fiscal year lasted only a few days from April 19, to April 30, 2016. The company acted as a mere holding over this period, therefore no comparative period is presented. The second fiscal year began on May 1, 2016 and ended on December 31, 2017, i.e., a fiscal year of 20 months.

As part of its intention to list SMCP S.A. shares (formerly TopSoho S.A.S.) on Euronext Paris, the Group decided to prepare interim consolidated financial statements in accordance with the IFRS for the interim eight month period ended December 31, 2016.

1.3.1. Assets

	Notes	**12/31/2017** *€k*
Goodwill	6.1.1	630,071
Trademarks	6.1.2	600,000
Other intangible assets	6.1.2	128,761
Property, plant and equipment	6.2	67,755
Non-current financial assets	6.4	16,126
Other non-current assets		1,038
Deferred tax assets	5.7.2	56,181
Non-current assets		**1,499,932**
Inventories	6.5	179,359
Trade receivables	6.6	52,689
Other receivables	6.7	49,746
Other current financial assets		3
Cash and cash equivalents	6.8	40,422
Current assets		**322,219**
Total assets		**1,822,151**

1.3.2. Equity and liabilities

	Notes	12/31/2017 *€k*
Share capital	6.9.1	81,870
Share premium		951,566
Reserves and retained earnings		17,010
Other comprehensive income/(loss)		33,139
Treasury shares		(723)
Equity attributable to owners of the Company	1.5	**1,082,862**
Non-controlling interests		-
Total equity	1.5	**1,082,862**
Bonds	6.11	192,312
PIK shareholder loan	6.10	-
Other non-current liabilities		6
Non-current provisions	6.13	335
Deferred revenue		94
Net employee defined benefit liabilities	6.14	3,196
Other non-current liabilities		2
Deferred tax liabilities	5.7.2	183,706
Non-current liabilities		**379,651**
Interest-bearing loans and borrowings (current)	6.11	2,371
Trade and other payables		102,868
Bank overdrafts and short-term borrowings and debt	6.11	137,708
Short-term provisions	6.13	2,755
Other liabilities	6.15	113,935
Current liabilities		**359,637**
Total equity and liabilities		**1,822,151**

1.4. Consolidated statement of cash flows

	additional information; 12-month period at **12/31/2017** *€k*	*Legal 20-month period at* **12/31/2017 *** *€k*
Profit/(loss) before tax	**187**	**(10,991)**
Depreciation, amortization and impairment	35,000	42,520
Other income and expenses	46,693	67,797
Financial income	69,926	95,536
Bonus shares allocation plan	1,861	1,861
Sub-total (1)	**153,666**	**196,722**
Cost of share-based payments (2)	(9,145)	(9,145)
Non-operating expenses incurred during the period (3)	(8,355)	(31,703)
(Increase)/decrease in trade and other receivables and prepayments	(7,123)	(22,825)
(Increase)/decrease in inventories after provisions	(35,532)	(35,426)
Increase/(decrease) in trade and other payables	823	11,555
Change in working capital	**(41,832)**	**(46,696)**
Income tax refunded/(paid)	(13,086)	(20,141)
Net cash flow from operating activities	**81,248**	**89,037**
Purchases of property, plant and equipment and intangible assets	(47,108)	(65,459)
Proceeds from property, plant and equipment and intangible assets	65	449
Purchases of financial instruments	(4,303)	(5,575)
Proceeds from sales of financial instruments	2,416	2,625
Purchases of subsidiaries net of cash acquired (4)	-	(939,988)
Net cash flow from/(used in) investing activities	**(48,930)**	**1,007,948**
Capital increases	127,000	708,683
Purchases and resale of treasury shares	(723)	(723)
Issuance of bonds	-	446,804
Redemption of bonds	(270,660)	(270,660)
Issuance of long-term financial borrowings	6	300,006
Reimbursement of long-term financial borrowings	(90)	(290,603)
Issuance of short term financial borrowings	132,454	132,454
Other financial income and expenses	(1,025)	(1,229)
Interest paid (5)	(37,346)	(68,420)
Net cash flow from/(used in) financing activities	**(50,384)**	**956,330**
Net foreign exchange difference	(1,749)	(1,132)
Change in net cash and cash equivalents	**(19,814)**	**36,288**
Cash and cash equivalents at the beginning of the period	57,326	-
Bank credit balances at the beginning of the period	(1,224)	-
Net cash and cash equivalents at the beginning of the period	**56,102**	**-**
Cash and cash equivalents at the end of the period	40,422	40,422
Bank credit balances at the end of the period	(4,136)	(4,136)
Net cash and cash equivalents at the end of the period	**36,286**	**36,286**

** 15 months of operating activity - see note 2.3. - Statement of compliance and basis of preparation.*

(1) Recurring operating income before other income and expenses and before depreciation, amortization and impairment.

(2) The income impact was €20,355 thousand and €11,210 thousand will be disbursed in 2018.

(3) The income impact was €12,968 thousand and €4,613 thousand will be disbursed in 2018.

(4) Relates to the acquisition of SMCP Holding S.A.S. and its subsidiaries (see Note 4.2 – Acquisition of SMCP Holding S.A.S.).

(5) Interest paid includes early payment penalties: €8,320 thousand in 2017 on the €371 million 2023 Bond, €1,000 thousand in 2017 on the 2022 Bond and €12,870 thousand in 2016 on the €290 million bond issued in 2013 by SMCP Holding S.A.S.

1.5. Consolidated statement of changes in equity

€k									Equity		
	Share capital	Share premium	Treasury shares	Reserves and retained earnings	Revaluation of defined benefit liabilities	Translation adjustment	Future cash flow hedges	Net profit attributable to owners of the Company	Group share	Non-controlling interests	Total equity
Balance at April 19, 2016	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Changes in fiscal year ended on April 30, 2016	-	-	-	-	-	-	-	(10)	**(10)**	**-**	**(10)**
Balance at May 1, 2016	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(10)**	**(10)**	**-**	**(10)**
20 month period to December 31, 2017	-	-	-	-	-	-	-	36,941	36,941	-	36,941
Cumulative actuarial losses on defined benefit plans, net of tax	-	-	-	-	(170)	-	-	-	(170)	-	(170)
Gains/(losses) on exchange differences on translation of foreign operations	-	-	-	-	-	(3,979)	-	-	(3,979)	-	(3,979)
Other comprehensive income/(loss)	-	-	-	-	-	-	348	-	348	-	348
Total comprehensive income/(loss)	**-**	**-**	**-**	**-**	**(170)**	**(3,979)**	**348**	**36,941**	**33,139**	**-**	**33,139**
Appropriation of 2016 net loss	-	-	-	(10)	-	-	-	10	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	-	-
Capital increase/(decrease)	80,763	952,673	-	-	-	-	-	-	1,033,436	-	1,033,436
Conversion of class G preferred shares	1,383	(1,383)	-	-	-	-	-	-	-	-	-
Conversion of preferred shares 1	(276)	276	-	-	-	-	-	-	-	-	-
Free shares allocation plan	-	-	-	17,020	-	-	-	-	17,020	-	17,020
Purchase of treasury shares	-	-	(723)	-	-	-	-	-	(723)	-	(723)
Total transactions with owners	**81,870**	**951,566**	**(723)**	**17,010**	**-**	**-**	**-**	**10**	**1,049,733**	**-**	**1,049,733**
Balance at December 31, 2017	**81,870**	**951,566**	**(723)**	**17,010**	**(170)**	**(3,979)**	**348**	**36,941**	**1,082,862**	**-**	**1,082,862**

2. GENERAL INFORMATION

2.1. Presentation of the Group

SMCP S.A. (formerly TopSoho S.A.S.) was incorporated in France on April 19, 2016 as a simplified joint stock Company (Société par actions simplifiée). The Company's registered office is located at 49 rue Etienne Marcel, 75001 Paris, France. Its first fiscal year ended end of April 2016.

The consolidated group ("the Group") includes parent company SMCP S.A. and its subsidiaries.

SMCP S.A. is indirectly owned by Ruyi International Fashion (China) Limited, Hong Kong company, RM 1201, 12/F Empire Center 68, Mody Road TST KL, Hong Kong, registered under the number 61544102-000-06-14-0, through its subsidiary European TopSoho S.à.r.l. in Luxembourg. The latter own 61.3% of SMCP S.A. Ruyi International Fashion (China) Limited is a holding owned by the industrial group Shandong Ruyi and Yinchuan WeiXin Industry Funds Limited Partnership.

On October 10, 2016, SMCP S.A., via its subsidiary SMCP Group S.A.S. (formerly BiSoho S.A.S.), acquired the entire share capital of SMCP Holding S.A.S. (formerly SMCP S.A.S.). With three distinct French brands, Sandro, Maje and Claudie Pierlot, SMCP Holding S.A.S. is a global actor in the ready-to-wear and accessories sector.

On October 20, 2017, SMCP S.A. was listed on Euronext Paris, with the strategic support of Shandong Ruyi Technology Group, its majority shareholder.

The Group's business mainly involves the creation and sale of apparel and accessories under the Sandro, Maje and Claudie Pierlot brands mostly through directly-operated stores, concessions ("corners") in department stores or its own websites.

At December 31, 2017, the Group operated 1,332 stores, of which 1,070 were directly operated and 262 were operated through partnerships. Its brands were present in 38 countries worldwide.

2.2. Significant events

On May 18, 2016, the Group issued, via its subsidiary BiSoho S.A.S. (renamed SMCP Group S.A.S. since October 10, 2016), Senior secured notes (2022 and 2023 Bonds) with a nominal value of €471 million, to finance the acquisition of SMCP Holding S.A.S (formerly SMCP S.A.S.). The acquisition occurred on October 10, 2016.

Based on the latest SMCP Holding S.A.S. consolidated financial statements (at September 30, 2016), TopSoho S.A.S. allocated the acquisition price and started consolidating its subsidiary.

During the fiscal year ended December 31, 2017, the Group continued its growth strategy, based on its organic levers (ready-to-wear for women and men, accessories, and e-commerce) as well as through the opening of new points of sales worldwide (notably in Asia and Europe).

2.2.1. A successful initial public offering

The Group enjoyed a successful IPO on Euronext Paris on October 20, 2017. TopSoho S.A.S. was renamed SMCP S.A.

2.2.2. Repayment of Senior Secured Notes

Following the initial public offering, the Group repaid in full the 2022 Bonds issued in May 2016 by SMCP Group S.A.S for a nominal amount of €100 million. The principal amount of €100 million, coupled with a repayment penalty of €1 million and interest accrued for the period up to October 23, 2017 for €1.4 million, were repaid in full. The Group also partially repaid the 2023 Bonds issued in May 2016 by SMCP Group S.A.S for a nominal amount of €371 million. €170.7 million of the nominal amount was repaid, plus a repayment penalty of €8.3 million and interest accrued for the period of €4.7 million (see Note 6.11 - Senior Secured Notes (2022 and 2023 Bonds)) through the issue of new shares.

2.2.3. Change in the tax rate for the calculation of deferred taxes

Following two consecutive reductions of the tax rate in France by the 2017 Finance Law and the 2018 Finance Law, which brought the rate from 34.43% to 28.92% and then from 28.92% to 25.83% as of 2022, long-term tax deferrals, mainly related to trademarks and leasehold rights, were revalued at this date at the applicable rate from 2022.

2.3. Statement of compliance and basis of preparation

SMCP S.A. was founded on April 19, 2016. Its first fiscal year lasted a few days from April 19, to April 30, 2016. The company's second fiscal period covered the period from May 1, 2016 to December 31, 2017. The current fiscal year will thus be 20 months long and end on December 31, 2017.

The Group's consolidated financial statements at December 31, 2017 cover a period of 15 months, from October 10, 2016 (date of direct and indirect acquisition of SMCP S.A.S. shares by SMCP Group S.A.S.) to December 31, 2017.

All amounts are expressed in thousands of euros (€k) unless stated otherwise.

The consolidated financial statements were prepared in accordance with international financial reporting standards (IFRS – see Note 3.1) as adopted by the European Union and with mandatory application as of December 31, 2017. The Group did not early adopt any standards, amendments or interpretations.

The applicable standards, amendments and interpretations are available on the European Union's website: http://ec.europa.eu/finance/company-reporting/index_fr.htm. (see Note 3.1 for details of all new standards, amendments and interpretations applied and those applicable in future reporting periods).

The consolidated financial statements were prepared on a historical cost basis, except for financial assets and liabilities that have been measured at fair value in accordance with IFRS.

3. ACCOUNTING PRINCIPLES AND METHODS

3.1. New standards, amendments and interpretations

The standards, amendments and interpretations effective for reporting periods beginning on or after January 1, 2018 and not early adopted by the Group after they were adopted by the European Union are set out below:

New standards, amendments and interpretations	Effective date
IFRS 15 – Revenue from Contracts with Customers	Reporting periods beginning on or after January 1, 2018
IFRS 9 – Financial Instruments	Reporting periods beginning on or after January 1, 2018
Amendments to IAS 40 – Investment Property	Reporting periods beginning on or after January 1, 2018
IFRIC 22 – Foreign currency transactions and advance consideration	Reporting periods beginning on or after January 1, 2018
IFRS 16 – Leases	Reporting periods beginning on or after January 1, 2019

Subject to their final adoption by the European Union, these standards and amendments are mandatory for annual periods beginning on or after January 1st, 2018. The Group is currently assessing the potential impact of the first-time application of these texts.

The effects of the application of IFRS 9 on financial instruments, as of January 1, 2018, have been analyzed. The Group established that the change in accounting method for the recognition of the ineffective portion of derivative instruments for trading purposes under net gains or losses recognized directly in equity would have a non-significant impact.

The potential impacts of the application of IFRS 15 on the recognition of revenue, from January 1, 2018, are currently being reviewed by the Group. They will be insignificant, given the nature of the Group's activities.

The impact of IFRS 16 is currently being reviewed. Considering the expected changes and uncertainties related in particular to the length of contracts to be recognized, elements included in the appendices at December 31, 2017 relating to leases do not reflect the possible impact of the application of IFRS 16 on the Group's accounts.

3.2. Accounting methods

In each of the notes to these financial statements, the accounting methods applied by the Group are described in a shaded text box.

3.3. Judgments and estimates

The preparation of financial statements requires management to make judgments and estimates which are based upon certain assumptions and have an impact on the amounts of assets, liabilities, income and expenses reported in those financial statements.

The main estimates and assumptions relate to:

- measurement of intangible assets (Note 6.1),
- measurement of deferred tax assets (Note 5.7.2),
- calculation of provisions for contingencies and charges (Note 6.13).

Management reviews these estimates if there are changes in the circumstances on which they were based, if new information comes to light, or based on experience. As a result, the estimates used at December 31, 2017 could be modified significantly in the future.

The assumptions on which the main estimates and judgments are based are detailed in the notes to these financial statements.

3.4. Consolidation principles

The Group applies IFRS 10 – *Consolidated Financial Statements* and IFRS 12 – *Disclosure of Interests in Other Entities*.

IFRS 10 deals with the accounting for consolidated financial statements and presents a single consolidation model which identifies control as the criterion determining whether entities should be consolidated. An investor controls an investee when it is exposed to, 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.

Deferred lease payments have been spread over the leasing period, according to the IAS 17 standard "Leasing contracts"

Subsidiaries are all entities controlled by the Group.

Subsidiaries are fully consolidated as from the date on which they are controlled by the Group, and are deconsolidated as from the date on which they cease to be controlled by the Group.

Intragroup balances and transactions are eliminated.

Consolidated entities have a December 31 accounting year-end and use the accounting principles and methods defined by the Group.

All subsidiaries owned by the Group are included in the scope of consolidation.

3.5. Translation of foreign currency financial statements

3.5.1. Transactions and balances

Foreign currency financial statements of entities consolidated by the Group are translated into euros at the exchange rate applicable on the reporting date. The exchange rate is the rate against the euro, which is the Group's presentation currency.

The financial statements of entities prepared in a different functional currency are translated into euros:

- at the period-end exchange rates for assets and liabilities;
- at the exchange rate in force at the transaction date for income and expense items, or at the average exchange rates for the period if that rate approximates the exchange rates in force at the date of the transaction.

Any resulting translation differences thereby stem from the difference between the translation rate used at the end of the previous year or during the year, and the rate used at the end of the following year.

Translation differences are recognized in equity under "Other comprehensive income".

Expenses, proceeds and cash flows for each of the two interim periods were converted using an average rate in accordance with the number of months of operations, i.e. the average for May to December 2016 on one hand and the average for January to December 2017 on the other hand.

3.5.2. Rates applicable at December 31

The rates used to translate foreign currency transactions into euros are indicated below:

		12/31/2017		12/31/2016
		Closing	**Average**	**Average**
			12 months	*Oct.-Dec.*
SWISS FRANC	EUR/CHF	1.1702	1.1115	1.0798
EURO	EUR/EUR	1.0000	1.0000	1.0000
POUND STERLING	EUR/GBP	0.8872	0.8761	0.8691
U.S. DOLLAR	EUR/USD	1.1993	1.1293	1.0789
CANADIAN DOLLAR	EUR/CAD	1.5040	1.4644	1.4394
CHINESE YUAN	EUR/CNY	7.8132	7.6190	7.3803
HONG KONG DOLLAR	EUR/HKD	9.3720	8.8012	8.3698
SINGAPORE DOLLAR	EUR/SGD	1.6020	1.5582	1.5208
DANISH KRONE	EUR/DKK	7.4449	7.4387	7.4390
NORWEGIAN KRONE	EUR/NOK	9.8400	9.3286	9.0356
SWEDISH KRONA	EUR/SEK	9.8440	9.6369	9.7559
PATACA	EUR/MOP	9.6600	9.0700	8.6234
TAIWAN DOLLAR	EUR/TWD	35.6200	34.3600	-

4. BUSINESS COMBINATIONS

Business combinations in which the Group obtains the control of one or more businesses are accounted for using the acquisition method.

Business combinations are measured and accounted for in accordance with IFRS 3 – Business Combinations.

The accounting for a business combination must be completed within 12 months of the acquisition date. Costs incurred during the acquisition process are expensed as incurred.

Acquisitions and disposals of non-controlling interests that do not result in a loss of control are recognized directly in equity.

The main estimates and assumptions relating to business combinations relate to the following:

the valuation methods and assumptions used to identify the intangible assets acquired through business combinations and determine the amount of any such intangibles; the allocation of goodwill to cash-generating units (CGUs).

4.1. Reverse merger of European MidSoho S.à.r.l. by SMCP S.A.

To simplify the Group structure of SMCP, SMCP S.A. merged with and absorbed European MidSoho S.à.r.l. These transactions became definitive on October 23, 2017, following the initial public offering of SMCP S.A. on October 20, 2017. Following these merger transactions, European TopSoho S.à.r.l owned 61.3% of SMCP S.A.'s share capital and the PIK (Payment In Kind) Shareholder Loan to European MidSoho S.à.r.l which it bore was canceled.

4.2. Acquisition of SMCP Holding S.A.S. (formerly SMCP S.A.S.)

On October 10, 2016, SMCP S.A. acquired all of the shares of SMCP Holding S.A.S. through its subsidiary SMCP Group S.A.S. This company was previously controlled by its founders, its managers and KKR via Soho Holding France S.A.S., Soho Manco 1 S.A.S. and Soho Manco 2 S.A.S. The cash consideration for the purchase amounted to €949,380k.

In accordance with IFRS 3 – Business Combinations, the acquiree's identifiable assets and liabilities were recognized at fair value at the acquisition date.

The purchase price allocation of the consideration transferred from SMCP S.A.S. (through Soho Holding France S.A.S., Soho Manco 1 S.A.S. and Soho Manco 2 S.A.S. share's purchase) is set out below:

	10/10/2016 *€m*
Trademarks	600.0
Other intangible assets	112.6
Other non-current assets	77.5
Deferred tax assets	44.1
Inventories	146.3
Other current assets	44.1
Cash and cash equivalents	20
Bonds	(302.9)
Deferred tax liabilities	(230)
Other non-current liabilities	(21.0)
Other liabilities	(160.9)
Current bank overdrafts	(10.6)
Total net assets transferred at October 10, 2016 (b)	**319.3**
Consideration transferred (a)	**949.4**
Final SMCP S.A. goodwill at October 10, 2016 = (a) - (b)	**630.1**

	10/10/2016 *€m*
Consideration transferred	(949.4)
Net acquired cash	9.4
Purchases of subsidiaries net of cash acquired	**(940.0)**

The fair values of assets and liabilities were determined as described below:

- The fair value of the three trademarks acquired (Sandro, Maje and Claudie Pierlot) was estimated using the royalties-on-sales method based on the 2016-2020 business plan and a royalty rate of between 4.4% and 7.0%. The discount rate used is 11%, assuming a long-term growth rate of 2%. Given the already strong reputation of these brands and the long-term care and development of the Group, their useful lives have been considered indeterminate within the meaning of IAS 38 - Intangible assets. The total fair value of the three brands was estimated at €600 million.

- Leasehold rights were measured using the direct method of valuation, based on the following inputs:

  - Current market prices (rental value per square meter);
  - Recent transaction values;
  - Information provided by brokers;
  - offers received.

The total fair value of the leasehold rights was estimated at €107.3 million;

- The loss making stores in North America have been provisioned by taking into account the future leases that the Group is committed to pay and the payment of exit indemnities;
- Deferred taxes in the US were recognized for temporary differences between reported values and values determined for tax purposes;
- Residual goodwill was recognized in a total amount of €630,071 thousand, mainly relating to the worldwide growth potential of the three brands;
- The revenue, revenue after commissions and earnings of the acquiree since the acquisition date included in the consolidated statement of comprehensive income at December 31, 2017, i.e. for a period of 15 months, were as follows:
  - Revenue: €1,136,490k
  - Revenue after commissions €988,456k
  - Earnings: €74,141k

Assuming that the acquisition had been completed on May 1, 2016, Group consolidated revenue and revenue after commissions would have totaled €1,456,190 thousand and €1,266,556 thousand.

Transaction fees were booked for €21,002 thousand on the current period (see Note 5.5 - Other income and expenses).

4.3. Segment information

According to IFRS 8 – Segment Reporting, an operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the same entity; and

- whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance;
- for which separate financial information is available.

4.3.1. Group operating segments

SMCP's operations are managed through three operating and reportable segments as defined by IFRS 8. These correspond to the three brands which each have their specific customer base:

- Sandro
- Maje
- Claudie Pierlot

These three brands each have their own identity along with dedicated creative teams, and play a primary role in the Group's strategy. They are managed by separate management teams based on financial information specific to each brand.

The main operating bodies are SMCP's Board of Directors which reviews each brand's business activities and performance, as well as the Management Board which Mcarries out monthly reviews.

4.3.2. Financial information by operating segment

The tables below set out financial information by operating segment at December 31, 2017 (12-month and 20-month periods):

					additional information; 12-month period at
	Sandro	**Maje**	**Claudie Pierlot**	**Others & Holdings**	**12/31/2017**
	€k	*€k*	*€k*	*€k*	*€k*
Revenue*	**456,325**	**342,958**	**113,088**	**-**	**912,371**
Commissions	(57,001)	(42,849)	(17,128)	-	(116,978)
Revenue after commissions	**399,323**	**300,109**	**95,961**	**-**	**795,393**
Adjusted EBITDA	78,930	60,944	13,791	-	153,665
Current operating income	**59,997**	**46,325**	**10,483**	**-**	**116,805**
Goodwill**	336,038	237,327	56,706	-	630,071
Leasehold rights	58,081	40,409	15,157	-	113,647
Intangible assets	321,174	228,058	54,690	11,192	615,113
Property, plant and equipment	16,521	35,629	7,769	7,836	67,755
Capital expenditure***	21,574	17,644	5,386	10,923	55,527

** Revenue include Retail sales and sales with Group partners.*
*** The assumption adopted consisted of allocating goodwill on the same weighting as trademarks.*
**** At December 31, 2017, capital expenditure broke down as follows: (see Note 1.4 - Consolidated statement of cash flows)*
Purchases of property, plant and equipment: €35,617k;
Purchases of intangible assets: €15,609k;
Purchases of financial instruments: €4,027k
Variation of accounts payable for fixed assets: -€4,181k.

	Sandro	Maje	Claudie Pierlot	Others & Holdings	*legal 20-month period at* 12/31/2017 **
	€k	*€k*	*€k*	*€k*	*€k*
Revenue *	**568,552**	**425,306**	**142,632**	**-**	**1,136,490**
Commissions	(71,785)	(54,129)	(22,120)	-	(148,034)
Revenue after commissions	496,766	371,177	120,513	-	988,456
Adjusted EBITDA	101,907	76,241	18,961	(389)	196,720
Current operating income	**78,943**	**58,938**	**14,746**	**(286)**	**152,341**
Goodwill***	336,038	237,327	56,706	-	630,071
Leasehold rights	58,081	40,409	15,157	-	113,647
Intangible assets	321,174	228,058	54,690	11,192	615,113
Property, plant and equipment	16,521	35,629	7,769	7,836	67,755
Capital expenditure****	29,411	24,119	8,335	15,079	76,944

** Revenue include Retail sales and sales with Group partners.*
*** 15 months of operating activity – see Note 3.1 – Basis of preparation.*
**** The assumption adopted consisted of allocating goodwill on the same weighting as trademarks.*
***** At December 31, 2017, capital expenditure broke down as follows: (see Note 1.4 - Consolidated statement of cash flows):*
Purchases of property, plant and equipment: €41,820k
Purchases of intangible assets: €23,639k
Purchases of financial instruments: €5,575k;
Variation of accounts payable for fixed assets: €5,910k.

Operating expenses of holding companies are rebilled to the brands pro rata to revenue, plus a mark-up.

4.3.3. Key performance indicators

SMCP S.A.'s Board of Directors assesses the performance of the three segments in order to take operating decisions, mainly by reference to the following key indicators: retail sales including VAT, revenue after commissions and EBITDA.

“Revenue after commissions” is shown in the income statement since it represents the amount of net cash (after commissions) collected by the Group from its sales. The amount of revenue after commissions and trends therein are important indicators of Group performance.

EBITDA is not defined by IFRS but was defined by the Group as being the recurring operating income deducted from depreciation, amortization and impairment.

	additional information; 12-month period at 12/31/2017	*legal 20-month period at* 12/31/2017 **
	€k	*€k*
Current operating income	**116,805**	**152,341**
Depreciation, amortization and impairment	35,000	42,519
EBITDA	**151,805**	**194,860**
Bonus shares allocation plan	1,861	1,861
Adjusted EBITDA	**153,666**	**196,721**

** 15 months of operating activity – see Note 2.3 – Statement of compliance and basis of preparation.*

4.3.4. By geographic segment

The EMEA region in which the Group operates includes European countries except France (mainly the United Kingdom, Spain, Germany, Switzerland, Italy and Belgium), along with the Middle East (especially the United Arab Emirates).

The Americas covers the Group's activities in the US and Canada.

The APAC region covers the Group's activities in Asia/Pacific (especially China and Hong Kong).

The table below sets out revenue after commissions by geographic region of delivery:

	France	EMEA	Americas	APAC	*additional information; 12-month period at* 12/31/2017
	€k	*€k*	*€k*	*€k*	*€k*
Revenue	**376,810**	**274,741**	**107,625**	**153,195**	**912,371**
Commissions	(57,399)	(39,188)	(10,394)	(9,998)	(116,978)
Revenue after commissions	**319,411**	**235,554**	**97,231**	**143,197**	**795,393**
Total assets (1)	**340,250**	**112,004**	**48,864**	**90,963**	**592,080**

	France	EMEA	Americas	APAC	*legal 20-month period at* 12/31/2017 **
	€k	*€k*	*€k*	*€k*	*€k*
Revenue	**476,052**	**339,865**	**135,231**	**185,342**	**1,136,490**
Commissions	(72,708)	(50,029)	(13,283)	(12,014)	(148,034)
Revenue after commissions	**403,344**	**289,837**	**121,948**	**173,328**	**988,456**
Total assets (1)	**340,250**	**112,004**	**48,864**	**90,963**	**592,080**

** 15 months of operating activity – see Note 2.3 – Statement of compliance and basis of preparation.*

(1) Total assets consist of all assets except goodwill and trademarks, which are not allocated by country. Leasehold rights are geographically allocated as follows:

- France for €100,989k
- EMEA for €12,078k
- USA for €580k.

Revenue after commissions earned on wholesale and online sales are allocated on the basis of the customer's country of residence.

4.3.5. Information by major customers

The Group did not have any customers that individually accounted for over 10% of its revenue in the period ended December 31, 2017.

5. NOTES TO THE INCOME STATEMENT

5.1. Revenue after commissions

Sales of goods

"Revenue" consists of total sales (retail, department store sales and sales to local partners) net of rebates, discounts, VAT and other sales taxes, but before the deduction of concession fees paid to department stores and commissions paid to affiliates.

"Revenue after commissions" corresponds to sales of goods (finished products) after deducting concession fees paid to department stores and commissions paid to affiliates. Revenue recognized in the income statement when the significant risks and rewards inherent to the goods sold have been transferred to the buyer.

Presentation of Group businesses

The various distribution channels used by the Group are described below:

- The Retail business includes the network of directly-owned stores, including outlets used to market and sell collections from past seasons. Revenue is recognized at the time of the direct sale to the end customer. This is also the case for concessions ("corners") in department stores directly operated by the Group, even when the department stores act as intermediary, collect the sales amount on the Group's behalf and pay over this amount to the Group after deducting commissions (recognized within "Commissions" in the income statement).

- The Group also sells its goods through affiliates (in France and Spain). Revenue is also recognized in this case for the amount of the sale to the end customer and commission is paid to the affiliate (recognized within "Commissions" in the income statement).

- Local partners, or "wholesale/partnered retail" (outside France), are used wherever necessary to ensure a solid local presence or to meet applicable regulations. Revenue is recognized at the departure from the warehouse.

- Online sales include sales made by the Group on its own websites as well as via third party websites, particularly those operated by department stores. Commissions paid to third party websites are recognized within "Commissions" in the income statement.

	additional information; 12-month period at **12/31/2017**	*legal 20-month period at* **12/31/2017 ****
	€k	*€k*
Sales of goods	912,369	1,136,490
Income from services rendered	2	-
Revenue	**912,371**	**1,136,490**
Commissions	(116,978)	(148,034)
Revenue after commissions	**795,393**	**988,456**

** 15 months of operating activity - see note 2.3. - Statement of compliance and basis of preparation.*

At December 31, 2017, Group sales can be analyzed as follows by distribution channel:

	additional information; 12-month period at **12/31/2017**	*legal 20-month period at* **12/31/2017 ****
	€k	*€k*
Retail	854,349	1,066,762
- Free-standing stores	*326,081*	*405,444*
- Concessions ("corners")	*323,807*	*410,017*
- Outlets	*70,610*	*89,024*
- Affiliates	*34,185*	*42,948*
- Online	*99,666*	*119,329*
Partnered retail sales	58,022	69,728
Revenue	**912,371**	**1,136,490**

** 15 months of operating activity - see note 2.3. - Statement of compliance and basis of preparation.*

5.2. Cost of sales

	additional information; 12-month period at **12/31/2017**	*legal 20-month period at* **12/31/2017 ****
	€k	*€k*
Raw materials consumed	(57,879)	(68,624)
Finished products consumed	(89,017)	(111,071)
Subcontracting and ancillary expenses	(63,392)	(77,083)
Cost of sales	**(210,288)**	**(256,778)**

** 15 months of operating activity - see note 2.3. - Statement of compliance and basis of preparation.*

5.3. Other operating income and expenses

	additional information; 12-month period at **12/31/2017**	*legal 20-month period at* **12/31/2017 ****
	€k	*€k*
Other operating income	1,672	2,823
Net exchange gain/ (loss)	(111)	(691)
Rental charges	(100,128)	(123,761)
Other external expenses (1)	(69,829)	(86,235)
Fees	(32,534)	(40,082)
Services provided	(18,448)	(22,882)
Purchases of small equipment and supplies not held in inventory	(10,127)	(12,564)
Other taxes	(10,345)	(14,243)
Other operating income and expenses	**(239,850)**	**(297,635)**

** 15 months of operating activity - see note 2.3. - Statement of compliance and basis of preparation.*

(1) "Other external expenses" relate to sales shipment and marketing costs.

5.4. Personnel costs

	additional information; 12-month period at **12/31/2017**	*legal 20-month period at* **12/31/2017 ****
	€k	*€k*
Wages and salaries	(141,879)	(175,543)
Social security charges	(39,648)	(50,481)
Other staff expenses	(3,012)	(2,088)
Employee profit-sharing	(7,050)	(9,211)
Personnel costs	**(191,589)**	**(237,323)**

** 15 months of operating activity - see note 2.3. - Statement of compliance and basis of preparation.*

5.5. Share-based payments

Share-based payments

The Group has granted options which will be paid in equity instruments. Pursuant to IFRS 2, the advantage granted to employees under free share plan, valued at the date on which the option is granted, is recognized as additional compensation. Share allocation plans paid in equity instruments are valued on the allocation date based on the fair value of equity instruments granted. They are recognized as personnel costs for plans after the initial public offering which took place on October 20, 2017, on a straight-line basis over the vesting period, taking into account the Group's estimate of the number of instruments that will be vested at the end of the vesting period. The Monte-Carlo model can also be used to take certain market conditions into account.

The expense recognized during the fiscal year for the bonus share allocation plans totaled €35.5 million.

Plan no. 1

In accordance with authorizations granted by the Shareholders' Meeting on October 10, 2016, in its ninth resolution, the Sole Shareholder decided, on the same date, to allocate free shares through the creation of Preferred Shares G (ADP G).

Plan no. 2

Exercising the authorization granted by the Shareholders' Meeting on November 23, 2017. This plan includes, for all beneficiaries, a vesting period per third of two, three and four years. On November 23, 2017, 2,038,324 new bonus shares were allocated to certain directors and managers.

Bonus shares allocation plan	Plan no. 1 1st tranche	Plan no. 1 2nd tranche	Plan no. 1 2nd tranche	Plan no. 2	Plan no. 3
Initial allocation date	10/10/2016	12/14/2016	2/27/2017	11/23/2017	11/23/2017
Vesting period	1 year	1 year	1 year	2, 3 and 4 years per third	2 years
Vesting date	10/19/2017	12/14/2017	27/02/2018	11/23/21	11/23/2019
Conversion date	01/01/2019	01/01/2019	01/01/2019	11/23/2019 11/23/2020 11/23/2021	11/23/2019
Number of beneficiaries					
Number initially granted	12,768,753	1,388,340	393,000	2,038,324	3,952
Number outstanding as at 05/01/2016					
Number canceled over the fiscal year	(307,178)	(18,840)			
Number exercised over the fiscal year					
Number of shares transferred	12,768,753	1,388,340	393,000	2,038,324	3,952
Number surrendered over the fiscal year					
Number outstanding as at 12/31/2017	12,461,575	1,369,500	393,000	2,038,324	3,952
Number that may be exercised over the fiscal year					
Performance conditions	Yes	Yes	Yes	Yes	No
Expense for the fiscal year (in €k)	27,688	3,043	873	1,861	

5.6. Other income and expenses

Other non-recurring income and expenses comprise income statement items which, due to their nature, amount or frequency, may not be considered as inherent to the Group's recurring operations. This caption mainly includes:

(i) costs incurred on the acquisition of new entities;

(ii) provisions for impairment of trademarks, leasehold rights and goodwill, as well as any material capital gains or losses arising on the disposal of fixed assets;

(iii) restructuring costs, costs incurred in respect of disputes, or any other non-recurring income or expense;

(iv) bonus shares allocated to some of the Group's managers;

which the Group presents separately to facilitate understanding of its recurring operating performance and to give financial statement users relevant information for assessing the Group's future earnings.

	additional information; 12-month period at **12/31/2017**	*legal 20-month period at* **12/31/2017 ****
	€k	*€k*
Other income	27,466	31,953
Other expenses	(74,159)	(99,750)
Other income and expenses	**(46,693)**	**(67,797)**

** 15 months of operating activity – see Note 2.3 – Statement of compliance and basis of preparation.*

Other income and expenses break down as follows:

	additional information; 12-month period at **12/31/2017**	*legal 20-month period at* **12/31/2017 ****
	€k	*€k*
Costs relating to equity transactions (1)	(10,325)	(26,298)
Fixed assets depreciation	(1,376)	(1,537)
Bonus share allocation plan (2)	(31,604)	(35,514)
Provision for risk	500	-
Other	(3,888)	(4,448)
Other income and expenses	**(46,693)**	**(67,797)**

** 15 months of operating activity - see note 2.3. - Statement of compliance and basis of preparation.*

(1) Net impact of the acquisition of SMCP Holding S.A.S. (formerly SMCP S.A.S) by Shandong Ruyi and the initial public offering, including in particular the re-invoicing of costs during the fourth quarter of 2016 to a related party (KKR).

(2) As part of the acquisition of the Group by Shandong Ruyi in October 2016, certain Group managers were allocated SMCP S.A. bonus shares (class G preferred shares). At December 31, 2017, 13,831,075 shares had been issued. In total, 393,000 class G preferred shares remained to be issued on February 27, 2019, i.e., a maximum of 14,224,075 preferred shares. Their holders are not entitled to any financial right as long as the shares have not been converted into ordinary shares. The beneficiaries are employees of SMCP S.A., or its subsidiaries. The vesting period is 12 months starting on October 10, 2016 for 88%, an additional 9% on December 14, 2016 and 3% on February 27, 2017. Beneficiaries must still be employees of these entities at the end of the vesting period. The Monte Carlo method was used to assess the expense for the Group,

taking into account turnover of 3% (based on the group's historical manager turnover) and the illiquidity discount (based on a benchmark). Due to the one-off nature of this allocation, a corresponding expense was recognized in the non-current income statement against equity during the vesting period.

At December 31, 2017 the expense recorded amounted to €31,604 thousand, including social charges.

5.7. Financial income and expenses

Financial income and expenses include interest expenses (income) accrued on trade payables (receivables) measured using the effective interest method (mainly for medium- and long-term borrowings and debt as well as current account overdrafts). They also include foreign exchange gains and losses, gains and losses on derivative financial instruments and dividends earned. Interest expenses (income) also include interest expenses included within long-term employee benefits (IAS 19 – Employee Benefits), as well as the discounting adjustment for non-current provisions (IAS 37 – Provisions, Contingent Liabilities and Contingent Assets).

	additional information; 12-month period at **12/31/2017**	*legal 20-month period at* **12/31/2017 ****
	€k	*€k*
Interest expenses on borrowings	(68,122)	(93,724)
- PIK Shareholder loan	*(19,493)*	*(24,940)*
- 2022 Bonds	*(11,005)*	*(15,186)*
- Bonds 2023	*(35,898)*	*(50,671)*
- Others	*(1,726)*	*(2,927)*
Net exchange gain/ (loss)	(1,031)	(319)
Other financial expenses	(772)	(1,492)
Financial income	**(69,925)**	**(95,535)**

** 15 months of operating activity – see Note 2.3 – Statement of compliance and basis of preparation.*

The breakdown of interest expense in 2022 and 2023 Bonds is as follows:

	additional information; 12-month period at **12/31/2017**	*legal 20-month period at* **12/31/2017 ****
	€k	*€k*
2022 Bonds	**(11,005)**	**(15,186)**
- Interest paid	*(5,932)*	*(8,682)*
- Accrued interest at December 31, 2016	*1,116*	-
- Accrued interest at the balance sheet date	-	-
- Repayment penalty	*(1,000)*	*(1,000)*
- Amortization of issuance costs	*(5,189)*	*(5,504)*
2023 Bonds	**(35,898)**	**(50,671)**
- Interest paid	*(20,373)*	*(30,242)*
- Accrued interest at December 31, 2016	*3,955*	-
- Accrued interest at the balance sheet date	*(2,143)*	*(2,143)*
- Repayment penalty	*(8,320)*	*(8,320)*
- Amortization of issuance costs	*(9,017)*	*(9,966)*

** 15 months of operating activity - see note 2.3. - Statement of compliance and basis of preparation.*

5.8. Income tax expense

Income tax expense for the period includes current and deferred taxes. These are recognized in the income statement, except if they relate to a business combination or to items recognized directly in equity or other comprehensive income.

Current taxes on taxable profit for the period represent the tax expense calculated based on the tax rates enacted or substantively enacted at the reporting date, and any adjustments to the tax payables calculated in respect of previous periods.

Deferred tax

Deferred tax assets and liabilities adjust current tax expense for the impact of temporary differences between the carrying amount of assets and liabilities of consolidated entities and their tax base.

However, a deferred tax asset is not recognized if it arises from the initial recognition of an asset or liability other than in a business combination which, at the time of the transaction, does not affect accounting or taxable profit.

Deferred taxes are determined based on tax rates (and tax laws) that were enacted or substantively enacted at the reporting date and that are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized when it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. Deferred taxes are recorded in respect of taxable temporary differences related to investments in subsidiaries and affiliates unless the Group is able to control the timing of the reversal of the difference and it is probable that the reversal will not occur in the foreseeable future.

The effect of changes in tax rates is recognized in the income statement of the reporting period in which these changes occur.

5.8.1. Income tax

Income tax includes the current tax expense for the period and deferred taxes arising on temporary differences:

	additional information; 12-month period at 12/31/2017	legal 20-month period at 12/31/2017 **
	€k	€k
Deferred tax	16,015	57,712
Current tax	(9,875)	(9,780)
Income tax	**6,140**	**47,932**

** 15 months of operating activity - see note 2.3. - Statement of compliance and basis of preparation.*

5.8.2. Deferred tax position

In the context of the acquisition of SMCP Holding S.A.S., the brands and the leasehold rights were revalued and a deferred tax was applied at the rate of 34.43% that was applicable on October 10, 2016.

Article 84 of the 2018 Finance Act progressively decreases the corporate tax rate to reach a statutory rate of 25.83% for all companies as of 2022. Taking into account the very low probability of sale of these assets in the short term, the deferred tax was updated in December to reflect the future rate. This led to the recognition of €56.6 million in profit in the income statement at end-December.

a) Deferred taxes at December 31, 2017:

€k	05/01/2016	Changes in scope	Change in the income statement	Change in other comprehensive income	Translation adjustments and other changes	12/31/2017	Deferred Taxes assets	Deferred Taxes Liabilities
Restatement of pension liabilities	-	784	209	(44)	-	**943**	981	(39)
Elimination of internal gains and losses (margin on inventories)	-	10,066	5,081	-	(445)	**14,703**	14,703	-
Capitalization of tax loss carry forwards	-	7,903	(2,518)	-	649	**6,034**	6,034	-
Allocation of goodwill to trademarks and leasehold rights	-	(225,698)	56,223	-	-	**(169,475)**		(169,475)
Neutralization of start-up costs and acquisition costs	-	2,387	3,735	-	(9)	**6,112**	6,141	(29)
Other restatements*	-	18,046	(5,017)	193	930	**14,159**	28,322	(14,163)
Net deferred tax assets/(liabilities)	-	**(186,512)**	**57,712**	**149**	**1,125**	**(127,525)**	**56,181**	**(183,705)**

** mainly relates to temporary differences.*

b) Breakdown of tax expense:

		additional information; 12-month period at **12/31/2017** *€k*	*legal 20-month period at* **12/31/2017 **** *€k*
Profit/(loss) before tax		**187**	**(10,991)**
Statutory tax rate in France	(1)	***34.43%***	***34.43%***
Theoretical tax expense		**(64)**	**3,784**
Changes in tax rate	(2)	20,900	56,600
Difference in income tax rates applied to earnings in countries other than that of the consolidating entity		19	98
Non-deductible or non-taxable income and expenses	(3)	(10,768)	(11,784)
Differences between consolidated income and taxable at a reduced rate		(1,766)	(1,766)
Income and tax loss carryforwards and other changes in deferred tax	(4)	697	4,220
Income tax expense before CVAE tax on value added		**9,018**	**51,152**
CVAE tax on value added	(5)	(2,878)	(3,220)
Income tax expense		**6,140**	**47,932**

** 15 months of operating activity - see note 2.3. - Statement of compliance and basis of preparation.*

(1) At December 31, 2017 the standard tax rate in France take into account 3.3% of company social solidarity contribution.

(2) The impact of changes in tax rates on deferred tax results from the reduction in the tax rate in France adopted by the 2018 Finance Act, which takes the tax rate to 25.83% as of 2022.

As a result, long-term deferred taxes – related to brands and leasehold rights – were revalued based on the rate applicable as of 2022.

(3) Of which €16.2 million in respect of the tax deductibility ceiling for financial expenses.

(4) During the last quarter of 2016, considering the earnings prospects of the US subsidiary, the Group decided to capitalize all of its accumulated tax losses carried forward.

(5) The CVAE tax on value added levied on French companies is recognized within "Income tax" in accordance with IAS 12.

c) Capitalization of tax loss carryforwards

The Group capitalizes tax losses on its subsidiaries when these meet the conditions set out in IAS 12 – Income Taxes. The tax rate applied is the tax rate in effect at the reporting date. Deferred tax assets are recognized on the statement of financial position based on the outlook and business plans developed for each subsidiary.

At December 31, 2017, the Group's cumulative tax loss carryforwards represented deferred tax assets of €6,034 thousand and mainly included:

- SMCP USA capitalized losses for an amount of deferred tax assets of €698 thousand;

- SMCP S.A. capitalized losses for an overall amount of €14,720 thousand, representing deferred tax assets of €5,068 thousand. In France, a new tax consolidation Group was set up on May 1, 2016, including SMCP S.A. and SMCP Group S.A.S., to which the previous tax consolidation Group headed by SMCP Holding S.A.S. was attached as of January 1, 2017.

Tax losses carried forward should be able to be used within a period of less than three years for the US and France.

d) Unrecognized deferred tax assets

None.

5.9. Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares.

Basic earnings per share is calculated by dividing net profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. **Diluted earnings per share** is calculated by adjusting net profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise stock options and free shares granted to employees.

Earnings per share is calculated as follows:

	additional information; 12-month period at **12/31/2017**	*legal 20-month period at* **12/31/2017 ***
	€k	*€k*
Net profit attributable to owners of the Company	**6,327**	**36,941**
Weighted number of basic shares **	422,907,460	331,229,994
Dilutive effect of class G preferred shares	865,273	517,175
Weighted number of shares (diluted)	**423,772,733**	**331,747,168**
Basic earnings per share (€)	**0.015**	**0.112**
Diluted basic earnings/(loss) per share (€)	**0.015**	**0.111**

** 15 months of operating activity - see note 2.3. - Statement of compliance and basis of preparation.*

*** Takes into account the decision to consolidate shares taken during the September 13, 2017 Shareholders' Meeting. The nominal value of shares increased from 0.10 euro cents to 1.10 euros cents, thus taking the number of ordinary shares from 575,671,600 to 52,333,783.*

6. NOTES TO THE STATEMENT OF FINANCIAL POSITION

6.1. Goodwill and intangible assets

6.1.1. Goodwill

Upon initial recognition of an acquired company, goodwill represents the excess of (i) the fair value of the consideration transferred plus the amount of all non-controlling interests in the acquired company over (ii) the identifiable assets acquired and liabilities assumed measured at fair value at the acquisition date. If the fair value of the identifiable assets and liabilities exceeds the fair value of the consideration transferred, the amount is recognized immediately in the income statement.

The table below illustrates changes in this item over the period presented:

€k	**05/01/2016**	**Changes in scope**	**Impairment/ Reversals**	**Translation adjustment**	**12/31/2017**
Goodwill - gross value	-	630,071	-	-	630,071
Impairment	-	-	-	-	-
Goodwill - net	**-**	**630,071**	**-**	**-**	**630,071**

At December 31, 2017 changes in consolidated goodwill included the outcome of the purchase price allocation by SMCP Group S.A.S. (formerly Bisoho S.A.S.) for SMCP Holding S.A.S., Soho Holding France S.A.S., Soho Manco 1 S.A.S. and Manco 2 S.A.S. for €630,071 thousand. (See Note 4.2).

The allocation of goodwill to cash-generating units is found in note 6.6.3.

6.1.2. Other intangible assets

Trademarks

The Sandro, Maje and Claudie Pierlot trademarks are classified as intangible assets with indefinite useful lives and are not therefore amortized, since:

- the trademarks are proprietary, properly registered and protected pursuant to applicable law, and there is an option to renew the protection at a reasonable cost at the end of the registration period, which can be easily exercised without external impediments;

- the goods sold by the Group under these trademarks are not susceptible to technological obsolescence, which is characteristic of the affordable luxury market in which the Group operates; on the contrary, they are consistently perceived by the market as being innovative in the national and/or international arena in which each brand evolves and have a distinctive market positioning and reputation that ensures they are dominant in their respective market segments due to the fact that they are constantly associated and compared with major leading brands;

- in the relative competitive context, investments made to maintain these trademarks can be said to be modest with respect to the significant cash flows they are expected to generate.

For the purposes of the purchase price allocation process for SMCP Group, the fair value of trademarks was estimated using the royalties-on-sales method based on the 2017-2021 business plan. Subsequently, trademarks are measured at cost less impairment in accordance with IAS 38 – Intangible Assets.

Leasehold rights

In France, leasehold rights (fonds de commerce or droit au bail) are defined as the amount paid by a new tenant to the previous tenant in order to obtain the right to lease a property and the legal guarantees attached thereto. From a legal point of view, leasehold rights include the right to lease the property as a tenant and the right to transfer the lease.

Since the useful life of leasehold rights is considered indeterminable, it is not amortized.

In France, the September 1953 decree regarding commercial leases is designed to protect the value of leasehold rights. The tenant's leasehold rights are protected by a decree that stipulates:

- a minimum lease period of nine years;
- the tenant's right to renew the lease unless the landlord pays a termination fee;
- any increase in rent is capped upon renewal of the lease or when the rent is revised during the lease term;
- the tenant's right to change the nature of the business.

For the SMCP purchase price allocation, the market value of leasehold rights was determined by the Group's Corporate Development department based on rental values per weighted square meter (regularly published by specialist bodies), a method widely used by the profession. Subsequently, leasehold rights are measured at cost less impairment in accordance with IAS 38 – Intangible Assets.

Any impairment losses are recorded in the income statement under other income or expenses.

Outside France, leasehold rights are generally not transferable and are therefore amortized over the term of the lease.

Software

The costs of acquiring software licenses are capitalized based on acquisition and installation costs. These costs are amortized over the estimated useful lives of the software, which range from three to seven years.

Costs associated with maintaining computer software in operating condition are expensed as incurred. Costs that are directly linked to the development of software and which meet all of the criteria set out in IAS 38 are recognized as intangible assets.

Software development costs recognized as assets are amortized over their estimated useful lives, which is one year.

Intangible assets are amortized on a straight-line basis over their estimated useful lives.

The useful lives are as follows:

Type of asset	Period (in years)
Trademarks	Indefinite
Leasehold rights – France	Indefinite
Leasehold rights – Other countries	Lease term
Licenses, software	3-7
Computer development costs	1

Judgments and estimates

The main assumptions used by the Group for its valuation model are (i) growth in revenue, (ii) royalty rates, (iii) the long-term growth rate used to calculate terminal value and (iv) the discount rate.

The table below illustrate changes in this item over the period presented:

€k	**05/01/2016**	**Changes in scope**	**Acquisitions**	**Disposals**	**Amortization**	**Impairment**	**Foreign exchange differences**	**Others (1)**	**12/31/2017**
Trademarks	-	600,000	-	-	-	-	-	-	**600,000**
Leasehold rights	-	107,280	8,436	(821)	-	-	(289)	2,736	**117,342**
Other intangible assets	-	5,316	15,203	35	-	-	(96)	(1,701)	**18,757**
Intangible assets	**-**	**712,595**	**23,639**	**(786)**	**-**	**-**	**(385)**	**1,036**	**736,099**
Impairment of brands	-	-	-	-	-	-	-	-	**-**
Impairment of leasehold rights	-	-	-	12	(2,424)	(1,763)	115	369	**(3,691)**
Amort. /impairment of intangible assets	-	-	-	-	(3,721)	-	74		**(3,647)**
Amort. /impairment of intangible assets	**-**	**-**	**-**	**12**	**(6,145)**	**(1,763)**	**189**	**368**	**(7,338)**
Carrying amount of intangible assets	**-**	**712,595**	**23,639**	**(773)**	**(6,145)**	**(1,763)**	**(197)**	**1,404**	**728,761**

At December 31, 2017, the Group's three trademarks Sandro, Maje and Claudie Pierlot, were valued for a total of €600 million respectively for €320,000k, €226,000k and €54,000k.

(1) Reclassifications to property, plant and equipment.

6.2. Property, plant and equipment

Property, plant and equipment are initially recognized at cost less accumulated depreciation and any cumulative impairment losses. The depreciable amount of property, plant and equipment comprises the acquisition cost of components less residual value, which is the estimated disposal price of the assets at the end of their useful lives.

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The Group has estimated the useful lives of property, plant and equipment at four to five years, depending on the type of asset. Costs for maintenance and repairs are expensed as incurred.

The main useful lives applied are as follows:

Type of asset	**Period (in years)**
Plant, equipment and tools	*2 - 5*
Miscellaneous fixtures and fittings	*2 - 5*
Office equipment, furniture	*2 - 5*

The table below illustrate changes in this item over the period presented:

€k	05/01/2016	Changes in scope	Acquisitions	Disposals	Amortization	Impairment	Foreign exchange differences	Others (1)	12/31/2017
Technical fittings, equipment and industrial tools	-	1,375	2,277	(318)	-	-	-	453	3,787
Property, plant and equipment in progress	-	6,405	15,640	(7)	-	-	(83)	(11,042)	10,912
Advances and down payments on property, plant and equipment	-	239	1,162	-	-	-	(9)	(537)	856
Other property, plant and equipment	-	52,782	28,651	(631)	-	-	(4,607)	8,237	84,434
Property, plant and equipment	**-**	**60,802**	**47,730**	**(956)**	**-**	**-**	**(4,699)**	**(2,889)**	**99,989**
Amort. /impairment of buildings	-	-	-	-	-	-	-	-	-
Amort. /impairment of technical fittings, equipment and industrial tools	-	-	-	318	(786)	-	-	(323)	(791)
Amort. /impairment of other property, plant and equipment	-	-	-	-	(35,577)	-	3,310	824	(31,442)
Imp. of advances and down payments on property, plant and equipment	-	-	-	-	-	-	-	-	-
Amort. /impairment of property, plant and equipment	**-**	**-**	**-**	**318**	**(36,363)**	**-**	**3,310**	**501**	**(32,233)**
Carrying amount of property, plant and equipment	**-**	**60,802**	**47,730**	**(638)**	**(36,363)**	**-**	**(1,389)**	**(2,387)**	**67,755**

(1) Reclassifications to intangible assets.

6.3. Impairment testing of property, plant and equipment, intangible assets and goodwill

Basic principles

If indications of impairment are identified such as events or changes in circumstances that may affect the recoverable amount of an asset, IAS 36 – Impairment of Assets requires companies to perform an impairment test in order to verify that the carrying amount of property, plant and equipment and intangible assets does not exceed the recoverable amount.

Non-current assets with an indefinite life and non-current assets that have not yet been put into service must be tested for impairment at least annually or whenever there is an indication that they may be impaired.

The recoverable amount of assets is tested by comparing their carrying amount with the higher of their fair value less costs to sell and value in use.

The value in use of property, plant and equipment or intangible assets (except leasehold rights) is determined based on the estimated future cash flows expected to result from the use of the asset. These are calculated using a post-tax discount rate and factor in the risks relating to the performance of the asset tested.

The recoverable amount of leasehold rights is calculated by the Group's Corporate Development department based on rental values per weighted square meter (published regularly by specialist bodies), a method widely used by the profession. In view of potential market volatility, the market value of leasehold rights is tested whenever there is an indication that they may be impaired.

If the cash flows generated by a given asset cannot be estimated independently from the cash flows generated by other assets, the Group must identify the cash-generating unit (CGU) to which the asset belongs and with which the future cash flows – calculated objectively and generated independently of the cash flows generated by other assets – can be associated. Cash-generating units were identified based on the Group's organizational and operational structure.

If the impairment test reveals that an asset has lost value, its carrying amount is written down to its recoverable amount by recognizing an impairment loss in the income statement.

When the reasons for impairment cease to exist, the carrying amount of the asset or cash-generating unit (except goodwill) is increased to the amount resulting from the estimate of its recoverable value, not to exceed the carrying amount that would have been reported had the impairment loss not been recognized. Impairment losses are reversed through the income statement.

Allocation of assets/liabilities to cash-generating units ("CGUs") and estimated values

The Group has defined several types of CGUs in order to test its property, plant and equipment, intangible assets and goodwill for impairment.

Each store is allocated to a given CGU based on the specific geographic base of its customers and the property, plant and equipment owned by the store, and impairment tests are performed at this level.

Indefinite-lived intangible assets such as trademarks and certain leasehold rights are tested separately.

Goodwill is tested at the level of the operating segment in the three goodwill CGUs. For each trademark, these include the stores assigned to the CGU and the relevant direct corporate brand support organization, as well as a percentage of corporate costs.

Goodwill is allocated to three cash-generating units which correspond to the three trademarks: Sandro, Maje and Claudie Pierlot.

Goodwill is not amortized but is tested for impairment at least annually and whenever there is an indication that it may be impaired. Indications that goodwill may be impaired include material adverse changes of a lasting nature affecting the economic environment or the assumptions and objectives made at the time of acquisition.

A goodwill impairment loss is recognized whenever the carrying amount of the cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement within "Other expenses".

Impairment losses in respect of goodwill may not be reversed.

Judgments and estimates

The main judgments and estimates relating to impairment testing are based on the following assumptions:

- identifying the appropriate CGU level;
- assessing the economic and commercial trends and the competitive environment in order to determine the discount rate and perpetuity growth rate;
- forecasting cash flows.

6.3.1. Trademark impairment tests

To determine the fair value of its trademarks, the Group uses the relief-from-royalty method along with a discounted cash flow (DCF) model. The Group estimates future net adjusted royalties over a period of five years using estimates based on the 2017-2021 business plan.

- **Key assumptions**

The key assumptions applied in determining the fair value of trademarks in 2017 are shown below:

Criteria	*CGU* Sandro	Maje	Claudie Pierlot
Calculation basis for recoverable amount	Relief-from-royalty method		
Source	Business plan/DCF		
Perpetuity growth rate	*2%*	*2%*	*2%*
Discount rate	*11.0%*	*11.0%*	*11.0%*
Normative tax rate	*34.43%*	*34.43%*	*34.43%*
Royalty rate	*7.4%*	*6.5%*	*4.4%*
Carrying amount of trademarks (€m)	**320**	**226**	**54**
Total carrying amount of trademarks (€m)	**600**		

The 11% discount rate used to calculate the fair value corresponds to the IRR of the October 2016 transaction.

The Group used an independent expert to determine the royalty rates of each brand, using the method described below:

- Determination of a royalty rate range for ready-to-wear sector peers. The analysis of royalty rates is based on implied rates used for valuations during the allocation of purchase prices published in the annual reports of listed companies. On this basis, the royalty rates applicable to brands in this sector range between 1.9% and 19.4% of revenue.

- Strategic comparative analysis of SMCP brands to place them within rate range defined above. This strategic analysis allocates a rating of between 0 and 10 to each brand, based on the analysis of a certain number of factors which influence the brand's value.

- Determination of a royalty rate applicable to the brands. Based on the global rating achieved for brands during the strategic analysis and the range of comparative royalty rate values, the royalty rate before tax stood at 7.4% for Sandro, 6.5% for Maje and 4.3% for Claudie Pierlot.

The long-term growth rate of 2% was determined based on rates used by brokers and the projected 2020-2022 inflation rate in France, forecast by the IMF.

- **Results of trademark impairment testing**

The Group analyzed the sensitivity of the fair value of key assumptions for each of the three trademarks at December 31, 2017, in respect of:

- a 1-point change in the discount rate; or

- a 1-point change in the perpetuity growth rate; or

- a 1-point reduction in the royalty rate; or

- a 5-point reduction in the sales growth rate from the 2017-2021 business plan.

None of these tests taken individually would lead to the recognition of an impairment loss against trademarks.

6.3.2. Leasehold rights impairment tests

- **Key assumptions**

Leasehold rights were measured using the direct method of valuation, based on the following inputs:

- Current market prices (rental value per square meter);
- Recent transaction values;
- Information provided by brokers;
- offers received.

Following this new estimate, the new leasehold right values used are assessed using the DCF method (Discounted cash flow). If the value of the leasehold right is lower than that obtained using the DCF method then the leasehold right is impaired.

- **Results of impairment testing of leasehold rights**

Management identified and recognized a €1,763 thousand impairment loss against six leasehold rights in France at December 31, 2017 (impact on the 2017 calendar year).

6.3.3. Goodwill impairment tests

- **Key assumptions**

The key assumptions applied in determining the value in use of goodwill CGUs in 2017 were as follows:

	CGU		
Criteria	**Sandro**	**Maje**	**Claudie Pierlot**
Calculation basis for recoverable amount	Value in use		
Source	Business plan/DCF		
Perpetuity growth rate	*2%*	*2%*	*2%*
Discount rate	*11%*	*11%*	*11%*
Normative tax rate	*34.43%*	*34.43%*	*34.43%*
Goodwill – net (€m)	**336**	**237**	**57**
Total goodwill – net (€m)		**630**	

- Other than those set out above, the Group's key assumptions include:

- changes in revenue, reflecting the Group's market penetration, presence and positioning;

- changes in EBITDA including requisite marketing and sales expenditure in line with changes in revenue;

- the required level of investment spending and calculation of changes in working capital items.

These key assumptions are taken from the five-year strategic plan reviewed each year by the Supervisory Board. They reflect the Group's past experience and factor in any information affecting the Group's development in previous years. The outlook for the United States has been reviewed to take account of the expected impacts of the restructuring. These assumptions represent management's best possible assessment of the market situation at the date of preparation and address market trends for 2017 to 2021.

- Results of goodwill impairment testing

The Group analyzed the sensitivity of the value in use of each goodwill CGU at December 31, 2017, in respect of:

- a 1-point change in the discount rate; or

- a 1-point change in the perpetuity growth rate; or

- a 5-point reduction in the EBITDA margin rate;

- a 5-point reduction in the EBITDA growth rate over the business plan (2017-2021) period.

None of these tests taken individually would lead to the recognition of an impairment loss against goodwill at December 31, 2017.

6.3.4. Impairment testing of property, plant and equipment

No impairment of property, plant and equipment was recognized at December 31, 2017.

6.4. Financial assets

Financial assets totaled €16,126 thousand at December 31, 2017 and mainly relate to loans and guarantees, pledged mutual funds and a €1,278 thousand liquidity agreement.

6.5. Inventories

Raw materials and other supplies are recognized at the lower of purchase cost and their estimated net realizable value.

The cost of finished products and goods (excluding defective goods) is based on purchase price or production cost. Production cost is determined by including all costs that are directly attributable to the products.

The cost of finished products includes the cost of design, raw materials, and direct costs including logistic costs. It does not include borrowing costs.

At each balance sheet date (annual or interim), the Group recognizes an impairment on its inventories for all collections that have already been sold within its outlet network and based on their expected turnover.

The table below illustrates changes in this item over the period presented:

	12/31/2017 €k		
	Gross value	**Impairment**	**Carrying amount**
Raw materials and other supplies	29,947	(2,429)	27,518
Finished products	158,961	(7,120)	151,841
Total inventories	**188,908**	**(9,549)**	**179,359**

The allowance for impairment of inventories reflects the technical and stylistic obsolescence of the Group's inventories at December 31, 2017.

	12/31/2017 *€k*
Cumulative impairment at the beginning of the period	**-**
Impairment	(9,726)
Reversals	-
Foreign exchange differences	177
Cumulative impairment at the end of the period	**(9,549)**

6.6. Trade receivables

Trade receivables are initially recognized at fair value. Subsequent measurement takes account of the probability that the receivables will be collected and a specific impairment loss is recorded for any doubtful receivables, as follows:

- disputed receivables are impaired when there is certain and specific evidence showing that the receivables will not be collected;
- the impairment of other doubtful items are recorded to adjust the estimated recoverable amounts on the basis of information available when the financial statements are prepared.

The carrying amount of the assets is reduced through an allowance for impairment and the loss is recorded in the income statement under other operating income and expenses. Non-recoverable receivables are written off to income and the relevant provisions reversed.

The Group's exposure is limited to its wholesale activities and department store sales.

Judgments and estimates

Allowances for doubtful receivables represent a reasonable estimate of loss attributable to the specific and general risk of not being able to collect the trade receivables recognized in the financial statements.

€k	05/01/2016	Changes in scope	Changes in gross value	Impairment	Reversals	Translation adjustment	Other changes	12/31/2017
Trade receivables	-	25,261	29,026	-	-	(806)	(750)	52,732
Provisions for impairment	-	-	-	(43)	-	-	-	(43)
Trade receivables, net	**-**	**25,261**	**29,026**	**(43)**	**-**	**(806)**	**(750)**	**52,689**

Amounts owed by department stores are paid at 10 days. Amounts owed by local partners are paid between 30 and 45 days. Bank guarantees are set up where appropriate.

6.7. Other receivables

At December 31, 2017, other receivables totaled €49,746 thousand and primarily included tax receivables for €21.641 thousand, particularly VAT recoverable by the Group from the tax authorities in the countries in which it operates, and income tax receivables in France amounting to €13,279 thousand.

6.8. Cash and cash equivalents

Cash and cash equivalents consist of readily available liquid assets and financial investments with a maturity of no more than three months from the date of acquisition. These assets are highly liquid, readily convertible into cash, and subject to an insignificant risk of changes in value.

Financial investments pledged as collateral are recorded as non-current financial assets.

At December 31, 2017, consolidated cash and cash equivalents net of current bank overdrafts amounted to €36,286 thousand:

	12/31/2017
	€k
Cash and cash equivalents	40,422
Current bank overdrafts	(4,136)
Cash and cash equivalents net of current bank overdrafts	**36,286**

6.9. Equity

6.9.1. Share capital

The total value of the shares issued by the parent company is recognized in full within equity, as these instruments represent its share capital.

At December 31, 2017, the Company's fully subscribed and paid-up share capital amounted to €81,870,132.80, or 73,170,023 shares each with a par value of €1.10 and 13,831,075 class G preferred shares. An additional allocation of class G preferred share was issued on February 27, 2018 for a total of 393,000 class G preferred shares.

At December 31, 2017, Ruyi International Fashion (China) Limited indirectly held 51.8% of the share capital of SMCP S.A., through its subsidiary European TopSoho S.à.r.l.

	12/31/2017			
Shareholders	**Ordinary shares**	**Class G preferred shares**	**Composition of share capital (€)**	**% share capital**
European TopSoho	44,829,918	-	49,312,910	61.3%
Senior management	3,727,418	13,831,075	5,483,267	5.1%
Treasury shares	36,099	-	39,709	0.0%
Free float	24,576,588	-	27,034,247	33.6%
Total share capital	**73,170,023**	**13,831,075**	**81,870,133**	**100.0%**

6.9.2. Rights attached to shares

o *Voting rights attached to ordinary shares*

Each share is entitled to one vote after its issuance, proportional to the portion of share capital they represent.

o *Voting rights attached to class G preferred shares*

Class G preferred shares can be converted into 5,072,873 ordinary shares as of January 1, 2019. All class G preferred shares that have not been converted will be automatically converted on January 1, 2025. The new ordinary shares issued on conversion of the class G preferred shares will carry the same rights as existing shares of the same category after the payment, where applicable, of a dividend in respect of the previous fiscal year.

There were three free share allocation plans at December 31, 2017 (see Note 6.18 - Share-based payments).

6.9.3. Treasury shares

Treasury shares are recognized as a deduction from equity at their acquisition cost. Earnings from the disposal or cancellation of shares are recognized directly in equity.

The total amount of treasury shares includes the treasury shares purchased under the €2 million liquidity agreement set up on November 28, 2017: 36,099 shares were purchased for a total of €723 thousand.

6.10. PIK Shareholder Loan: ("Payment in Kind")

On October 10, 2016, SMCP S.A. (formerly TopSoho S.A.S.) issued a bond for €300 million 97.20% subscribed by European MidSoho S.à.r.l. (SMCP S.A.'s parent company (formerly TopSoho S.A.S.)) before the initial public offering. This agreement intervenes for the purpose of the acquisition, the refinancing of the indebtedness of the Company in connection with the acquisition together with certain costs and fees in connection with the same.

To simplify the Group's structure, European MidSoho S.à.r.l was merged into SMCP S.A., which canceled the October 23, 2017 loan.

Prior to the merger of European MidSoho S.à.r.l. into SMCP S.A., European MidSoho S.à.r.l.'s loan from European TopSoho S.à.r.l. was capitalized in preparation for the initial public offering.

6.11. Senior secured notes (2022 and 2023 Bonds)

On May 18, 2016, SMCP Group S.A.S., a subsidiary of SMCP S.A., issued two senior secured notes - 2022 ("the Floating Rate Notes") and 2023 (the "Fixed Rate Notes") for respectively €100 million, redeemable at maturity on November 1, 2022 and a principal amount of €371 million, redeemable at maturity on May 1, 2023.

The 2022 bonds were issued by SMCP Group S.A.S. under the following terms:

Nominal: €100 million.

Interests and maturity: the Floating Rate Notes will mature on November 1, 2022. Cash interests will be paid at a per annum rate equal to 3 months EURIBOR +600 bps per year, reset quarterly.

Early redemption conditions for SMCP Group S.A.S. are as follows:

- After May 1, 2017, the issuer may redeem all or part of the Floating Rate Notes at a redemption price equal to 101% of the principal amount, plus accrued and unpaid interest at the redemption date.
- After May 1, 2018, the issuer may redeem all or part of the Floating Rate Notes at a redemption price equal to 100% of the principal amount, plus accrued and unpaid interest at the redemption date.

On October 23, 2017, the 2022 Bonds were subject to early redemption and a €1 million early payment penalty.

The 2023 bonds were issued by SMCP Group S.A.S. under the following terms:

Nominal: €371 million.

Interests and maturity: the Fixed Rate Notes will mature on May 1, 2023. Cash interests will be paid semi-annually under a fixed rate of 5.875%.

Early redemption conditions for SMCP Group S.A.S. are as follows:

- Prior to May 1, 2019, the Issuer may also repay during each twelve-month period commencing with the Issue Date (May 18, 2016) up to 10% of the aggregate amount of the Fixed Rate Notes (including Additional Notes, if any), at a redemption price equal to 103% of the principal amount of the Fixed Rate Notes redeemed, plus accrued and unpaid interest and additional amounts, if any, to the redemption date.

- After May 1, 2019, the issuer may redeem all or part of the Fixed Rate Notes at a redemption price equal to the percentage of principal amount set forth below, plus accrued and unpaid interest at the redemption date.

The Group carried out several early repayments on the 2023 Bonds during 2017:

- On April 3, 2017, in accordance with the terms and conditions of redemption, the Group redeemed 10% of 2023 Bonds for a total amount of €39.1 million which corresponded to 103% of the principal, allocated as follow: €37.1 million and a €1.1 million early payment penalty, plus €0.9 million in accrued interests.

- On October 23, 2017 in accordance with the terms and conditions of redemption, the Group successively redeemed one third (i.e. €111.3 million of the principal and a €6.5 million early payment penalty at a rate of 5.875%) and then 10% (i.e., €22.2 million of the principal and a €0.7 million early payment penalty) of the 2023 Bonds (i.e., for a total amount paid of €140.8 million (of which €133.6 million of principle and €7.2 million in early payment penalties) and €3.8 million in accrued interest).

These redemptions decreased the nominal debt of the 2023 Bonds from €371 million to €200.3 million.

At December 31, 2017, total interest for 2023 Bonds amounted to €35,898 thousand and total accrued interest to €2,143 thousand.

The terms of the issuance agreement for the 2023 Bonds provide for the following redemption prices.

Twelve month period commencing May 1 in:	**Ratio**
2019	102.93750%
2020	101.46875%
2021 and thereafter	100.000%

The 2023 Bonds are admitted to trading on the Euro MTF market in Luxembourg under ISIN Number XS1405781938 (Rule 144A).

Each quarter, the Group calculates consolidated net debt, which constitutes an important indicator of the Group's financial performance, as follows:

	12/31/2017
	€k
Cash and cash equivalents	40,422
Current bank overdrafts	(4,136)
Cash and cash equivalents net of current bank overdrafts	**36,286**
Short-term borrowings and debt	(133,572)
Accrued interest on short-term borrowings and debt	(228)
Other loans and borrowings	(6)
Accrued interest on bonds	(2,143)
Operating net debt	**(99,663)**
Fixed rate Bond (2023)	(192,312)
Consolidated net debt	**(291,975)**

6.12. Revolving Credit Facility

On October 23, 2017 the Group implemented a Revolving Credit Facility for a total amount of €250 million, for which issuance costs amounted to €2.4 million. At December 31, 2017, the Group had access to undrawn committed credit lines totaling €115 million and drawn on €135 million.

6.13. Current and non-current provisions

Basic principles

A provision is recognized whenever the Group has an obligation with regard to a third party which is likely to result in an outflow of cash that can be reliably estimated. When execution of this obligation is expected to be deferred by more than one year, the provision is classified within "Non-current liabilities" and the amount is discounted, with the effects of discounting recognized within net financial expense using the effective interest rate method.

Judgments and estimates

The main estimates and judgments relating to provisions for contingent liabilities are based on the following assumptions:

- restructuring costs: number of employees, probable costs per employee;
- disputes and litigation (e.g., contractual penalties, tax risks): the assumptions underlying the assessment of the legal position and the valuation of risks based on the probability of occurrence.

The table below illustrates changes in this item over the period presented:

€k	05/01/2016	Changes in scope	Additions	Reversals (utilized provisions)	Reversals (surplus provisions)	Foreign exchange differences	Other comprehensive income/(loss)	Other	12/31/2017
Provisions for disputes	-	20	64	-	-	-	-	(84)	**-**
Provision for risk	-	323	-	29	-	(10)	-	(114)	**228**
Other provisions for contingencies and charges	-	74	226	(188)	-	(6)	-	-	**106**
Non-current provisions	**-**	**417**	**290**	**(159)**	**-**	**(16)**	**-**	**(198)**	**334**
Provisions for pension liabilities	**-**	2,520	885	(104)	-	-	(105)	-	**3,196**
Total non-current provisions	**-**	**2,937**	**1175**	**(263)**	**-**	**(16)**	**(105)**	**(198)**	**3,530**
Provisions for disputes	-	1,339	2,765	(1,010)	(589)	(1)	-	83	**2,587**
Provision for risk	-	984	349	(1,245)	-	(34)	-	114	**169**
Other provisions for contingencies and charges	-	-	76	-	-	-	-	(76)	**-**
Total current provisions	**-**	**2,323**	**3,190**	**(2,255)**	**(589)**	**(35)**	**-**	**121**	**2,756**

Provisions for disputes include provisions for labor-related risks, supplier-related risks and tax audits.

6.14. Employee benefits

Defined contribution plans

Under defined contribution plans, the Group pays contributions based on salaries to external bodies and has no obligation with regard to the level of benefits paid to the beneficiaries. Expenses are recorded when the contributions are due.

Defined benefit plans

Pension liabilities are recorded for defined benefit pension plans at the present value of the corresponding pension obligations at the reporting date. The Group's liability for defined benefit pension plans is calculated annually by independent actuaries, using a discount rate determined by reference to the EUR Composite AA curve published by Bloomberg as of December 31, 2017.

The liability reflects the conditions for retirement under the collective bargaining agreement and the employees' seniority, since it is calculated based on the date of their potential retirement. The liability takes into account the probability of the employee leaving the Company and being entitled to a full-rate pension. All such costs, including social security taxes, are accrued and systematically taken to income over the working life of the employees. The provision for retirement indemnities includes retirement indemnities due under the collective bargaining agreements, which are specific to the French pension system. The Group has no liabilities of this nature related to its employees outside of France. The provision is estimated on an actuarial basis using the projected unit credit method (the accrued benefit method pro-rated on service) in accordance with IAS 19 – Employee Benefits.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized under "Other comprehensive income" and are not reclassified to income.

Past service costs are immediately recognized in the income statement.

The provision for pension liabilities only relates to France and takes into account:

- the rights vested by each employee at the end of each period. The salary revaluation rate (excluding inflation) is estimated at 2.3% for managerial-grade staff and supervisors and 1.3% for blue-collar workers and administrative staff;
- the probability of each employee being with the Group at retirement (and being entitled to a full-rate pension);
- the probability of termination of the employment contract by the employee;
- an inflation rate of 1.2% and a discount rate scale up to 1.4%;
- top management is not eligible for pension benefits.

	12/31/2017
	€k
Projected benefit obligation at the beginning of the period	**-**
Changes in scope	**2,520**
Current service cost	739
Estimated interest cost	42
Other comprehensive income/(loss)	(105)
Projected benefit obligation	3,196
Liability recognized on the statement of financial position	**3,196**
Service cost	**739**
Current service cost	739
Net interest cost	**42**
Interest cost	42
Net cost for the period	**781**

6.15. Other liabilities

Other liabilities amounted to €113,935 thousand at December 31, 2017 and were mainly composed of taxes, duties and other payroll-related liabilities totaling €73,220 thousand, advances and prepayments from customers for €13,143 thousand.

6.16. Fair value of financial assets and liabilities

Fair value measurement

Pursuant to IFRS 13 – Fair Value Measurement, fair value (or market 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.

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 best economic interests.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by employing the asset in its highest and best use or by selling it to another market participant that would employ the asset in its highest and best use.

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

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

- Level 1 — quoted (unadjusted) 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.

In "Non-current financial assets" (Note 6.4), the Group measures assets pledged as collateral at fair value at the end of each reporting period (Level 1 of the fair value hierarchy).

The fair value of derivative financial instruments recognized at December 31, 2016 was determined using Level 2 of the fair value hierarchy.

Fair value hedge:

Changes in the fair value of assets and liabilities that are designated as hedged items are recognized in PL and offset changes in the value of the derivative instruments allocated to the underlying asset.

Cash flow hedge:

The effective portion of changes in the value of the derivative is recognized in other comprehensive income. The ineffective portion is recognized immediately in P&L. As financial expenses or income from the hedged item affect the income statement for a given period, financial expenses or income recorded in equity under the derivative are recycled to the PL account.

The table below provides a breakdown of fair value and of financial assets and liabilities according to the measurement categories defined by IAS 39:

	Notes	IAS 39 category	Fair value hierarchy	12/31/2017 €k Carrying amount	12/31/2017 €k Fair value
Liquidity agreement		FV OCI	1	1,277	1,277
Pledged assets **		FV PL	1	333	333
Loans and receivables		L&R	(*)	14,516	14,516
Non-current financial assets	6.4			**16,126**	**16,126**
Other non-current assets		L&R	(*)	**1,038**	**1,038**
Trade receivables	6.6	L&R	(*)	**52,689**	**52,689**
Derivative instruments eligible for hedge accounting		FV OCI/ FV PL	2	1,003	1,003
Other derivative instruments not eligible for hedge accounting		FV PL	2	6	6
Other current financial assets	6.4	L&R	(*)	**3**	**3**
Cash and cash equivalents	6.8	L&R	(*)	**40,422**	**40,422**
2023 Bonds	6.11	Amortized costs	1	**192,312**	**203,062**
2022 Bonds	6.11	Amortized costs	1	**-**	**-**
Other loans and borrowings		Amortized costs	(*)	**6**	**6**
Accrued interest on bonds		FV PL	2	2,143	2,143
Accrued interest on borrowings and debt		Amortized costs	(*)	228	228
Interest-bearing liabilities (current)	6.11			**2,371**	**2,371**
Trade and other payables		Amortized costs	(*)	**102,868**	**102,868**
Current bank overdrafts		Amortized costs	(*)	4,136	4,136
Short-term borrowings and debt		Amortized costs	(*)	133,572	135,000
Bank overdrafts and short-term borrowings and debt	6.11			**137,708**	**139,136**
Derivative instruments eligible for hedge accounting		FV OCI/ FV PL	2	239	239
Other derivative instruments not eligible for hedge accounting		FV PL	2	-	-
Other liabilities				**239**	**239**

Loans and receivables	*L&R*
Fair value on the income statement	*FV PL*
Fair value of other comprehensive income	*FV OCI*

(*) Fair value is not provided since the net book value represents a reasonable estimate of their fair value.
(**) Refers to pledged mutual funds whose fair value is disclosed by the issuing bank.

The fair value on listed bonds (fixed rate and floating rate senior secured notes) reflects the market value at the closing date on Bloomberg (using Level 3 of the fair value hierarchy).

At December 31, 2017, the fair value of derivative instruments were estimated based on their market value, taking into account changes in the Group's credit risk (using Level 2 of the fair value hierarchy according to IFRS 13, by reference to recent transactions between knowledgeable, willing parties in an arm's length transaction).

6.17. Financial instruments and market risk management

6.17.1. Organization of foreign exchange, interest rate and market risk management

Financial instruments are mainly used by the Group to hedge risks arising from its business activities and to protect its assets.

Foreign exchange and interest rate risk along with financial instruments are managed on a centralized basis.

The Group has implemented a strict policy and rigorous guidelines to manage, assess and monitor these market risks.

6.17.2. Foreign exchange risk

A significant portion of the Group's revenue (38.0% during the twelve month period ended December 31, 2017) is generated in foreign currencies, notably pound sterling, Chinese yuan, Swiss franc and U.S. dollar. A portion of its purchases (approximately 33%) is made in foreign currencies, notably in U.S. dollar or Chinese yuan with suppliers in Asia. Some assets are also recorded in foreign currencies on the Group's balance sheet.

The Group is therefore exposed to changes in these currencies, as its reporting currency is the euro.

However, the Group has cash pooling and centralized foreign exchange risk management arrangements designed to limit its foreign exchange exposure and the related hedging costs by matching as far as possible proceeds from sales made in U.S. dollars with purchases made in the same currency with suppliers and private label manufacturers in Asia. This helps reduce the sensitivity of its net margin to foreign exchange risk. For other currencies, the Group's policy is to translate all excess cash not needed to fund future growth into the presentation currency (euros) at the end of each month, in order to reduce the Group's sensitivity to these other exposures as far as possible.

For this purpose, the Group anticipates its cash surpluses and hedges any highly-probable future cash flows using forward rate agreements or plain vanilla options as part of a prudent risk management policy. The Group also hedges its current accounts in foreign currency used to fund its subsidiaries' foreign currency investments. It does this by means of swaps that hedge the full amount of its subsidiaries' short-term commitments. However, the Group is still exposed to foreign exchange risk due to investments in countries with a currency other than the presentation currency (stores and leasehold rights in the United States, United Kingdom, etc.) and for which it does not seek refinancing in the currency concerned.

6.17.3. Interest rate risk

The Group's main financing is through 2023 fixed-rate bonds issued as part of the acquisition by Shandong Ruyi. Short-term refinancing facilities are at floating rates indexed to the six-month EURIBOR + a 2.5% profit margin.

6.17.4. Sensitivity to interest rate risk

Based on the Group's financial commitments at December 31, 2017, a 0.5% rise in interest rates would have had a negative impact of €696 thousand.

6.17.5. Derivatives used to manage foreign exchange risk

Foreign currency transactions

Transactions carried out by consolidated companies in a currency other than their functional currencies are translated at the exchange rate prevailing at the transaction date.

Trade receivables, trade payables and liabilities denominated in currencies other than the entities' functional currencies are translated at the applicable exchange rates at the reporting date. Unrealized gains and losses resulting from this translation are recognized:

- within cost of sales in the case of commercial transactions;
- within net financial expense in the case of financial transactions.

Foreign exchange gains and losses arising from the translation of intragroup transactions or receivables and payables denominated in currencies other than the entities' functional currency are recorded in the income statement.

The Group uses financial instruments to reduce its exposure to foreign exchange risks.

Derivative financial instruments are initially recognized at fair value on the date the derivative contract is signed, and are subsequently revalued to fair value, regardless as to whether the derivatives are qualified for hedge accounting under IAS 39 or not. The recognition of the resulting gains or losses depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group hedges exchange rate risk on recognized assets or liabilities, or highly-probable future transactions (cash flow hedges).

The fair value of asset and liability derivative financial instruments (in euros at December 31, 2017) are as follows:

	Positive Fair value	Negative Fair Value	Net Fair Value
€			
Terms	900,382	(187,688)	712,694
Options	102,846	(52,131)	50,715
Total	**1,003,228**	**(239,819)**	**763,409**

At the inception of the transaction, the Group documents the relationship between the hedging instrument and the hedged item, the management objectives and hedging strategy. The Group also documents the efficiency of the hedge in offsetting changes in fair value or cash flows of hedged items from the time of its application and for its full duration.

A significant portion of Group companies' sales to customers and to their own retail subsidiaries as well as some of their purchases are denominated in currencies other than their functional currency. Hedging instruments are used to reduce the risks arising from currency fluctuations for transactions planned in future periods (cash flow hedges).

Future foreign currency-denominated cash flows are estimated in the budget preparation process and are hedged progressively over a period not exceeding one year. As such, and according to market trends, identified foreign exchange risks are hedged using forward contracts or options.

Type of impact	**Hedge type**	**USD Import**	**GBP Export**	**CHF Export**	**HKD Export**	**CNY Import**	**CAD Export**	**NOK Export**	**12/31/2017**
OCI impacts	CFH	(13,038)	142,474	357,574	-	25,284	19,109	-	**531,402**
P&L impacts	FVH total	(54,036)	57,859	34,476	223,622	(6,239)	-	(714)	**254,967**
P&L impacts	CFH	2,913	(62,892)	14,806	-	32,304	(16,363)	-	**(29,233)**
P&L impacts	Trading	-	6,389	(117)	-	-	-	-	**6,272**
	Total in €	**(64,161)**	**143,830**	**406,739**	**223,622**	**51,349**	**2,746**	**(714)**	**763,408**
Position (in million currency)		3.35	29.65	10.65	148.85	11.00	4.85	2.00	

Cash flow hedges are used to hedge purchases and sales of the Group's spring/summer and autumn/winter collections.

Foreign exchange risk sensitivity analysis

An increase (decrease) in the euro against the various currencies at December 31 would have affected the value of the financial instruments denominated in foreign currencies and would have led to an increase (decrease) in equity and profit as indicated in the table below. This analysis was carried out based on exchange rate fluctuations that the Group deemed reasonable at the balance sheet date. For the purposes of this analysis, it was assumed that all other variables and particularly interest rates, remained constant. Impacts on forecast sales and purchases were not taken into account.

12/31/2017	Equity		Income statement	
€k	*Increase*	*Decrease*	*Increase*	*Decrease*
USD (+/-10% change)	133	(159)	81	(183)
GBP (+/-10% change)	(2,268)	2,585	(934)	840
CHF (+/-10% change)	(424)	1,188	(50)	127
HKD (+/-10% change)	-	-	(1,363)	1810
CNY (+/-10% change)	550	(499)	(366)	418
CAD (+/-10% change)	(303)	342	(14)	(19)
NOK (+/-10% change)	-	-	(21)	20
Net cash flow sensitivity	**(2,312)**	**3,457**	**(2,667)**	**3013**

An increase (decrease) in the euro against these currencies at December 31 would have affected the presentation of the consolidated financial statements to the extent indicated in the table below (excluding the impact of financial instruments and derivatives above). This analysis was based on the impact of applying the exchange rates in force at the end of the reporting period to the main financial statements denominated in foreign currency of entities within the scope of consolidation at December 31, 2017.

12/31/2017	Equity		Income statement	
€k	*Increase*	*Decrease*	*Increase*	*Decrease*
USD (+/-10% change)	136	(166)	(235)	288
GBP (+/-10% change)	(408)	499	(176)	215
HKD (+/-10% change)	44	(54)	(385)	470
CNY (+/-10% change)	(969)	1,185	(679)	829
Sensitivity to exchange rate	**(1,197)**	**1,464**	**(1,475)**	**1802**

6.17.6. Liquidity risk

The Group's exposure to liquidity risk can be assessed in relation to the amount of its short-term borrowings excluding derivatives, net of cash and cash equivalents.

At December 31, 2017, the Group had access to undrawn committed credit lines totaling €115 million, as well as non-confirmed credit lines of €58.6 million, drawn for €1.8 million.

The Group's liquidity depends on the amount of its investments, its capacity to raise long-term borrowings and the quality of its banking relationships (i.e., whether there are any committed credit facilities).

The following table presents the contractual repayment schedule of principal and interest (excluding derivatives) at December 31, 2017.

At December 31, 2017, the Group's borrowings and debt mainly comprised €200.3 million in 2023 Bonds (at an initial nominal amount of €371 million), carrying interest of 5.875% and maturing in 2023. These borrowings were subscribed on May 18th 2016 for the acquisition of SMCP S.A.S. by Shandong

Ruyi. In addition to these bonds, the Group had a Facilities Agreement bearing interest equal to 1-, 2-, 3-, 6-month EURIBOR + 2.5% and maturing at December 23, 2022.

€k	2018	2019	2020	2021	2022	> 5 years	Total
Fixed rate Bonds (2023)	-	-	-	-	-	200,340	200,340
Accrued interests on fixed-rate bonds	11,770	11,770	11,770	11,770	11,770	5,885	64,735
Other loans and borrowings	-	-	-	-	-	6	6
Bank overdrafts and short-term borrowings and debt	139,136	-	-	-	-	-	139,136
Gross financial debt	**150,906**	**11,770**	**11,770**	**11,770**	**11,770**	**206,231**	**404,217**
Trade and other payables	102,868	-	-	-	-	-	102,868
Other liabilities*	113,936	-	-	-	-	-	113,936
Other loans and borrowings	**216,804**	**-**	**-**	**-**	**-**	**-**	**216,804**
Total financial liabilities at December 31, 2017	**367,710**	**11,770**	**11,770**	**11,770**	**11,770**	**206,231**	**621,021**

** Including €239 thousand of liabilities derivative instruments maturing in 2017.*

6.17.7. Credit risk

The Group has a low credit risk. SMCP’s goods are sold through various distribution channels:

- A large part of its business is retail for which customers pay cash.
- Affiliates are billed once or twice per month and pay within a few days. The Group has bank guarantees for each of its affiliates.
- Department store partners are billed once a month and payment is made ten days later.
- Local partners, or “wholesale/partnered retail” (outside France) pay within thirty to forty five days except if the local partners are located in a country considered at risk, in that case the local partners pay before the delivery of the goods.

7. OFF-BALANCE SHEET COMMITMENTS

7.1. Commitments received

	12/31/2017
	€k
Sureties	2,213
Undrawn credit lines	171,840
Commitments received	**174,053**

7.2. Commitments given

	12/31/2017
	€k
Letters of credit	6,272
Pledge of leasehold rights	16
Guarantee commitments	16,897
Commitments given	**23,185**

Commitments given under operating leases at December 31, 2017 are as follows:

	12/31/2017
	€k
Operating leases	**329,442**
Less than one year	76,335
From 1 to 5 years	185,941
More than five years	67,166

In France, store leases have a term of nine years with an exit option in the third and sixth years and a renewal option in the ninth year. In the United States, leases are for a term of ten years and no early exit option is generally available. However in Asia, leases are for a short term of between two and three years.

8. OTHER INFORMATION

8.1. Headcount

	Operational headcount (1)	Average number of full-time equivalent operational employees (2)
	12/31/2017	**12/31/2017**
France	2,332	2,240
Europe (except France)	1,353	1,185
America	761	629
Asia	645	511
Total headcount	**5,091**	**4,565**

(1) The Group's operational headcount includes employees of Group companies on permanent or temporary contracts included on the payroll at December 31, regardless of their working hours. This includes employees on maternity or adoption leave, employees seconded to another Group entity and employees on sabbatical leave (more than six months) who have been replaced. It excludes subcontractors, temporary staff, interns, apprentices and those on work-study contracts, employees seconded to a company outside the Group and employees on sabbatical leave (more than six months) who have not been replaced.

(2) The average number of full-time equivalent (FTE) operational employees corresponds to the operational headcount at the end of each month of the period, adjusted to reflect the number of part-time employees using the individual attendance rate, as well as employees present for only part of the period, divided by the number of months of the period concerned.

8.2. Fees to Statutory Auditors

Fees to Statutory Auditors for the consolidated financial statements of SMCP S.A. and its subsidiaries for the 12- and 20-month period ended December 31, 2017:

	additional information; 12-month period at	*legal 20-month period at*
	12/31/2017	**12/31/2017***
	€k	*€k*
DELOITTE	198.6	198.6
ERNST & YOUNG	372.5	372.5
KPMG	752.5	1,267.3
Total fees	**1,323.6**	**1,838.4**

** 15 months of operating activity – see Note 2.3 – Statement of compliance and basis of preparation.*

8.3. Transactions with associated companies and related parties

In accordance with IAS 24 – Related Party Disclosures, a related party is a person or entity that is related to the entity preparing its financial statements.

This may be any of the following:

- a person or company that has control over the Group;
- an associated company of the Group;
- a joint venture;
- an important member of the Company's management team (or a member of his/her family) or someone with a sensitive position.

A transaction with a related party involves a transfer of goods, services or commitments between the Group and the related party.

The Group's related party transactions include:

- transactions with a company that controls the Group or with associated companies;
- transactions with key members of the Group's management and supervisory bodies (or close members of their families).

8.3.1. Transactions with companies that control the Group or with associated companies

Transactions with companies that control the Group are those which took place between the Group and (a) KKR Retail Partner Midco S.à.r.l. ("KKR"), (b) European MidSoho S.à.r.l. and (c) Shandong Ruyi.

8.3.2. Transactions with KKR (a)

Following the proposed sale of the shares of SMCP S.A.S., the Group incurred expenses. Some of these costs were re-invoiced to KKR for €2,440 thousand.

8.3.3. Transactions with European MidSoho S.à.r.l. (b)

See Note 6.10. PIK Shareholder Loan: ("Payment- in-Kind")

8.3.4. Transactions with Shandong Ruyi (c)

A contract was signed between Forever Winner and the Group for advisory fees and had a €600 thousand impact on accounts for the 2017 fiscal year.

8.3.5. Transactions with members of the Group's management and supervisory bodies

a) Transactions with members of the Group's management and supervisory bodies or their families or close friends

Certain members of the Group's management or supervisory bodies and their families or close friends are also members of other companies which they control or over which they have significant influence. Some of these companies recorded transactions with the Group at December 31, 2017 as shown below:

	12 months to Dec. 31, 2017			
	Consultancy services	Executive management services	Rental charges	Affiliation agreements
€k	(1)	(2)	(3)	(4)
Evelyne Chétrite SASU, managed by Evelyne Chétrite	375.0	1504.1		
Judith Milgrom SASU, managed by Judith Milgrom	375.0	1,291.2		
SCI MAJ, managed by Judith Milgrom and her brother Alain Moyal			809.6	
Company managed by Lévana Gampel, daughter of Judith Milgrom				872.3
Total for the period	**750.0**	**2,795.3**	**809.6**	**872.3**
Total transactions for the period		**5,227.2**		

	20 months to Dec. 31, 2017			
	Consultancy services	Executive management services	Rental charges	Affiliation agreements
€k	(1)	(2)	(3)	(4)
Evelyne Chétrite SASU, managed by Evelyne Chétrite	528.8	2,652.2		
Judith Milgrom SASU, managed by Judith Milgrom	569.5	2,512.1		
SCI MAJ, managed by Judith Milgrom and her brother Alain Moyal			984.6	
Company managed by Lévana Gampel, daughter of Judith Milgrom				1,054.8
Total for the fiscal year	**1,098.3**	**5,164.3**	**984.6**	**1,054.8**
Total transactions for the fiscal year		**8,301.9**		

b) Executive compensation

Total compensation recognized in respect of members of the Executive Committee and Supervisory Board in respect of their functions within the Group, breaks down as follows:

The provision for retirement indemnities related to Group's managers as of December 31, 2017 is presented as follow:

€k	12 months to Dec. 31, 2017 TOTAL
Gross fixed salary	4,045.1
Variable salary	4,162.1
Social security charges	2,678.4
Termination indemnities	-
Fringe benefits	47.3
Free shares	23,129.0
TOTAL	34,061.9
Retirement indemnities	**188.0**

€k	20 months to Dec. 31, 2017 TOTAL
Gross fixed salary	**5,123.0**
Variable salary	**8,767.0**
Social security charges	**4,464.6**
Termination indemnities	**14.5**
Fringe benefits	**77.8**
Free shares	**26,259.0**
TOTAL	**44,706.0**
Retirement indemnities	**350.3**

The Group has also negotiated severance packages with some of its managers to be paid if they leave the Group. Total commitments represented €2,361 thousand at December 31, 2017.

8.4. Scope of consolidation

The table below shows the scope of consolidation at December 31, 2017:

	12/31/2017	
Entity	**% stake (1)**	**Consolidation method**
SMCP S.A.	**100.00%**	**Parent company**
MIDSOHO S.A.S.	-	Merged
SMCP GROUP S.A.S.	100.00%	FC
SMCP Holding S.A.S.	100.00%	FC
GROUPE SMCP (2)	-	Merged
SMCP LOGISTIQUE	100.00%	FC
SMCP DEVELOPPEMENT (3)	-	Merged
SMCP SERVICES (3)	-	Merged
SANDRO ANDY	100.00%	FC
SMCP BELGIQUE	100.00%	FC
SMCP DEUTSCHLAND	100.00%	FC
PAP SANDRO ESPANA	100.00%	FC
SMCP ITALIA	100.00%	FC
SMCP UK	100.00%	FC
SANDRO SUISSE	100.00%	FC
SMCP IRELAND	100.00%	FC
MAJE	100.00%	FC
SMCP LUXEMBOURG	100.00%	FC
MAJE GERMANY	100.00%	FC
MAJE SPAIN	100.00%	FC
MAJE STORES	100.00%	FC
MAJE SUISSE	100.00%	FC
MAJBEL	100.00%	FC
CLAUDIE PIERLOT	100.00%	FC
CLAUDIE PIERLOT SUISSE	100.00%	FC
341 SMCP	100.00%	FC
SMCP USA	100.00%	FC
SMCP USA Retail East, Inc.	100.00%	FC
SMCP USA Retail West, Inc.	100.00%	FC
SMCP CANADA	100.00%	FC
SMCP ASIA	100.00%	FC
SMCP SHANGHAI TRADING CO.	100.00%	FC
SMCP NETHERLANDS	100.00%	FC
SMS	100.00%	FC
SMCP HONG-KONG	100.00%	FC
SMCP FASHION SINGAPORE PTE	100.00%	FC
AZ RETAIL	100.00%	FC
SMCP DENMARK	100.00%	FC
SMCP NORWAY	100.00%	FC
SMCP MACAU	100.00%	FC
SMCP SWEDEN	100.00%	FC
SMCP PORTUGAL	100.00%	FC
SOHO HOLDING FRANCE (4)	-	Merged
SOHO MANCO 1 (4)	-	Merged
SOHO MANCO 2 (4)	-	Merged
SMCP TAIWAN	100.00%	FC
EUROPEAN MIDSOHO (5)	-	Merged

(1) Percentage stake is identical to percentage ownership.
(2) Merged with SMCP HOLDING S.A.S.
(3) Merged with Groupe SMCP S.A.S.
(4) Merged with SMCP Group S.A.S.
(5) Merged with SMCP S.A
Abbreviations used: FC = Full consolidation

8.5. Subsequent events

8.5.1. Issue of class G preferred shares

The Company allocated 393,000 class G preferred shares on February 27, 2018.

20.1.1.2 Statutory Auditors' report on the consolidated financial statements for the twenty-month fiscal year ended December 31, 2017

This is a free translation into English of the statutory auditors' report issued in French prepared in accordance with Article L.225-235 of the French Commercial Code on the report prepared by the Chairman of the Board of Directors on the internal control procedures relating to the preparation and processing of accounting and financial information issued in French and is provided solely for the convenience of English speaking users.

This report should be read in conjunction with, and construed in accordance with, French law and the relevant professional standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Shareholders' Meeting, we hereby present our report for the twenty-month fiscal year ended December 31, 2017, on:

- the audit of the accompanying consolidated financial statements of SMCP;

- the justification of our assessments;

- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2017 and of the results of its operations for the twenty-month fiscal year then. In accordance with the French accounting rules and principles.

II. Justification of our assessments

In accordance with the requirements of Article L.823-9 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

- Goodwill and intangible assets are tested for impairment at least once a year according to the method described in Notes 6.1.1 "Goodwill," 6.1.2 " Other intangible assets," and 6.3.3 "Impairment testing of property, plant and equipment, intangible assets and goodwill," to the consolidated financial statements

We have reviewed the methods by which these impairment tests are performed as well as the projected cash flow and assumptions used, and verified the information disclosed in Notes 6.1.1 "Goodwill," 6.1.2 "Other intangible assets," and 6.3 " Impairment testing of property, plant and equipment, intangible assets and goodwill," to the consolidated financial statements provided an appropriate disclosure.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verification

As required by law we have also verified, in accordance with professional standards applicable in France, the information presented in the Group's management report. We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Paris La Défense and Neuilly-sur-Seine, April 27, 2018

The Statutory Auditors

KPMG S.A.	*Deloitte & Associés*
Valéry FOUSSE	*Albert AIDAN*

20.2 Company statutory financial statements

20.2.1 Company statutory financial statements for the twenty-month fiscal year ended December 31, 2017 and the corresponding Statutory Auditors' report

20.2.1.1 Company statutory financial statements for the twenty-month fiscal year ended December 31, 2017

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ANNUAL FINANCIAL STATEMENTS

Balance sheet - Assets

Headings	Gross amount	Amort. Prov.	12/31/2017	04/30/2016
Subscribed, uncalled capital				
INTANGIBLE ASSETS				
Start-up costs	44,523	10,393	34,130	
Development costs				
Concessions, patents and similar rights				
Leasehold rights	4,100		4,100	
Other intangible assets				
Advances and down payments on intangible assets				
PROPERTY, PLANT AND EQUIPMENT				
Land				
Buildings				
Technical fittings, equipment and industrial tools				
Other property, plant and equipment				
Assets under development				
Advances and down payments				
FINANCIAL INVESTMENTS				
Equity interests consolidated by the equity method				
Other equity interests	581,532,866		581,532,866	
Receivables on equity interests				
Other non-current securities				
Loans	444,981,754		444,981,754	
Other non-current financial assets	8,470,980	18,748	8,452,231	
TOTAL FIXED ASSETS	**1,035,034,223**	**29,141**	**1,035,005,081**	
INVENTORIES AND WORK IN PROGRESS				
Raw materials, consumables				
Goods work in progress				
Services work in progress				
Components and finished goods				
Goods & merchandise				
Advances and down payments on orders				
RECEIVABLES				
Trade receivables	7,033,894		7,033,894	
Other receivables	30,846,067		30,846,067	800
Subscribed and called, unpaid capital				
MISC.				
Marketable securities (o.w. treasury shares:)				
Cash at hand	900,808		900,808	100
ACCRUAL ACCOUNTS				
Prepayments				
TOTAL CURRENT ASSETS	**38,780,768**		**38,780,768**	**900**
Deferred bond issue costs				
Bond redemption premiums				
Conversion differences - assets	6		6	
TOTAL ASSETS	**1,073,814,998**	**29,141**	**1,073,814,998**	**900**

Balance sheet - Liabilities and Shareholders' Equity

Headings		12/31/2017	04/30/2016
Individual or share capital	(of which paid: 81,870,133)	81,870,133	100
Issue, merger and contribution premiums		951,566,613	
Revaluation difference (o.w. equity-method valuation difference:	)		
Legal reserve			
Statutory or contractual reserves			
Regulatory reserves (o.w. share price fluctuation prov. reserves	)		
Other reserves (o.w. purchase of original works of art	)		
Retained earnings		- 4,100	
PROFIT/(LOSS) FOR THE FISCAL YEAR		**14,005,672**	**- 4,100**
Investment subsidies			
Regulated provisions			
EQUITY		**1,047,438,318**	**- 4,000**
Income from the issue of equity securities			
Contingent advances			
TOTAL OTHER EQUITY			
Provisions for risks		6	
Provisions for liabilities			
PROVISIONS		**6**	
FINANCIAL LIABILITIES			
Convertible bonds			
Other bonds			
Bank borrowings			
Other debt (o.w. subordinated loans	)		
Advances and down payments received on orders in hand			
OPERATING LIABILITIES			
Trade and other payables		3,832,928	4,800
Income tax and social security liabilities		16,394,163	
MISCELLANEOUS LIABILITIES			
Payables to fixed asset suppliers			
Other liabilities		6,120,416	100
ACCRUAL ACCOUNTS			
Deferred revenue			
TOTAL LIABILITIES		**26,347,507**	**4,900**
Translation adjustment (liabilities)		25	
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY		**1,073,785,856**	**900**

Income statement

Headings	France	Exports	12/31/2017	04/30/2016
Sales of goods				
Production sold - goods				
Production sold - services	8,011,710		8,011,710	
NET REVENUE	**8,011,710**		**8,011,710**	
Production taken to inventories				
Production of own assets				
Operating subsidies				
Reversals of impairments, provisions (and depreciation), expense transfers				
Other income			436	
		OPERATING INCOME	**8,012,146**	
Purchases of goods (including customs duties)				
Changes in inventory (goods)				
Purchases of raw materials and other consumables (and customs duties)				
Changes in inventory (raw materials and consumables)				
Other purchases and external expenses			846,787	4,000
Taxes other than on income			651,564	
Wages and salaries			7,171,795	
Social security charges			2,246,200	
PROVISIONS FOR LIABILITIES				
On fixed assets: depreciation and amortization			10,393	
On fixed assets: impairment				
On current assets: impairment				
Provisions			6	
Other expenses			60,203	
		OPERATING EXPENSES	**10,986,948**	**4,000**
		OPERATING INCOME	**(2,974,802)**	**(4,000)**
JOINT TRANSACTIONS				
Profit allocated or loss transferred				
Loss borne or profit transferred				
FINANCIAL INCOME				
Financial income from investments				
Income from other marketable securities and fixed asset receivables			30,489,730	
Other interest and similar income			102	
Reversals of impairments and provisions, expense transfers				
Foreign exchange gains			72	
Gains on sales of investment securities				
		FINANCIAL INCOME	**30,489,903**	
Financial allocation for amortization, depreciation, and provisions			18,748	100
Interest and similar expenses			24,963,942	
Foreign exchange losses			327	
Losses on sales of investment securities				
		FINANCIAL EXPENSES	**24,983,017**	**100**
		FINANCIAL RESULT	**5,506,886**	**(100)**
		PRE-TAX PROFIT ON ORDINARY ACTIVITIES	**2,532,083**	**(4,100)**

Income statement

Headings	12/31/2017	04/30/2016
Non-recurring income on operating transactions		
Non-recurring income on share capital transactions	23,581,386	
Reversals of impairments and provisions, expense transfers		
NON-RECURRING INCOME	**23,581,386**	
Non-recurring expenses on operating transactions	39,234,023	
Non-recurring expenses on share capital transactions	1,243,559	
Non-recurring amortization, depreciation, and provisions		
NON-RECURRING EXPENSES	**40,477,582**	
NON-RECURRING INCOME	**(16,896,197)**	
Employee profit-sharing	149,634	
Income tax	(28,519,419)	
TOTAL INCOME	62,083,435	
TOTAL EXPENSES	**48,077,763**	**4,100**
PROFIT OR LOSS	**14,005,672**	**(4,100)**

NOTES TO THE BALANCE SHEET AND INCOME STATEMENT

Accounting rules and methods

Notes to the balance sheet before appropriation of earnings for the year ended December 31, 2017, showing a gross value of €1,073,814,998, impairment of €29,241 and a net value of €1,073,785,856 and notes to the income statement for the fiscal year, presented in list form, and showing income of €14,005,672.

The fiscal year covers a period of 20 months, starting on May 1, 2016 and ending on December 31, 2017. The notes or tables below are an integral part of the annual financial statements.

The general accounting agreements were applied as dictated by the principle of prudence, in accordance with the following basic assumptions:

- going-concern;
- consistency of accounting methods from one period to the next;
- independence of fiscal years;

and observance of the general rules governing the preparation and presentation of annual financial statements.

The financial statements have been prepared in accordance with ANC regulations No. 2015-06 and No. 2015-07 - Classification of changes relating to the application of new rules at January 1, 2016.

The basic method used to evaluate accounting data is the historic cost method.

Intangible assets

Set-up costs mainly include fees. They represent an amount of €44,523 and are amortized over five years.

On October 23, 2017, the company completed the universal transfer of the assets and liabilities of MIDSOHO SAS. This universal transfer of assets and liabilities resulted in a merger loss of €4,100 recognized in intangible assets.

In accordance with ANC regulations No. 2015-06 and No. 2015-07 - Classification of changes relating to the application of new rules at January 1, 2016 on leasehold rights, the technical merger loss, market share and goodwill, the technical merger loss recognized on the universal transfer of the assets and liabilities of MIDSOHO SAS was allocated to brands and leasehold rights.

Property, plant and equipment

Property, plant and equipment are valued at their acquisition cost (purchase price and associated costs).

Depreciation and amortization is calculated on a straight-line basis depending on the expected useful life.

Under new rules governing property, plant and equipment (CRC 2002-10 and CRC 2004-06) the Company has not identified any significant elements. In terms of useful lives, the durations applied reflect the duration of use of the good and were not modified during the fiscal year.

Financial investments

The gross value of capitalized securities is based on the purchase price excluding associated costs.

When the inventory value is less than the gross value, impairment is recognized in the amount of the difference.

SMCP S.A. signed a liquidity agreement on November 28, 2017 for a total amount of €2 million. At December 31, 2017, 36,099 SMCP S.A. shares had been acquired for an amount of €723,000.

Equity interests, other long-term investments, short-term investments

The gross value of investments in associates includes the purchase price, including acquisition costs. When the inventory value is less than the gross value, impairment is recognized in the amount of the difference. The inventory value is calculated by taking into account outlook for profitability which are determined using the estimated cash flow approach. This outlook is established according to the information available at the time. These estimates are based on the going concern assumption.

Share capital

The total value of the shares issued by the parent company is recognized in full within equity, as these instruments represent its share capital.

At December 31, 2017, the Company's fully subscribed and paid-up share capital amounted to €81,870,132.80 and broke down as follows:

- 73,170,023 fully-paid up ordinary shares with a nominal value of one euro and ten cents (€1.10),
- 13,831,075 class G shares |which are preferred share within the meaning of Articles L 228-11 *et seq*. of the French commercial code and with a nominal value of ten euro cents (€0.10).

Significant events during the fiscal year

SMCP S.A. (formerly TopSoho S.A.S.) was incorporated in France on April 19, 2016 as a simplified joint stock Company (Société par actions simplifiée). The Company's registered office is located at 49 rue Etienne Marcel, 75001 Paris, France. Its first fiscal year ended end of April 2016. The second fiscal year ran from May 1, 2016 to December 31, 2017.

SMCP S.A. is indirectly owned by Ruyi International Fashion (China) Limited, Hong Kong company, RM 1201, 12/F Empire Center 68, Mody Road TST KL, Hong Kong, registered under the number 61544102-000-06-14-0, through its subsidiary European TopSoho S.à.r.l. in Luxembourg, which owns a

61.3% stake in SMCP S.A. Ruyi International Fashion (China) Limited is a holding owned by the industrial group Shandong Ruyi and Yinchuan WeiXin Industry Funds Limited Partnership.

On October 10, 2016, SMCP S.A., via its subsidiary SMCP Group S.A.S. (formerly BiSoho S.A.S.), acquired the entire share capital of SMCP Holding S.A.S. (formerly SMCP S.A.S.). With three distinct French brands, Sandro, Maje and Claudie Pierlot, SMCP Holding S.A.S. is a global actor in the ready-to-wear and accessories sector. This acquisition was financed by the implementation of a Payment-in-Kind loan from European MidSoho S.à.r.l, for a nominal amount of €300 million, bearing interest at a fixed rate of 7.875% for which interest was capitalized at each anniversary date.

On October 20, 2017, SMCP S.A. was successfully listed on Euronext Paris, with the strategic support of Shandong Ruyi Technology Group, its majority shareholder. Several transactions took place post-IPO:

- SMCP S.A.'s subsidiary, MidSoho was merged within SMCP S.A.
- SMCP S.A's parent company, European MidSoho S.à.r.l was merged within SMCP S.A.
- The €300 million Payment-in-Kind loan, plus accrued interest was capitalized.
- An IPO Proceeds Loan was set up in favor of SMCP GROUP allowing it to partially repay the High Yield loan. This loan for a nominal amount of €120,963,004.17 bears interest at a floating rate equal to the Euribor plus 2.5%. This rate is reviewed on a quarterly basis. Interest is capitalized annually.

The Group's business mainly involves the creation and sale of apparel and accessories under the Sandro, Maje and Claudie Pierlot brands mostly through directly-operated stores, concessions ("corners") in department stores or its own websites.

At December 31, 2017, the Group operated 1,332 stores, of which 1,070 were directly operated and 262 were operated through partnerships. Its brands were present in 38 countries worldwide. The Group continued its growth strategy, based on its organic levers (ready-to-wear for women and men, accessories, and e-commerce) as well as through the opening of new points of sales worldwide (notably in Asia and Europe).

Employment Competitiveness Tax Credit (CICE)

In accordance with the third Amended Finance Act for 2012, SMCP S.A. benefits from the Employment Competitiveness Tax Credit (CICE). In line with current texts, the Company has opted to recognize the accrued income from the CICE as a deduction from "Wages and salaries". Accrued income recognized as eligible compensation and paid as of January 1, 2017 totaled €915.84 in the Company accounts at December 31, 2017.

The CICE was used in accordance with the provisions of Article 244 quater C of the French General Tax Code, and mainly contributed to efforts by the Company in terms of employee benefits.

Receivables

Receivables are valued at their nominal value. An allowance for impairment is recorded when their fair value is lower than their carrying amount.

Average number of employees

- Managerial-grade employees 9

Accrued expenses

€8,457 thousand in accrued expenses include trade payables of €3,662 thousand and income tax and social security liabilities of €4,795 thousand.

Foreign currency transactions

Income and expenses in foreign currencies are recognized at the collection's coverage rate.

The related payables, receivables and cash assets are included in the balance sheet at their equivalent value at the closing rate. The difference arising from the discounting of payables and receivables in foreign currencies at this closing rate is recognized as translation difference, with unrealized foreign exchange losses that are not offset subject to a provision for contingencies.

Provisions for contingencies and charges

These provisions, recognized in line with CRC regulation 2000-06, are made to cover contingencies and charges that current or past events render probable, and which are clearly identifiable but whose timing or amount is uncertain. These mainly include compensation estimated by the Group and its advisors for disputes, litigation and claims from third parties.

Non-recurring income and expenses

Non-recurring expenses of €40,478 thousand include IPO-related costs of €28,330 thousand, social charges of €10,858 thousand, personnel costs of €1,244 thousand, non-deductible penalties and fines of €13 thousand and other non-recurring expenses of €33 thousand.

Non-recurring income of €23,581 thousand comprised €23,581 thousand in re-billing to partners.

Additional information

Fees

The amount of fees invoiced by the Statutory Auditors for the legal audit totaled €290,000during 2017 (audit of corporate and consolidated financial statements).

Revenue

Revenue for 2017 was composed of intra-company re-billing for the provision of services.

Revenue is presented excluding tax after any reductions, discounts or rebates awarded.

Off-balance sheet retirement commitments

Commitments relating to retirement were estimated at December 31, 2017 after taking into account a discount to present value ratio based on the "Eur Ind AA+AA" curve published by Bloomberg at December 31, 2017.

This amount is calculated according to the agreement-based retirement conditions, with employees' seniority calculated based on the date of their potential retirement at 65 years' old. It takes into account the probability of the employee leaving company before reaching retirement age.

The estimate of end-of-career indemnity commitments includes agreement-based indemnities that are specific to French regimes through the application of a retrospective actuarial method which takes into account mortality risk, projected wage trends, staff turnover and a discount rate.

The end-of-career indemnity commitment totaled €64,699 and is not recognized in the statutory financial statements.

Free shares allocation plan

Free shares allocation plan	**Plan no. 1 1st tranche**	**Plan no. 1 2nd tranche**	**Plan no. 1 2nd tranche**	**Plan no. 2**	**Plan no. 3**
Initial allocation date	10/10/2016	12/14/2016	2/27/2017	11/23/2017	11/23/2017
Vesting period	1 year	1 year	1 year	2, 3 and 4 years per third	2 years
Vesting date	10/19/2017	12/14/2017	27/02/2018	11/23/21	11/23/2019
Conversion date	01/01/2019	01/01/2019	01/01/2019	11/23/2019 11/23/2020 11/23/2021	11/23/2019
Number of beneficiaries					
Number initially granted	12,768,753	1,388,340	393,000	2,038,324	3,952
Number outstanding as at 05/01/2016					
Number canceled over the fiscal year	(307,178)	(18,840)			
Number exercised over the fiscal year					
Number of shares transferred	12,768,753	1,388,340	393,000	2,038,324	3,952
Number surrendered over the fiscal year					
Number outstanding as at 12/31/2017	12,461,575	1,369,500	393,000	2,038,324	3,952
Number that may be exercised over the fiscal year					
Performance conditions	Yes	Yes	Yes	Yes	No

Tax consolidation

SMCP S.A. has opted for the ordinary tax consolidation regime.

In line with the current tax consolidation agreement within the Group, each subsidiary bears a tax charge equivalent to the amount payable in the absence of a tax group. The Company posted a tax deficit of €14,322,430 for 2017.

For the 2017 fiscal year, the tax consolidation group included the following companies:

Sandro Andy

Maje SAS

Claudie Pierlot

Suite 341

SMCP Logistique

SMCP Group

SMCP Holding

Post closing significant events

The Company allocated 393,000 ADP G preferred shares on February 27, 2018.

Fixed assets

Headings	Beginning of period	Revaluation	Acquisit., contribution
FORMATION AND DEVELOPMENT EXPENSES			44,523
OTHER INTANGIBLE ASSETS			4,100
Land			
Of which components			
Buildings on own property			
Buildings on land of third parties			
Buildings, Gen. equip., fixtures and fittings			
Equip., machinery and tools			
Gen. equip., fixtures and fittings			
Transportation equipment			
Office and IT equipment, furniture			
Recoverable packaging and other			
Property, plant and equipment in progress			
Advances and down payments			
PROPERTY, PLANT AND EQUIPMENT			
Equity interests consolidated by the equity method			
Other equity interests	100		581,532,866
Other non-current securities			
Loans and other non-current financial assets			453,452,734
FINANCIAL INVESTMENTS	**100**		**1,034,985,600**
TOTAL FIXED ASSETS	**100**		**1,035,034,223**

Headings	Transfer	Disposal	End of year	Original value
FORMATION AND DEVELOPMENT EXPENSES			44,523	
OTHER ITEMS OF INTANGIBLE ASSETS			4,100	
Land				
Buildings on own property				
Buildings on land of third parties				
Buildings, gen. equip., fixtures and fittings				
Equip., machinery and tools				
General facilities and other improvements				
Transportation equipment				
Office and IT equipment, furniture				
Recoverable packaging and other				
Property, plant and equipment in progress				
Advances and down payments				
PROPERTY, PLANT AND EQUIPMENT				
Equity interests consolidated by the equity method				
Other equity interests		100	581,532,866	
Other non-current securities				
Loans and other non-current financial assets			453,452,734	
FINANCIAL INVESTMENTS		**100**	**1,034,985,600**	
TOTAL FIXED ASSETS		**100**	**1,035,034,223**	

Amortization

Headings	Beginning of period	Additions	Reversals	End of year
FORMATION AND DEVELOPMENT EXPENSES		10,393		10,393
OTHER INTANGIBLE ASSETS				
Land				
Buildings on own property				
Buildings on land of third parties				
Buildings, gen. equip., fixtures and fittings				
Equipment, machinery and tools				
Gen. equip., other fixtures and fittings				
Transportation equipment				
Office and IT equipment, furniture				
Recoverable packaging and other				
PROPERTY, PLANT AND EQUIPMENT				
TOTAL FIXED ASSETS		**10,393**		**10,393**

BREAKDOWN OF FLOWS AFFECTING THE PROVISION FOR SPECIAL DEPRECIATION ALLOWANCES							
	Additions			Reversals			Changes in depreciation at end of year
Headings	**Duration differential and other**	**Declining basis**	**One-off tax depreciation**	**Duration differential and other**	**Declining basis**	**One-off tax depreciation**	
FORM. & DEV. EXP.							
OTHER INT. ASS.							
Land							
Buildings							
- own land							
- third party land							
- gen. equip.							
Tech. Equip.							
Gen. Fac.							
Transp. Equip.							
Off. Equip.							
Rec. pack.							
PROP. P & EQUIP.							
Acquis. sec.							
TOTAL		**10,393**		**10,393**			

Expenses attributed to several periods	Beginning of period	Increases	Additions	End of year
Deferred bond issue costs				
Bond redemption premiums				

Provisions and impairments

Headings	Beginning of period	Additions	Reversals	End of year
Provisions for mining and oil resources				
Provisions for investment				
Provisions for price increases				
Special depreciation allowances				
Of which non-recurring 30% surcharge				
Provisions for start-up loans				
Other regulated provisions				
REGULATED PROVISIONS				
Provisions for disputes				
Provisions for warranties				
Provisions for losses on futures markets				
Provisions for fines and penalties				
Provisions for foreign-exchange losses		6		6
Provisions for pensions and similar obligations				
Provisions for taxes				
Provisions for replacement of fixed assets				
Provisions for major maintenance or refurbishment				
Provisions for social charges on paid leave				
Other provisions for contingencies and charges				
PROVISIONS FOR CONTINGENCIES AND CHARGES	**6**			**6**
Impairment of intangible assets				
Impairment of property, plant and equipment				
Impairment of equity-accounted securities				
Impairment of investments in associates	100		100	
Impairment of other non-current financial assets		18,748		18,748
Impairment of inventories and work in progress				
Impairment of account receivables				
Other impairments				
IMPAIRMENTS	**100**	**18,748**	**100**	**18,748**
TOTAL PROVISIONS AND IMPAIRMENTS	**100**	**18,755**	**100**	**18,755**
Operating expenses and reversals		6		
Financial expenses and reversals		18,748		
Non-recurring expenses and reversals				
Impairment of investments in equity associates at the end of the period				

Receivables and payables

RECEIVABLES	Gross amount	1 year or more	more than one year
Receivables on equity interests			
Loans	444,981,754		444,981,754
Other non-current financial assets	8,470,980	2,000,000	6,470,980
Doubtful and disputed trade receivables			
Other trade receivables	7,033,894	7,033,894	
Receivables on securities lent			
Personnel and related expenses			
Social security and other social institutions			
State, local authorities: income tax	3,509,772	3,509,772	
State, local authorities: value added tax	1,648,974	1,648,974	
State, local authorities: taxes other than on income			
State, local authorities: miscellaneous receivables			
Group and associates	25,010,563	25,010,563	
Miscellaneous debtors	676,758	676,758	
Prepayments			
TOTAL RECEIVABLES	**491,332,694**	**39,879,961**	**451,452,734**
Loans granted during the period	444,981,754		
Repayments received during the period			
Loans and advances granted to partners			

LIABILITIES	Gross amount	1 year or more	more than one year, -5 years	more than 5 years
Convertible bonds				
Other bonds				
Borrowings and debt due within one year at the outset				
Borrowings and debt due within more than one year at the outset				
Borrowings and other financial debt				
Trade and other payables	3,832,928	3,832,928		
Personnel and related expenses	3,824,565	3,824,565		
Social security and other social institutions	12,308,782	12,308,782		
State: income tax				
State: value added tax	33,186	33,186		
State: guaranteed bonds				
State: taxes other than on income	227,630	227,630		
Payables to fixed asset suppliers Group and associates	267,292	267,292		
Other liabilities	5,853,124	5, ,853,124		
Payables representative of borrowed securities				
Deferred revenue				
TOTAL LIABILITIES	**26,347,507**	**26,347,507**		
Borrowings contracted during the period	324,018,750			
Borrowings repaid during the period	324,018,750			
Borrowings, debt contracted with partners				

Accrued expenses

Account No.	Heading	12/31/2017	04/30/2016	Difference	%
ACCRUED EXPENSES					
TRADE AND OTHER PAYABLES					
408100	TRADE, INVOICES PENDING, OVERHEADS	3,662,094.49		3,662,094.49	NA
TOTAL TRADE AND OTHER PAYABLES		**3,662,094.49**		**3,662,094.49**	NA
INCOME TAX AND SOCIAL SECURITY LIABILITIES					
428200	SOCIAL DEBT PROV. FOR PAID LEAVE	147,071.80		147,071.80	NA
428220	SOCIAL DEBT PROV. FOR COMPENS. REST	351.56		351.56	NA
428400	SOCIAL DEBT PROV. FOR EMPLOYEE PROFIT-SHARING	149,634.00		149,634.00	NA
428600	OTHER ACCRUED LIABILITIES	721,024.00		721,024.00	NA
428610	OTHER ACCRUED LIABILITIES EXPENSES	13,944.55		13,944.55	NA
428640	SOCIAL DEBT PROV. FOR BONUS	2,782,065.20		2,782,065.20	NA
428660	SOCIAL DEBT PROV. FOR BONUS ON FIX. TERM CONTRACTS	994.32		994.32	NA
438200	SOC. CHARGES PROV. FOR PAID LEAVE	66,182.33		66,182.33	NA
438220	SOC. CHARGES PROV. FOR COMP. REST	158.20		158.20	NA
438240	SOC. CHARGES PROV. FOR BONUS	806,052.08		806,052.08	NA
438600	ACCRUED EXPENSES ON CORP. CONTRIB.	29,928.00		29,928.00	NA
438610	SOC. CHARGE PROVISION PROV. FOR BONUS	447.44		447.44	NA
438630	PROV. FOR CONT. VOC. TRAINING	46,151.26		46,151.26	NA
438650	PROV. APPRENTICESHIP TAX	31,343.23		31,343.23	NA
TOTAL TAX AND SOCIAL SECURITY LIABILITIES		**4,795,347.97**		**4,795,347.97**	**NA**
TOTAL ACCRUED LIABILITIES		**8,457,442.46**		**8,457,442.46**	**NA**

Accrued income

Account No.	Heading	12/31/2017	04/30/2016	Difference
ACCRUED RECEIVABLES				
TRADE AND OTHER RECEIVABLES				
418900	TRADE INTERCO FRANCE INVOICES TO BE ISSUED	1,838,789.00		1,838,789.00
TOTAL TRADE AND OTHER RECEIVABLES		**1,838,789.00**		**1,838,789.00**
OTHER RECEIVABLES				
409800	Red. Disc. Reb. and other credit not yet received	60,000.00		60,000.00
TOTAL OTHER RECEIVABLES		**60,000.00**		**60,000.00**
TOTAL ACCRUED RECEIVABLES		**1,898,789.00**		**1,898,789.00**

Share capital - equity

Issue date	Type of shares	Number of shares	Value
10/23/2017	Ordinary shares	73,170,023	80,487,025.30
10/23/2017	class G preferred shares	12,461,575	1,246,157.50
14/12/2017	class G preferred shares	1,369,500	136,950.00
Total		**87,001,098**	**81,870,132.80**

Financial commitments given and received

Commitments given						
		In favor of				
Categories of commitments	Total	Senior management	Subsidiaries	Equity interests	Other related parties	Other
TOTAL						

Commitments received						
		Granted by				
Categories of commitments	Total	Senior management	Subsidiaries	Equity interests	Other related parties	Other
TOTAL						

Mutual commitments						
Categories of commitments	Total	Senior management	Subsidiaries	Equity interests	Other related parties	Other
TOTAL						

Breakdown of income tax

Breakdown	Profit/(loss) before tax	Tax due	Net income after tax
Profit on ordinary activities	2,532,083		2,532,083
Short-term non-recurring income	(16,896,197)		(16,896,197)
Long-term non-recurring income			
Employee profit-sharing	(149,634)		(149,634)
Tax receivables on prior tax benefits			
ACCOUNTING NET INCOME	**(14,513,748)**		**(14,513,748)**

Subsidiaries and equity interests

Company	Capital	Share Held	Gross Val Securities	Loans, advances	Revenue	Observations
Registered office	Equity	Div. Rec.	Net Val. Securities	Guarantees	Income	
SUBSIDIARIES (more than 50%)	58,153,391				40,807,090	
SMCP GROUP	510,599,060	100%			(71,912,833)	
		0.00				
		0.00				
		0.00				
		0.00				
		0.00				
EQUITY INTERESTS (10 to 50%)		0.00				
		0.00				
		0.00				
		0.00				
		0.00				
		0.00				
OTHER EQUITY INTERESTS		0.00				
		0.00				
		0.00				
		0.00				
		0.00				
		0.00				

Related-party transactions 2017

BALANCE SHEET	**Closing on 12/31/2017 in €k**
Trade and other receivables	
SANDRO ANDY	3,097
MAJE SAS	1,911
CLAUDIE PIERLOT	751
SUITE 341	28
SMCP GROUP	(1,247)
Total	**7,034**
Current accounts - liabilities	
SMCP GROUP	(267)
Total	**(267)**
Receivables - Advances and down payments received	
SMCP GROUP	208
SMCP HOLDING	(1,024)
Total	**(816)**
Other current accounts receivable and payable	
SMCP GROUP	5,037
Total	**5,037**

INCOME STATEMENT	**Closing on 12/31/2017 in €k**
Services	
SANDRO ANDY	(2,221)
MAJE SAS	(1,734)
CLAUDIE PIERLOT	(670)
SUITE 341	(30)
SMCP GROUP	(276)
Total	(4,932)
Income from other activities	
SANDRO ANDY	(1,742)
MAJE SAS	(91)
SMCP GROUP	**(1,247)**
Total	**(3,079)**

20.2.1.2 Statutory Auditors' report on the financial statements for the twenty-month fiscal year ended December 31, 2017

This is a free translation into English of the statutory auditors' report issued in French prepared in accordance with Article L.225-235 of the French Commercial Code on the report prepared by the Chairman of the Board of Directors on the internal control procedures relating to the preparation and processing of accounting and financial information issued in French and is provided solely for the convenience of English speaking users.

This report should be read in conjunction with, and construed in accordance with, French law and the relevant professional standards applicable in France.

To the SMCP Shareholders,

In compliance with the assignment entrusted to us by your Shareholders' Meeting, we hereby present our report for the twenty-month fiscal year ended December 31, 2017, on:

- *the audit of the accompanying annual financial statements of SMCP;*
- *the justification of our assessments;*
- *the specific verifications and information required by law.*

These financial statements have been approved by the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

I - OPINION ON THE FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the annual financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31,2017 and of the results of its operations for the twenty-month fiscal year then. In accordance with the French accounting rules and principles.

II – JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of Article L.823-9 of the French Commercial Code (Code de commerce), we have made our own assessments and bring to your attention the following matters:

The "Equity interests, other long-term investments, short-term investments" note to the financial statements sets out the accounting policies and methods relating to the valuation of financial investments. Your company recognizes impairment provisions at the end of the fiscal year when the value in use of investments in associates is less than their carrying amount. Our work involved assessing the data and assumptions on which these estimates were based, verifying the calculations made by the company, examining management's approval process for these estimates and verifying that the information contained in the "Equity interests, other long-term investments, short-term investments" note to the financial statements is appropriate.

We would remind you nevertheless that these estimates are based on forecasts that are, by nature, uncertain and actual results may differ materially from those forecasts.

These assessments were made as part of our audit of the financial statements taken as a whole, and led to the opinion expressed above. We express no opinion on the information contained in these annual financial statements taken in isolation.

III - SPECIFIC AUDIT PROCEDURES AND INFORMATION

In accordance with the professional standards applicable in France, we also conducted the specific audits required by law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the documents addressed to shareholders with respect to the financial position and the financial statements.

With respect to disclosures made in application of the provisions of Article L.225-102-1 of the French Commercial Code regarding corporate officers' compensation and benefits in kind and on the commitments granted in their favor, we have checked their consistency with the financial statements or with the data used to prepare these financial statements and, as appropriate, with the information gathered by your Company from the companies that control your Company or companies that it controls. Based on this work, we certify that this information is true and fair.

As required by law, we verified that the various data related to the identity of the holders of the capital and voting rights were disclosed to you in the Management Report.

Paris La Défense and Neuilly-sur-Seine, April 27, 2018

The Statutory Auditors

KPMG Audit	*Deloitte & Associés*
Valéry FOUSSE	*Albert AIDAN*

20.3 Date of latest financial information

December 31, 2017.

20.4 Dividend distribution policy

No dividend was distributed by the Company, which was created in April 2016.

The Group does not plan to distribute any dividend in the short and intends to distribute a dividend once changes to the financial structure are complete; the Group's free cash flow will be used to support its growth strategy.

20.5 Legal and arbitration proceedings

The Group may be involved in legal, arbitration, administrative or regulatory proceedings in the normal course of its business, which may include litigation with its customers, suppliers and competitors. In addition, as any operator in the retail clothing and accessories market, the Group may be subject to proceedings concerning infringement of intellectual property rights (such as trademarks and copyrights). As at the date of this registration document, the Group was not aware of any governmental, legal or arbitration proceedings (including any proceedings known to the Group which are pending, or threatened), other than those mentioned below, which may have or have had during the last twelve months, a material impact on the financial position or profitability of the Company or the Group.

A provision is set aside by the Group if there is sufficient probability that such disputes will results in costs incurred by the Company or one of its subsidiaries and if the amount of such costs can reasonably be estimated. As at December 31, 2017, the total amount of provisions for disputes involving the Group was €2.6 million.

Litigation related to the termination of a logistics services agreement

In 2013, the Group entered into a service agreement with XPO, a logistic company, for a specified period of three years, which can be renewed by tacit renewal for one-year periods.

In March 2016, the Group terminated this contract due to misconduct attributable to the logistics (in particular, theft of goods), following its tacit renewal for another year. For its part, XPO filed a motion for a summary hearing against the Group for an order to continue execution of the contract until June 30, 2017 given its tacit renewal, citing a manifestly unlawful disruption and imminent damage.

In May 2016, the Commercial Court of Nanterre, in a summary hearing, dismissed all of XPO's claims and ordered it to pay a provision to the Group of €100,000 due to inventory discrepancies and €574,410 in respect of received parcels which were not integrated into the inventory, and €4,000 of irrecoverable expenses, which amounts were fully paid by XPO. Simultaneously, the Group filed a motion against XPO on the main issue before the Commercial Court of Nanterre for the resolution of the contract to be reflected and the decision of the Court to be confirmed.

XPO filed an appeal against the decision in front of the Court of Appeal of Versailles in April 2017. which recognized that the parties had terminated their contractual relationship, but partially reversed the decision of the Commercial Court of Nanterre, in particular regarding the order for XPO to pay €574,410 and €4,000 to the Group. However, the Court of Appeal of Versailles confirmed the decision regarding the order for XPO to pay a €100,000 provision to the Group. Pursuant to that decision, the Group refunded the amount of €578,410 to XPO in July 2017.

The matter is currently pending before the Commercial Court of Nanterre and XPO has demanded approximately €3.5 million to the Group for an alleged loss of earnings suffered for the period of the contract from July 1, 2016 to June 30, 2017, which XPO considers renewed, and approximately €1.4 million in respect of other various damages.

20.6 Significant changes in the financial or commercial position

To the Company's knowledge, there have been no significant changes in the financial or commercial position of the Group since December 31, 2017.

21. ADDITIONAL INFORMATION

On the date of registration of this Registration Document, the Company is incorporated as a joint-stock company.

21.1 Share capital

21.1.1 Paid up Share Capital and Authorized but Unissued Share Capital

On the date of registration of this Registration Document, the Company's capital totaled €81,909,433.10 divided as follows:

- 73,170,023 shares of common stock with a par value of €1.10; and
- 14,224,078 shares of Class G preferred stock with a par value of €.10 (the "**G PS**").

The Company Shareholders' Meeting held October 5, 2017 approved the following financial delegations:

Resolution	Nature of the delegation	Maximum period	Maximum nominal amount	Utilization in fiscal 2017
14th Resolution	Authorization to trade in the Company's shares (stock buyback program)	18 months	Subject to a limit of 10% of the total number of shares forming the share capital or 5% of the total number of shares with a view to their retention and subsequent remittance for payment or exchange in connection with external growth transactions Maximum purchase price: €44	Board of Directors meeting of November 23, 2017: Implementation of a liquidity contract with Exane BNP Paribas to stimulate the shares of the Company. The contract came into effect on November 28, 2017 and expires on December 31, 2018, and may be renewed tacitly for one-year periods.
15th Resolution	Authorization granted to the Board of Directors to reduce the share capital by canceling treasury shares	26 months	Subject to a limit of 10% of the share capital every 24 months	None.
16th Resolution	Delegation of authority to the Board of Directors to increase the share capital through the capitalization of reserves, profits or premiums or any other sum that may be capitalized	26 months	€16,500,000 (Approximately 20% of the capital)	None.
17th Resolution	Delegation of authority to the Board of Directors to increase the share capital through the issuance, with cancellation of the preemptive subscription right, of shares in a public offering in the context of the listing of the Company's shares for trading on the Euronext Paris regulated market	6 months	€30,000,000	Board of Directors meeting of October 5, 2017: Capital increase, with elimination of the preemptive subscription right, for a total of €127 million including issue premium.
18th Resolution	Delegation of authority to the Board of Directors to increase the share capital through the issuance, maintaining preemptive subscription rights, of shares and/or equity	26 months	For the capital increases: €33,000,000 (Approximately 40% of the	None.

Resolution	Nature of the delegation	Maximum period	Maximum nominal amount	Utilization in fiscal 2017
	securities giving rights to other equity securities and/or giving rights to the allocation of debt securities and/or securities giving rights to equity securities to be issued		capital (1)) For issues of debt securities: €500,000,000 (2)	
19th Resolution	Delegation of authority to the Board of Directors to increase the share capital through the issuance, eliminating preemptive subscription rights, of shares and/or equity securities giving rights to other equity securities and/or giving rights to the allocation of debt securities and/or securities giving rights to equity securities to be issued in the context of public offerings	26 months	For the capital increases: €12,375,000 (15% of the capital (2)) For issues of debt securities: €500,000,000 (3)	None
20th Resolution	Delegation of authority given to the Board of Directors to increase the share capital through the issuance, with elimination of preemptive subscription rights, of shares and/or equity securities giving rights to other equity securities and/or giving the right to the allocation of debt securities and/or of securities giving rights to equity securities to be issue, through private placement as described in Article L.411-2 II of the French Monetary and Financial Code(1)	26 months	For the capital increases: €12,375,000 (15% of the capital (2)) For issues of debt securities: €500,000,000 (3)	None.
21st Resolution	Authority to the Board of Directors, in the event of an issue with elimination of the preemptive subscription right, through public offerings or private placements as described in Article L.411-2-II of the French Monetary and Financial Code, in order to set the issue price in accordance with the conditions established by the Shareholders' Meeting, up to a limit of 10% of the capital per year.	26 months	For the capital increases: €12,375,000 (15% of the capital(1) per year) For issues of debt securities: €500,000,000 (3)	None.
22nd Resolution	Authority given to the Board of Directors to increase the amount of issues with or without preemptive subscription rights	26 months	Limit laid down by the applicable regulations (currently 15% of the initial issue) (1)	None.
23rd Resolution	Delegation of authority to the Board of Directors to increase capital through the issue of shares or equity securities giving rights to other equity securities and/or giving rights to the allocation of debt securities and/or securities giving rights to equity securities to be issued in consideration for in-kind contributions up to a limit of 10% of the share capital	26 months	For the capital increases: €8,250,000 (10% of the capital (1)) For issues of debt securities: €500,000,000 (3)	None.

Resolution	Nature of the delegation	Maximum period	Maximum nominal amount	Utilization in fiscal 2017
24th Resolution	Delegation of authority to the Board of Directors to increase share capital, with elimination of the preemptive subscription right, through the issuance of shares of the Company reserved for the participants in a company savings plan	26 months	3% of the capital (1) (4)	None.
25th Resolution	Delegation of authority to the Board of Directors to increase the share capital through the issuance of shares, with elimination of preemptive subscription rights, to a defined category of beneficiaries (employees and officers of the Company and affiliated companies)	18 months	3% of the capital (1) (4)	None.
26th Resolution	Authority given to the Board of Directors to allot existing or new bonus shares to the employees and officers of the Company and affiliated companies	38 months	3% of the capital (1) (4)	Board of Directors meeting of November 23, 2017 and Chief Executive Officer's decision of December 14, 2017: Definitive allcationt of 1,369,500 bonus shares to certain employees and officers of the Company.
27th Resolution	Authority given to the Board of Directors to award stock options to the eligible employees and officers of the Group	38 months	3% of the capital (1) (4)	None.

(1) Delegation subject to the total ceiling of €33,000,000 for capital increases (40% of the share capital).

(2) Delegation subject to the total ceiling of €33,000,000 for capital increases (40% of the share capital).

(3) Delegation subject to the total ceiling of €500 million for issues of debt securities.

(4) The maximum total of the capital increases that may be executed under this authority is charged against the total ceiling for operations reserved for employees that is set at €2,475,000.

(5) A sub-limit of 15% of the capital is applied to these issues.

(6) Including as part of a public exchange offer initiated by the Company (Art. L 225-148 of the French Commercial Code).

The table below shows the financial resolutions to be recommended for adoption to the Company Shareholders' Meeting scheduled on June 18, 2018:

Resolution	Nature of the delegation	Maximum period	Maximum nominal amount
17th Resolution	Authorization to trade in the Company's shares (stock buyback program)	18 months	Subject to a limit of 10% of the total number of shares forming the share capital or 5% of the total number of shares with a view to their retention and subsequent remittance for payment or exchange in connection with external growth transactions Maximum purchase price: €44
18th Resolution	Authorization granted to the Board of Directors to reduce the share capital by canceling treasury shares	26 months	Subject to a limit of 10% of the share capital every 24 months
19th Resolution	Delegation of authority to the Board of Directors to increase the share capital through the capitalization of reserves, profits or premiums or any other sum that may be capitalized	26 months	€16,000,000 (Approximately 20% of the capital)
20th Resolution	Delegation of authority to the Board of Directors to increase the share capital through the issuance, maintaining preemptive subscription rights, of shares and/or equity securities giving rights to other equity securities and/or giving rights to the allocation of debt securities and/or securities giving rights to equity securities to be issued	26 months	For the capital increases: €32,000,000 (Approximately 40% of the capital (1)) For issues of debt securities: €500,000,000 (2)
21st Resolution	Delegation of authority to the Board of Directors to increase the share capital through the issuance, eliminating preemptive subscription rights, of shares and/or equity securities giving rights to other equity securities and/or giving rights to the allocation of debt securities and/or securities giving rights to equity securities to be issued in the context of public offerings	26 months	For the capital increases: €8,000,000 (10% of the capital (2)) For issues of debt securities: €500,000,000 (3)
22nd Resolution	Delegation of authority given to the Board of Directors to increase the share capital through the issuance, with elimination of preemptive subscription rights, of shares and/or equity securities giving rights to other equity securities and/or giving the right to the allocation of debt securities and/or of securities	26 months	For the capital increases: €8,000,000 (10% of the capital (2)) For issues of debt securities: €500,000,000 (3)

Resolution	Nature of the delegation	Maximum period	Maximum nominal amount
	giving rights to equity securities to be issue, through private placement as described in Article L.411-2 II of the French Monetary and Financial Code(1)		
23rd Resolution	Authority to the Board of Directors, in the event of an issue with elimination of the preemptive subscription right, through public offerings or private placements as described in Article L. 411-2-II of the French Monetary and Financial Code, in order to set the issue price in accordance with the conditions established by the Shareholders' Meeting, up to a limit of 10% of the capital per year.	26 months	For the capital increases: €8,000,000 (10% of the capital(1) per year) For issues of debt securities: €500,000,000 (3)
24th Resolution	Authority given to the Board of Directors to increase the amount of issues with or without preemptive subscription rights	26 months	Limit laid down by the applicable regulations (currently 15% of the initial issue) (1)
25th Resolution	Delegation of authority to the Board of Directors to increase capital through the issue of shares or equity securities giving rights to other equity securities and/or giving rights to the allocation of debt securities and/or securities giving rights to equity securities to be issued in consideration for in-kind contributions up to a limit of 10% of the share capital	26 months	For the capital increases: € 8,000,000 (10% of the capital (1)) For issues of debt securities: €500,000,000 (3)
26th Resolution	Delegation of authority to the Board of Directors to increase share capital, with elimination of the preemptive subscription right, through the issuance of shares of the Company reserved for the participants in a company savings plan	26 months	3% of capital (1) (4)
27th Resolution	Delegation of authority to the Board of Directors to increase the share capital through the issuance of shares, with elimination of preemptive subscription rights, to a defined category of beneficiaries (employees and officers of the Company	18 months	3% of capital (1) (4)

Resolution	Nature of the delegation	Maximum period	Maximum nominal amount
	and affiliated companies)		
28th Resolution	Authority given to the Board of Directors to allot existing or new bonus shares to the employees and officers of the Company and affiliated companies	38 months	350,000 shares
29th Resolution	Authority given to the Board of Directors to award stock options to the eligible employees and officers of the Group	38 months	3% of capital (1) (4)

(1) Delegation subject to the total ceiling of €32,000,000 for capital increases (40% of the share capital).

(2) Delegation subject to the total ceiling of €32,000,000 for capital increases (40% of the share capital).

(3) Delegation subject to the total ceiling of €500 million for issues of debt securities.

(4) The maximum total of the capital increases that may be executed under this authority is charged against the total ceiling for operations reserved for employees that is set at €2,400,000.

(5) A sub-limit of 10% of the capital is applied to these issues.

(6) Including as part of a public exchange offer initiated by the Company (Art. L 225-148 of the French Commercial Code).

21.1.2 Non-equity securities

On the date of registration of this Registration Document, the Company has not issued any non-equity securities.

21.1.3 Shares held by the Company or on its behalf

As of December 31, 2017, pursuant to its liquidity contract, the Company owned 36,099 shares of SMCP SA stock with a value of €1,277,948.

The Shareholders' Meeting of October 5, 2017 authorized the Board of Directors, for a period of 18 months from the date of the Meeting, with the option of sub-delegation in accordance with laws and regulations and pursuant to the provisions of Articles L. 225-209 ff. of the French Commercial Code, to purchase on one or more occasions at the times it shall establish, a number of shares of the Company that may not exceed 10% of the total number of shares composing the share capital, at any time, or 5% of the total number of shares composing the share capital for shares acquired by the Company in order to retain them and subsequently remit such shares as payment or exchange within a merger, demerger or spin-off transaction; it is specified that the number of shares held by the Company may not under any circumstances result in the Company holding at any time more than 10% of the shares composing its share capital.

The shares may be acquired, by resolution of the Board of Directors, in order to:

- ensure liquidity and stimulate the Company securities market through an investment service provider acting independently under a liquidity contract in accordance with the ethics charter recognized by the AMF;

- allocate shares to members of the Company's personnel, particularly in respect of (i) Company profit-sharing; (ii) any Company share purchase option plan, under the provisions of Articles L. 225-177 ff. of the Commercial Code; or (iii) any savings plan pursuant to Articles L. 3331-1 ff. of the Employment Code or any free allocation of shares under the provisions of Articles L. 225-197-1 ff. of the Commercial Code, and perform any hedging transactions relating to these transactions, under the conditions laid down by the market authorities and at the times which the Board of Directors or the person acting by delegation of the Board of Directors will determine;

- hand over the Company shares at the time of exercise of the rights attached to securities granting the right, by repayment, conversion, exchange, presentation of a note or in any other way, to the allocation of shares of the Company under the regulations in force, and perform any hedging transactions relating to these transactions, under the conditions laid down by the market authorities and at the times which the Board of Directors or the person acting by delegation of the Board of Directors will determine;

- hold the Company shares and remit them at a later date for payment or exchange in connections any external growth transactions;

- cancel the shares of the Company in connection with a reduction in share capital;

- implement any market practice that may be accepted by the AMF and, more generally, perform any transactions complying with the regulations in force.

The maximum unit purchase price, excluding fees, may not be greater than €44.

In the event of transactions in the Company's capital, particularly a change in the nominal value of the share, an increase in capital through the incorporation of reserves followed by the creation and the free allocation of shares, or the division or grouping of securities, the Board of Directors may adjust the aforementioned maximum purchase price, however, in order to account for the effect of these transactions on the Company's share value.

These shares may be acquired, disposed of or transferred and paid for by any means authorized by the regulations in force, on a regulated market, on a multilateral trading system, with a systematic internalizer or over the counter, particularly through the acquisition or transfer of blocks of shares, the use of options or other derivative financial instruments, or notes or, more generally, to securities granting the right to shares of the Company, at times determined by the Board of Directors, excluding public offer periods involving the Company's securities.

The Board of Directors will have all powers, with the option of sub-delegation under the statutory and regulatory conditions, to effect the permitted reallocations of shares bought back with a view to one of the objectives of the program or to one or more of its other objectives, or to transfer them, on or off the market, in adherence to the relevant statutory and regulatory provisions.

The Board of Directors will inform the general meeting of the transactions performed, under the statutory conditions.

21.1.4 Other securities granting access to the capital

As of the registration date of this Registration Document, the Company had not issued any securities giving rights to capital other than the shares of commons stock, the Class G preferred shares, and the performance shares described in Section 18.1 of this Registration Document.

21.1.5 Conditions governing any right of acquisition and/or any obligation attached to the capital subscribed but not paid up

None.

21.1.6 Share capital of any Group company that is subject to an option or an agreement providing for options to be issued

None.

21.1.7 Change in the Company's capital over the last three financial years

Date	Nature of the transaction	Capital before the transaction	Number of shares before the transaction	Number of shares after the transaction	Unit price per share (in euros)	Nominal value (in euros)	Capital after the transaction (in euros)
April 20, 2016	Formation of the Company	0	0	100 ordinary shares	-	1	100
October 10, 2016	Capital increase	100	100	581,684,802 shares divided into: 575,671,600 ordinary shares 6,013,202 class 1 preference shares	0.10	0.10	58,168,480.20
September 13, 2017	Capital increase	58,168,480.20	581,684,802 shares divided into: 575,671,600 ordinary shares 6,013,202 class 1 preference shares	581,684,807 shares divided into: 575,671,602 ordinary shares 6,013,205 class 1 preference shares	0.10	0.10	58,168,480.70
October 19, 2017	Capital increase (issue of Class G preferred shares, reverse stock split of common shares and conversion of Class 1 preferred shares into common shares)	58,168,480.70	581,684,807 shares divided into: 575,671,602 ordinary shares 6,013,205 class 1 preference shares	85,631,598 shares divided into: 73,170,023 ordinary shares 12,461,575 Class G preferred shares	Common shares: 22 Class G preferred shares: 0.10	Common shares: 1.10 Class G preferred shares: 0.10	81,733,182.80
December 14, 2017	Capital increase	81,733,182.80	85,631,598 shares divided into: 73,170,023 ordinary shares 12,461,575 Class G preferred shares	87,001,098 shares divided into: 73,170,023 ordinary shares 13,831,075 Class G preferred shares	Common shares: 1.10 Class G preferred shares: 0.10	Common shares: 1.10 Class G preferred shares: 0.10	81,870,132.80
February 27, 2018	Capital increase	81,870,132.80	87,001,098 shares divided into:	87,394,098 shares divided into:	Common shares: 1.10	Common shares: 1.10	81,909,432.80

Date	Nature of the transaction	Capital before the transaction	Number of shares before the transaction	Number of shares after the transaction	Unit price per share (in euros)	Nominal value (in euros)	Capital after the transaction (in euros)
			73,170,023 ordinary shares 13,831,075 Class G preferred shares	73,170,023 ordinary shares 14,224,075 Class G preferred shares	Class G preferred shares: 0.10	Class G preferred shares: 0.10	
March 20, 2018	Capital increase	81,909,432.80	87,394,098 shares divided into: 73,170,023 ordinary shares 14,224,075 Class G preferred shares	87,394,101 shares divided into: 73,170,023 ordinary shares 14,224,078 Class G preferred shares	Common shares: 1.10 Class G preferred shares: 0.10	Common shares: 1.10 Class G preferred shares: 0.10	81,909,433.10

21.2 Memorandum and Articles of Association

21.2.1 Corporate purpose

The Company’s purpose, both in France and abroad, comprises the following:

- the purchase, subscription, holding, management, transfer or contribution of shares or other securities in any French and foreign companies and undertakings;

- any provision of services and advice concerning human resources, IT, management, communication, finance, law, marketing and purchasing for its subsidiaries and direct or indirect interests;

- the holding, management and disposal of trademarks and patents;

- the activities of a group financing company and, as such, the supply of any type of financial assistance for companies forming part of the group of companies to which the Company belongs, particularly any transactions authorized under Article L. 511-7 3 of the French Monetary and Financial Code;

- the granting of any bonds or guarantees to the benefit of any company in its group or within the scope of the normal business activities of any companies in its group;

- and, in general, any transactions, whether financial, commercial, industrial or civil or related to immovable or movable property that may be associated directly or indirectly with the foregoing company purpose and any similar or related purposes, and of such a nature as to directly or indirectly encourage the Company’s aim and its expansion, development and assets.

In general, the Company is authorized to perform any commercial, industrial or financial transactions that may be directly or indirectly associated with the foregoing purpose, in full or in part, or with any related or complementary activities or any activities that may contribute to its expansion or development.

21.2.2 Stipulations of the Articles of Association on the management and governing bodies – Internal rules of the Board of Directors

The description below summarizes the principal provisions of the bylaws and the internal rules governing the Board of Directors, particularly its operating procedures and its powers.

In addition to the provisions on the Board of Directors mentioned below, the internal rules stipulate the organizational structure and operating procedures, and the jurisdictions and powers of the Board committees that it has established (see Section 16.3 of this Registration Document).

i. Board of Directors (Articles 16, 17 and 18 of the Articles of Association and 1, 2, 3 and 6 of the internal rules)

Composition

The Company is administered by a Board of Directors with a minimum of three and a maximum of eighteen members, subject to the exceptions provided for by law.

The Board of Directors ensures that the proportion of independent members amounts, as far as possible, to at least one-third of the Board of Directors, at least two-thirds of the Audit Committee and more than half of the Nominations and Remuneration Committee.

In accordance with the AFEP-MEDEF code of corporate governance code for listed companies, a member of the Board of Directors is independent if they have no relations of any nature whatsoever with the Company, its group or its management, that might jeopardize the exercise of their freedom of judgment.

Each time a member of the Board of Directors is re-elected or is nominated and at least once a year prior to publication of the Company's annual report, the Board of Directors assesses the independence of each of its members (or candidate members). During the course of this assessment, after obtaining the opinion of the Nominations and Remuneration Committee, the Board of Directors examines the qualifications of each of its members (or candidate members), having regard to the criteria referred to below and the particular circumstances and situation of the individual concerned in relation to the Company. The conclusions of this examination are presented to shareholders in the annual report and, where appropriate, to the general meeting at the time of election of members of the Board of Directors.

The Board of Directors may appoint one or more non-voting members up to a maximum of three. The observers are natural or legal persons, selected from among the shareholders or otherwise. The term of office of observers is four years, except in the event of resignation or early termination of office as decided by the Board. The arrangements for performance of the observers' task, including any remuneration, are decided by the board of directors. Observers may be re-elected. They are invited to meetings of the Board of Directors and take part in the deliberations in an advisory capacity.

Appointment

During the lifetime of the Company, the directors are nominated, re-elected or dismissed under the conditions provided for by the laws and regulations in force and by the Articles of Association.

Each member of the Board of Directors must own at least 100 shares throughout their term of office and, in any event, within twelve (12) months of their appointment at the latest. Share loans by the Company to the members of the Board of Directors are not permitted.

At the time of taking up their duties, members of the Board of Directors must register the securities they hold. The same applies to any securities subsequently acquired.

Term of office – age limits

A director's term of office is four years.

Directors may be re-elected. They may be dismissed by the ordinary general meeting at any time.

Directors must not be more than 75 years of age (it being stipulated that the number of directors of more than 70 years of age may not be greater than one-third of the directors in office) and are subject to the statutory and regulatory provisions applicable to the accumulation of offices.

Identity of the Directors

Directors may be natural persons or legal persons. The latter must, at the time of their appointment, designate a permanent representative who is subject to the same conditions and obligations and who incurs the same liabilities as if they were a director in their own name, without prejudice to the joint liability of the legal person that they represent.

The office of permanent representative is conferred for the term of office of the legal person that they represent.

If the legal person revokes the office of their permanent representative, they are required to inform the Company without delay of such revocation and of the identity of their new permanent representative, by registered letter. The same applies in the event of the death, resignation or prolonged impediment of the permanent representative.

Chairman of the Board of Directors

The Board of Directors elects a chairman from its members who are natural persons.

The Chairman is elected for a term that may not exceed that of his or her term as director. The Chairman may be re-elected.

The Chairman of the Board of Directors organizes and manages its work, on which they report to the general meeting of shareholders. They ensure the proper functioning of Company bodies and ensure, in particular, that the directors are able to perform their tasks.

The Board of Directors may elect, among its members who are natural persons, a Vice-Chairman who is appointed for a term which may not exceed that of their office of director. The Vice-Chairman is required to replace the Chairman in the event of temporary unavailability or death. In the case of temporary unavailability, this temporary replacement shall remain valid for the duration of the unavailability; in the event of death, it is valid until the election of the new chairman.

Deliberations of the Board of Directors

The Board of Directors assumes the tasks and exercises the powers conferred on it by the law, the Company's Articles of Association and the internal rules of the Board of Directors. The Board of Directors determines the Company's business strategy and monitors its implementation. Subject to the powers expressly attributed to shareholders' meetings and within the limits of the Company purpose, it deals with any questions concerning the proper running of the Company and settles the business that concerns it through its resolutions. The Board of Directors carries out the checks and inspections it considers advisable.

The Board of Directors meets at the invitation of the Chairman or one of its members as often as the Company's interests so require, it being stipulated that the frequency and duration of the Board of Directors' meetings must be such as to allow for in-depth examination and discussion of the matters falling within the Board's remit.

Decisions of the Board of Directors are valid, even in the absence of a notice of meeting, if all its members are present or represented.

Decisions of the Board of Directors are only valid if at least one half if its members are present. Decisions are taken by a simple majority of members present or represented. In the event of a tie vote, the chairman of the meeting casts the deciding vote.

The following decisions are subject to the prior authorization of the Board of Directors, ruling by a simple majority of members present or represented:

1. Approval or amendments to the annual budget of the Group;
2. Approval or material amendments to the three-year annual business plan;
3. Issue of all securities giving access, immediately or on a deferred basis, to the capital of the Group;
4. Subscription of any indebtedness for an aggregate amount larger than €10,000,000 per year above annual budget and any modification of the terms of the indebtedness, including amendment of financing documentation entered into in connection with the initial public offering;
5. All decision that may lead to an event of default or an acceleration according to the financing documentation;
6. All overspending of the budget for investment expenditures over 10% compared to the annual budget;
7. The conclusion, the termination or any significant modification of any contract representing more than €4,000,000 per year, other than those described in (v) and (ix);
8. Any expenditure of an individual amount superior to €2,000,000 unexpected in the annual budget;

9. The creation, acquisition, selling, termination or constitution of any guarantee on any activity, subsidiary, or assets for an amount superior to €2,000,000 or representing more than €7,000,000 turnover/Group annual profit or inducing annual investments of more than €3,000,000 (unless approved in the budget);
10. Any firing, dismissal change of scope of duties or remuneration of any employee or a corporate officer of the Group whose annual remuneration (both fixed and variable) exceeds €250,000;
11. Conclusion of any industrial or commercial joint-venture agreement or merger agreements with a third party that could have a significant impact on the Group;
12. Amendment of the methods and accounting principles currently used by the companies within the Group in relation to the establishment of their interim and consolidated accounts;
13. Review and approval of the annual and consolidated accounts of any subsidiaries of the Group with an annual turnover of €25,000,000;
14. The opening of a store or a subsidiary or a new activity in a new country;
15. The auditor appointment or renewal;
16. Any significant transformation or restructuring of a Group entity;
17. The commercialization of any new line of products;
18. Any operation modifying directly or indirectly the share capital or proper funds (including merger, spin-off, partial contribution of assets or any dividends distribution);
19. Modification of more than 3% per year of the remuneration of the Group salaries compared to the annual budget;
20. The conclusion, termination or modification of any agreement entered into with the founders or the principal executives of the Group (including their employment contract or service agreement);
21. The settlement of a dispute representing more than €2,000,000.

Remuneration of members of the Board of Directors

On the recommendation of the Nominations and Remuneration Committee, the Board of Directors:

- freely distributes among its members the directors' fees allocated to the Board of Directors by the general meeting of shareholders, taking into account the actual participation of directors on the Board of Directors and on the committees;

- determines the amount of the Chairman's remuneration;

- may also allocate exceptional remuneration to some of its members for tasks or offices assigned to them.

The Board of Directors examines the appropriateness of the level of directors' fees in the light of directors' duties and responsibilities.

ii. General management (Article 19 of the Articles of Association)

Operating procedure

The general management of the Company is assumed, under its responsibility, either by the Chairman of the Board of Directors or by any other natural person nominated by the Board of Directors and holding the title of Chief Executive Officer.

The Board of Directors may choose between these two procedures for general management at any time and at least each time the term of office of the Chief Executive Officer or of the Chairman of the Board of Directors expires if the Chairman also takes on the general management of the Company.

The shareholders and third parties are informed of this choice under the regulatory conditions.

When the general management of the Company is taken on by the Chairman of the Board of Directors, the following provisions relating to the Chief Executive Officer are applicable to the Chairman. They then assume the title of Chairman and Chief Executive Officer.

General management

The Chief Executive Officer may propose that the Board of Directors nominate one or more natural persons to assist the Chief Executive Officer, with the title of Deputy Chief Executive Officer.

There may be no more than five Deputy Chief Executive Officers.

Age limit – term of office – remuneration

The Chief Executive Officer and the Deputy Chief Executive Officers may be no more than 65 years of age.

The term of office of the Chief Executive Officer or Deputy Chief Executive Officers is determined at the time of appointment; this period cannot exceed their term of office as director, where appropriate.

The Chief Executive Officer may be dismissed by the Board of Directors at any time. The same applies to the Deputy Chief Executive Officers, on the proposal of the Chief Executive Officer. If dismissal is decided without valid reason, it may give rise to damages.

When the Chief Executive Officer ceases to perform or is prevented from performing his duties, unless decided otherwise by the Board, the Deputy Chief Executive Officers will retain their duties and their powers until the new Chief Executive Officer is appointed.

The Board of Directors determines the remuneration of the Chief Executive Officer and the Deputy Chief Executive Officers.

Powers of the Chief Executive Officer and the Deputy Chief Executive Officers

The Chief Executive Officer is vested with the fullest powers to act in all circumstances on behalf of the Company. He exercises these powers within the limits of the corporate purpose and subject to those powers expressly attributed by law to Shareholders' Meetings and to the Board of Directors.

He represents the Company with third parties. The Company is even bound by acts of the Chief Executive Officer that do not fall within the Company purpose, unless it can prove that the third party knew that the act exceeded such purpose or that they could not fail to be aware thereof bearing in mind the circumstances, publication of the Articles of Association alone being insufficient to constitute such proof.

Decisions of the Board of Directors limiting the powers of the Chief Executive Officer are not enforceable against third parties.

By agreement with the Chief Executive Officer, the Board of Directors determines the scope and the duration of the powers conferred on the Deputy Chief Executive Officers. The Deputy Chief Executive Officers have the same powers as the Chief Executive Officer vis-à-vis third parties.

The Chief Executive Officer or the Deputy Chief Executive Officers may, subject to the limits set by the legislation in force, delegate the powers they consider advisable, for one or more specific purposes, to any representatives, even from outside the Company, either individually or forming a committee or commission, with or without the power of substitution, subject to the limitations laid down by law. These powers may be permanent or temporary and may include the power of substitution or otherwise. The delegations thus granted retain their full effects despite expiry of the office of the person conferring them.

21.2.3 Rights, privileges and restrictions attached to shares (Articles 10, 11, 12 and 13 of the bylaws)

21.2.3.1 General

The fully paid-up ordinary shares are either in registered or bearer form, as the shareholder decides, under the conditions provided for by the regulations in force. Class G preference shares are in registered form only.

Each ordinary share grants the right to a share in the Company's profits and assets, in proportion to the amount of capital it represents. Each ordinary share also grants the right to vote and be represented at general meetings, under the statutory conditions and the conditions of the Articles of Association.

A double voting right is introduced for fully paid-up ordinary shares that have been held continuously as registered shares by the same holder for a minimum period of at least two (2) years. In order to calculate this holding period, the period during which the Company's ordinary shares were held prior to the date of admission of the ordinary shares of the Company to trading on the Euronext Paris regulated market is not taken into account.

In accordance with Article L. 225-123, Section 2 of the French Commercial Code, in the event of an increase in capital through the incorporation of reserves, profits or issue premiums, the double voting right is granted to the new ordinary shares allocated free of charge to a shareholder as from the issue thereof, on the basis of the former ordinary shares for which they are already entitled to this right.

This double voting right may be exercised at any meeting.

The double voting right ceases automatically when the ordinary share is converted to a bearer share or ownership is transferred.

Shareholders only bear losses up to the amount of their contributions.

The rights and obligations attached to the share accrue to any owner thereof. Ownership of a share shall automatically involve acceptance of the Articles of Association and the resolutions of the general meeting.

Whenever it is necessary to hold a number of shares to exercise any right whatsoever, isolated shares or shares that are lower in number than that required do not grant their owners any rights against the Company, and the shareholders must deal personally with the grouping of the number of shares required in such event.

The shares are indivisible in respect of the Company.

Co-owners of undivided shares are represented at general meetings by one of their number or by a single representative. In the event of disagreement, the representative is designated by the courts at the request of the more diligent co-owner.

Where a usufruct is attached to the shares, their registration in an account must indicate the existence of the usufruct. Except in the event of an agreement to the contrary notified to the Company by registered letter with acknowledgment of receipt, the voting right is held by the usufructuary at Ordinary general meetings and by the bare owner at extraordinary general meetings.

The ordinary shares, whether registered or bearer, can be freely traded, except in the event of laws or regulations to the contrary. They are registered in an account and are assigned, in respect of the Company and third parties, by means of transfer from one account to another, according to the procedure defined by the laws and regulations in force.

21.2.3.2 Specific characteristics of G class preference shares

Class G preference shares are preference shares within the meaning of Article L.228-11 of the French Commercial code, allocated to certain managers and employees of the Group. These preference shares have the same characteristics than ordinary shares, except that they do not have any financial rights and that they may be converted into ordinary shares under certain conditions.

The 14,224,078 Class G preferred shares may be converted, on or after January 1, 2019, into 5,072,914 shares of the Company's common stock. On the date of registration of this Registration Document, 14,224,078 Class G preferred shares are issued and no Class G preferred shares are being vested. A reverse split of the G PS is in progress, , in which 11 old G PS, each with a current par value of €0.10, is exchanged for one new G PS, with a par value of €1.10. At the end of this reverse split, the total number of G PS is 1,293,098 with a par value of €1.10.

21.2.3.3 Changes in the capital and rights attached to the shares

If the Articles of Association do not lay down any specific provision, any change in the rights attached to the ordinary shares is subject to statutory provisions.

21.2.3.4 Shareholders' meetings (Article 20 of the bylaws)

Notice and place of the meeting

General meetings are called under the conditions, in the form and within the periods stipulated by law.

They are held at the registered office or at any other place indicated in the notice of meeting.

Agenda

The agenda for the meeting is set out in the notices and letters of notice; it is drawn up by the person preparing the notice.

The meeting may only decide on items included on the agenda; nevertheless, it may dismiss one or more directors and replace them under any circumstances.

One or more shareholders representing at least the portion of capital provided for by law and acting under the statutory conditions and within the statutory periods have the power to request the inclusion of draft resolutions on the agenda.

Access to the meetings

Any shareholder is entitled to attend general meetings and to participate in the deliberations either personally or through a representative.

Any shareholder may participate in meetings, either personally or through a representative, under the conditions laid down by the regulations in force, subject to providing proof of their identity and ownership of their securities in the form of accounting registration of their securities under the conditions provided for by the laws and regulations in force.

On the decision of the Board of Directors published in the notice of the meeting to use such means of telecommunications, shareholders participating in the meeting by video conference or by means of telecommunications or online, including the Internet, allowing them to be identified under the conditions provided for by the regulations in force, are deemed to be present for the calculation of the quorum and the majority.

Any shareholder may vote remotely or confer power of attorney in accordance with the regulations in force, by means of a form drawn up by the Company and sent to the latter under the conditions provided for by the regulations in force, including by electronic means or online, on the decision of the Board of Directors. This form must be received by the Company under the regulatory conditions for it to be taken into account.

Meetings are chaired by the Chairman of the Board of Directors or, in their absence or otherwise failing this, by the member of the Board specially delegated for such purpose by the Board of Directors. Failing that, the meeting elects its chairman itself.

Minutes of the meeting are drawn up and copies certified and issued in accordance with the regulations in force.

The legal representatives of legally incapable shareholders and the natural persons representing shareholding legal persons take part in the meetings, whether they personally are shareholders or otherwise.

Attendance sheet, officers and minutes

An attendance sheet is kept at each meeting, containing the information laid down by law.

Meetings are chaired by the Chairman of the Board of Directors or, in their absence, by a director delegated by the Board for that purpose. Failing that, the meeting elects its chairman itself.

The duties of tellers are performed by the two members of the meeting, present and accepting such duties, holding the highest number of votes, either themselves or as representatives.

The officers appoint the secretary, who need not be a shareholder.

The members of office aim to check, certify and sign the attendance sheet, ensure that discussions are properly held, settle any incidents at the meeting, check the votes cast, ensure the lawfulness thereof and ensure that the minutes are drawn up.

The minutes are drawn up and copies or extracts of the deliberations are issued and certified in accordance with the law.

Ordinary General Meeting

The ordinary general meeting is the meeting called to take all decisions that do not amend the Articles of Association. It takes place at least once a year, within six months of the end of each financial year, to rule on the financial statements for that year and on the consolidated financial statements.

Decisions are only valid, the first time the meeting is called, if the shareholders present or represented, or voting by correspondence or remotely, hold at least one-fifth of the shares with voting rights. The second time the meeting is called, no quorum is required.

It rules by a majority of votes held by the shareholders present, represented or voting by correspondence or remotely.

Extraordinary general meeting

The extraordinary general meeting alone is authorized to amend all the provisions of the Articles of Association. It may not increase shareholders' undertakings, however, subject to transactions resulting from a lawfully constituted grouping of shares.

Its decisions are only valid if the shareholders present, represented or voting by correspondence or remotely hold, the first time that the meeting is called, at least one-quarter of the shares with voting rights and, the second time it is called, one-fifth of the shares with voting rights. Failing this latter quorum, the second meeting may be postponed to a date no later than two months after the date on which it was called.

It rules on a majority of two-thirds of the votes of the shareholders present, represented or voting by correspondence or remotely.

The extraordinary general meeting may not increase shareholders' undertakings or harm the equality of their rights in any event, however, other than with the unanimous consent of the shareholders.

21.2.3.5 Provisions allowing a change of control of the Company to be delayed, deferred or prevented

The Company's Articles of Association do not contain any provisions allowing a change of control to be delayed, deferred or prevented.

21.2.3.6 Thresholds and identification of shareholders (Article 15 of the bylaws)

For as long as the Company's shares are admitted to trading on a regulated market, besides the declarations on crossing of thresholds expressly provided for by the laws and regulations in force, any natural or legal persons finding themselves, directly or indirectly, alone or jointly, in possession of a portion of the capital or voting rights (calculated in accordance with the provisions of Articles L. 233-7 and L. 233-9 of the French Commercial Code and the provisions of the general regulations of the French Autorité des Marchés Financiers), equal to or greater than 1% of the capital or voting rights, or any multiple thereof, including beyond the thresholds set by the legal and regulatory framework, must inform the Company of the total number (i) of shares and voting rights they own, directly or indirectly, alone or jointly; (ii) of the securities granting future access to the Company capital that they own, directly or indirectly, alone or jointly, and the voting rights potentially attached thereto; and (iii) of the shares already issued which those persons may acquire under an agreement or a financial instrument mentioned in Article L. 211-1 of the French Monetary and Financial Code. Such notification must be given, by registered letter with acknowledgment of receipt, within a period of four business days as from the crossing of the threshold concerned.

The obligation to inform the Company also applies, within the same periods and under the same conditions, when the shareholder’s interest in the capital, or voting rights, falls below one of the aforesaid thresholds.

In the event of failure to comply with the obligation to make the aforesaid declaration of crossing of thresholds and at the request, recorded in the minutes of the general meeting, of one or more shareholders representing at least 5% of the Company’s capital or voting rights, those shares exceeding the portion that should have been declared will be deprived of voting rights up until the expiry of a period of two years following the date of that the situation with regard to notification was rectified.

The Company reserves the right to inform the public and the shareholders either of the information notified to it or of failure to meet the aforesaid obligation by the person concerned.

21.2.3.7 Identification of the bearers of securities (article 10 of the articles of association)

For as long as the Company’s shares are admitted to trading on a regulated market, the Company is entitled to request the identification of the holders of securities that either immediately or in the future confer voting rights at its shareholders’ meetings, as well as the quantities of securities held, under the conditions provided for by the laws and regulations in force.

In accordance with the provisions of Article L.228-3-3 of the French Commercial Code, when the person who is the subject of a request referred to above fails to send the information within the periods provided for by the laws and regulations in force or sends incomplete or incorrect information on their capacity, or on the owners of the securities, or on the quantity of securities held by each one, the shares or securities granting access to the share capital, either immediately or in the future, for which that person was registered in the account are deprived of voting rights for any Shareholders’ Meeting held up until the date that the situation with regard to identification is rectified, and payment of the corresponding dividend is deferred up until that date.

21.2.3.8 Special clauses governing changes in the share capital

With regard to changes in the share capital, the Company’s Articles of Association do not contain any special provisions that are more stringent than the statutory provisions.

22. MAJOR CONTRACTS

See Section 10.2.2 of this Registration Document.

23. THIRD-PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST

This Registration Document contains information on the Group's markets and its competitive positions, including information on the size of its markets. In addition to the estimates and analyses prepared by the Group, the information on which the Group's declarations are based originates from studies and statistics from third parties and professional organizations, including Euromonitor and Altagamma, and the Boston Consulting Group (which has provided consultancy services for the Group, including conducting research and surveys), and data published by competitors, suppliers and customers of the Group. To the Company's knowledge, such information has been faithfully reproduced and no material fact has been omitted that would render said information inaccurate or misleading. However, the Company cannot warrant that a third party using different methods to combine, analyze or calculate data on the business segments would arrive at the same results.

24. DOCUMENTS ACCESSIBLE TO THE PUBLIC

The Articles of Association, minutes of shareholders' meetings and other corporate documents of the Company together with the historic financial data and any valuation or declaration prepared by an expert at the Company's request which must be made available to shareholders pursuant to applicable legislation, may be consulted at the Company's registered office.

Regulated information as defined by the General Regulations of the AMF is also available on the Company's website.

25. INFORMATION ON EQUITY INTERESTS

Information on equity interests is provided in Section 20.1.1 of this Registration Document in Note 8.4, “Scope of consolidation”, to the Company’s consolidated financial statements for the twenty-month period ended December 31, 2017.

APPENDICES

Appendix I
Report of the Chairman of the Board on corporate governance and the internal control and risk management procedures implemented by the Company

RREPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS ON BOARD MEMBERSHIP AND THE APPLICATION OF THE PRINCIPLE OF GENDER BALANCE ON THE BOARD, ON THE CONDITIONS FOR PREPARING AND ORGANIZING THE WORK OF THE BOARD, AND ON THE INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES IMPLEMENTED BY THE COMPANY (ARTICLE L. 225-37 OF THE FRENCH COMMERCIAL CODE)

This report has been prepared pursuant to the provisions of Article L. 225-37 of the French Commercial Code, the version prior to the entry into force of Ordinance 2017-1162 of July 12, 2017, applicable for years opened before January 1, 2017. The purpose of the report is to provide information on the members of the Board of Directors, the application of the principle of gender balance on the Board, on the conditions for preparing and organizing the work of the Board, the limits the Board of Directors has placed on the powers of the Chief Executive Officer, and the internal control and risk management procedures implemented by the Company, particularly those relating to the preparation and processing of accounting and financial information. This report also contains the additional information required by the aforementioned legal provisions.

This report was prepared by the Chairman of the Board in collaboration with the finance and legal departments of the Company. This report was approved by the Board of Directors at its meeting on April 25, 2018. It was also provided to the Company's Statutory Auditors for the purpose of their report on this report, to which it is attached, as required by Article L.225-235 of the French Commercial Code.

1. CORPORATE GOVERNANCE

1.1 Introduction

The year 2017 was marked by the listing of the Company's stock for trading on the Euronext Paris regulated market ("**Euronext Paris**") on October 20, 2017. With respect to corporate governance, this report therefore covers the period from October 20, 2017 to December 31, 2017 (the "**Applicable Period**"), insofar as the corporate governance rules applicable to companies whose shares are listed for trading on a regulated market became applicable by the Company only as of the date its shares were listed for trading on Euronext Paris.

1.2 Code of Corporate Governance

Since the Company's shares were listed for trading on Euronext Paris in October 2017, the Company has referred to, and subject to the information below, has complied with the Code of Corporate Governance for listed companies published by the AFEP and MEDEF in December 2008, the version updated in November 2016 (the "**AFEP-MEDEF Code**").

The AFEP-MEDEF Code to which the Company refers may be consulted at the following website: http://www.medef.com. The Company keeps copies of the Code available for members of its corporate bodies at all times.

The Company applies the AFEP-MEDEF Code (as revised in November 2016), with the exception of the following recommendations:

Recommendation of the AFEP-MEDEF Code.	Company's comment
Recommendation 16.1 and 17.1 of the AFEP-MEDEF Code **"It [*the committee responsible for nominations*] must not include any corporate executive officer and the majority of the members must be independent directors."** **"It [*the committee responsible for compensation*] must not include any corporate executive officer and the majority of the members must be independent directors. It is recommended that the Chairman of the committee be independent and that a salaried directors be a member."**	The Nominations and Compensation Committee is composed of four members, including two independent members, one representative of Shandong Ruyi and Evelyne Chétrite. As a result, the membership of this committee does not comply with recommendations 16.1 and 17.1 of the AFEP-MEDEF Code, which require a majority of independent directors and the absence of executive officers on the committee. Given the importance of the appointment and compensation of executives for the development of the Group, it was in fact decided to appoint a representative of the majority shareholder and one of the founders of the Group to sit on this committee.
Recommendation 13 of the AFEP-MEDEF Code. **"The scheduling of terms of office is organized in order to avoid block replacements and to promote harmonious replacement of the Board members."**	The terms of the members of the Board of Directors of the Company will all expire at the Shareholders' Meeting called to approve the financial statements for the fiscal year ended December 31, 2020. As a result, the staggering of members' terms will not comply with Recommendation 13 of the AFEP-MEDEF Code, which recommends avoiding block replacement of the directors, as all Board members were elected simultaneously at the time of the Company's initial public offering. While believing that the absence of scheduled replacements does not prevent the correct operation of the Board of Directors, the Company is planning for the Board to examine the terms of office for the next block replacements, possibly stipulating shorter terms for certain Board members.

Recommendation 24.5.1 of the AFEP-MEDEF Code. **"The performance conditions set by the boards for these indemnities must be assessed over a period of at least two years."**	The performance condition set for the payment of the severance package for Daniel Lalonde is assessed on the basis of the last twelve months prior to the termination of his duties in comparison with the performance achieved over the 12-month period preceding this reference period, whereas Recommendation 24.5.1 of the AFEP-MEDEF Code recommends the period for assessments of the performance conditions be at least 24 months. The Company in effect believes that, given the strong growth of the Group from one year to the next (+18.6% in 2017 over 2016) that the performance of the officer must be assessed over the 12-month period preceding the end of his duties.
Recommendation 24.5.1 of the AFEP-MEDEF Code. **"The performance conditions set by the boards for these indemnities must be assessed over a period of at least two years."**	The performance condition set for the payment of the severance package for Evelyne Chétrite, Judith Milgrom and Ylane Chétrite is assessed on the basis of the last twelve months prior to the termination of their duties in comparison with the performance achieved over the 12-month period preceding this reference period, whereas Recommendation 24.5.1 of the AFEP-MEDEF Code recommends the period for assessment of the performance conditions be at least 24 months. The Company in effect believes that, given the strong growth of the Group from one year to the next (+18.6% in 2017 over 2016) that the performance of the officers must be assessed over the 12-month period preceding the end of their duties.
Recommendation 24.5.1 of the AFEP-MEDEF Code "Severance payment, if any, must not exceed two years of compensation (annual fixed and variable). When a non-compete clause is also stipulated, the Board shall decide whether the clause is to be applied at the time of the executive's departure, particularly when the executive leaves the company to claim, or after claiming, his retirement rights. In any event, the total of both indemnities may not exceed this ceiling (see above). "	The amount of the severance package for Evelyne Chétrite and Judith Milgrom is a gross amount equal to 200% of the fixed and variable compensation they have received during the 12 months preceding their departure, provided that certain performance conditions related to the Group EBITDA have been met. This compensation includes the compensation paid under the service agreements signed with the companies Evelyne Chétrite SASU and Judith Milgrom SASU (see Section 16.2 of this document; the total of this indemnity and the non-compete indemnity exceeds two years of annual fixed and variable compensation paid for their corporate offices alone. However, by including the compensation paid under the service agreements cited above, the ceiling of two years of compensation is met. In effect, the Company wanted to determine the compensation of Ms. Chétrite and Ms. Milgrom taking into account all the compensation paid to them by the Group for their corporate offices and other services in order to reflect the totality of their contribution to the development of the Group.

1.3 Members and operation of the Board of Directors

1.3.1 Members as of December 31, 2017

The Company's bylaws stipulate that the Board of Directors (the "**Board**" or the "**Board of Directors**") have between three and eighteen members, subject to exceptions provided by law.

Pursuant to Article 16 of the bylaws, the term of office of directors is four years and may be renewed. This term of offices complies with the recommendations of the AFEP-MEDEF Code. Directors must not be more than 75 years of age (it being stipulated that the number of directors of more than 70 years of age may not be greater than one-third of the directors in office) and are subject to the statutory and regulatory provisions applicable to the accumulation of offices.

Directors are elected by the Shareholders' Meeting on the recommendation of the Board of Directors, which receives proposals from the Nominations and Compensation Committee. They may be dismissed by the ordinary shareholders' meeting at any time. The term of each director expires at the end of the Shareholders' Meeting that has been called to approve the financial statements for the previous year and is held in the year the term expires.

At December 31, 2017, the Board of Directors of the Company was composed of the following twelve members: Yafu Qiu, Daniel Lalonde, Evelyne Chétrite, Judith Milgrom, Weiying Sun, Chenran Qiu, Xiao Su, Francis Srun, Orla Noonan, Fanny Moizant, Patrizio di Marco and Dajun Yang. In addition, Ylane Chétrite was named a non-voting Board member at the Board's meeting of October 23, 2017, for a renewable term of four years (for more details, see Section 1.2.2 "Method of appointment, missions and prerogatives of the non-voting Board member" in this report).

The Board examined the desirable balance of its members and the balance on the Committees it creates, specifically in terms of diversity (representation of women and men, nationalities, international experience, expertise, etc.).

The directors of the Company come from different backgrounds and have a variety of experience and skills and thus reflect the objectives of the Board. The Board complies with Law 2011-103 of January 27, 2011, which stipulates that the Board must members must be 40% women (for more details, see Section 1.2.4 "Gender Balance" in this report). Board membership also complies with the AFEP-MEDEF Code recommendation that at least one-third of Board members must be independent. The Board also complies with the recommendation of the AMF on the diversification of directors in terms of international experience; two thirds of the Board members are foreign nationals.

The following table shows the members of the Board of Directors at December 31, 2017:

Name	Age (1)	Gender	Nationality	Date of first appointment[1]	Date of Shareholders' Meeting approving the last appointment	Expiration date of the term of office	Office within the Board of Directors
Yafu Qiu	60	M	Chinese	October 05, 2017	October 05, 2017	Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2020	Chairman of the Board of Directors
Daniel Lalonde	55	M	Canadian	October 05, 2017	October 05, 2017	Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2020	Chief Executive Officer Director
Evelyne Chétrite	60	F	French	October 05, 2017	October 05, 2017	Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2020	Deputy Chief Executive Officer Director
Judith Milgrom	53	F	French	October 05, 2017	October 05, 2017	Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2020	Deputy Chief Executive Officer Director
Weiying Sun	47	F	Chinese	October 05, 2017	October 05, 2017	Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2020	Director
Chenran Qiu	37	F	Chinese	October 05, 2017	October 05, 2017	Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2020	Director

Xiao Su	42	F	Chinese	October 05, 2017	October 05, 2017	Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2020	Director
Francis Srun	52	M	French	October 05, 2017	October 05, 2017	Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2020	Director
Orla Noonan	48	F	Irish	October 05, 2017	October 05, 2017	Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2020	Independent Director
Fanny Moizant	42	F	French	October 05, 2017	October 05, 2017	Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2020	Independent Director
Patrizio di Marco	56	M	Italian	October 05, 2017	October 05, 2017	Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2020	Independent Director
Dajun Yang	50	M	Chinese	October 05, 2017	October 05, 2017	Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2020	Independent Director
[1] The Shareholders' Meeting of October 5, 2017 adopted the resolution electing the Board members, subject to the condition precedent that the Company's shares are list for trading on the Euronext Paris market, and effective on that date. In a decision on October 23, 2017, the Board of Directors duly noted the achievement of the condition precedent.							

The other current offices held by members of the Board as of April [27], 2018 are indicated in Section 14.1 of the Company's Registration Document for the year ended December 31, 2017 (the "**Registration Document**").

1.3.2 Method of appointment, missions and prerogatives of the non-voting director

Under Article 16 of the bylaws, the Board of Directors may appoint one or more non-voting members up to a maximum of three. The non-voting member is freely chosen because of his or her expertise. The non-voting member is appointed for a term of four (4) years, unless he resigns or is dismissed early as decided by the Board of Directors. The non-voting member may be re-appointed.

The Board of Directors may appoint one or more non-voting members up to a maximum of three. The observers are natural or legal persons, selected from among the shareholders or otherwise. The term of office of observers is four years, except in the event of resignation or early termination of office as decided by the Board. The arrangements for performance of the observers' task, including any remuneration, are decided by the board of directors. Observers may be re-elected. They are invited to meetings of the Board of Directors and take part in the deliberations in an advisory capacity.

By a decision of the Board on October 23, 2017, Ylane Chétrite was named a non-voting member for a term of four years, ending at the end of the Ordinary Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2020, in accordance with Article 16 of the Company bylaws.

1.3.3 Independence of Board members

In accordance with the AFEP-MEDEF Code of Corporate Governance for listed companies, a member of the Board of Directors is independent if he or she has no relations of any kind with the Company, its Group or its management, which could compromise the free exercise of judgment.

Each time a member of the Board of Directors is re-appointed or nominated, and at least once a year prior to publication of the Company's annual report, the Board of Directors assesses the independence of each of its members (or candidates). During this assessment, after obtaining the opinion of the Nominations and Compensation Committee, the Board of Directors reviews the qualifications of each of its members (or candidates), in terms of the criteria referred to below, the particular circumstances and situation of the individual concerned in relation to the Company. The conclusions of this review are presented to shareholders in the annual report and, where appropriate, to the Shareholders' Meeting at the time of the appointment of Board members.

At December 31, 2017, the Board of Directors had four independent members: Orla Noon, Fanny Moizant, Patrizio di Marco and Dajun Yang, representing 33.33% of the directors.

At its meeting on March 20, 2018, the Nominations and Compensation Committee conducted the annual assessment of the independence of members of the Board of Directors on the basis of all the criteria defined by the AFEP-MEDEF Code. The conclusions of the Nominations and Compensation Committee were presented to and approved by the Board of Directors at its meeting on March 20, 2018.

Based on this analysis, the Board of Directors concluded, after an opinion from the Nominations and Compensation Committee, that four directors (Orla Noonan, Fanny Moizant, Patrizio di Marco and Dajun Yang) were independent.

1.3.4 Gender balance

As of December 31, 2017, the Board of Directors had seven female members: Evelyne Chétrite, Judith Milgrom, Weiying Sun, Chenran Qiu, Xiao Su, Orla Noonan and Fanny Moizant, representing 58% of the Board.

The Board thus is in compliance with the provisions of Law 2011-103 of January 27, 2011 on the balanced representation of men and women on boards of directors and supervisory boards and equal opportunity in business, and the proportion of directors of each gender is greater than 40% as required by Article L.225-18-1 of the French Commercial Code.

1.4 Conditions for the preparation and organization of the work of the Board of Directors

1.4.1 Internal Rules

The Board of Directors has internal rules intended to specify the operating conditions of the Board, in addition to the applicable laws and regulations and the Company's bylaws. In addition, as attachments to the Board's internal rules, the Audit Committee and the Nominations and Compensation Committee each have internal rules.

The bylaws and internal rules of the Company are available on the Company's website (www.smcp.com).

1.4.2 Missions of the Board of Directors

The first priority of the Board of Directors is to determine the strategic directions of the Company. The Board reviews and decides major transactions. The members of the Board of Directors are informed of market changes, the competitive environment and the principal challenges, including in the area of the Company's social and environmental responsibility.

The Board of Directors assumes the missions and exercises the powers conferred on it by the law, the Company's Bylaws and the internal rules of the Board of Directors. The Board of Directors determines the Company's business strategy and monitors its implementation. Subject to the powers expressly attributed to shareholders' meetings and within the limits of the Company purpose, it deals with any questions concerning the proper running of the Company and settles the business that concerns it through its resolutions. The Board of Directors conducts the checks and verifications it deems appropriate.

The Board of Directors also conducts the checks and verifications it deems appropriate.

The Board ensures good corporate governance for the Company and the Group, respecting the socially responsible principles and practices of the Group and of its executive officers and employees.

The Board ensures that shareholders and investors receive relevant, balanced and educational information about the strategy, the business model, the consideration of significant non-financial challenges for the Company, and about its long-term prospects.

1.4.3 Functioning of the Board of Directors

The internal rules defines the procedures for informing Board members. The rules specify, in particular, that the Chairman provides to Board members, with sufficient time, except in emergency situations, the information or the documents in its possession that will allow the members to property perform their duties. Any member of the Board who has been unable to deliberate with full knowledge has a duty to so inform the Board and to demand the information crucial to the performance of his or her duties.

The internal rules of the Board of Directors stipulates the conditions for Board meetings. Thus, a meeting of the Board of Directors is called by the Chairman or one of the members, by any means, even verbally. The author of the notice of meeting sets the agenda for the meeting.

The Board meets at least four (4) times a year and at any other time, as often as the interest of the Company requires. The frequency and duration of Board meetings must be such as to allow for in-depth examination and discussion of the matters falling within the jurisdiction of the Board. Board meetings are chaired by the Chairman; if the Chairman is absent, meetings are chaired by a member of the Board designated by the Board.

The Board of Directors may validly deliberate only if at least half of the members are present. For the calculation of a quorum and majority, members are deemed present to attend meetings via videoconferencing or telecommunications that allow them to be identified and guarantee their effective participation, under the conditions set forth by the applicable laws and regulations.

Each meeting of the Board of Directors and the Committees established by the Board must be long enough to properly discuss the agenda in detail. Decisions are made by a simple majority of the members present or represented. In the event of a tie vote, the chairman of the meeting casts the deciding vote.

The internal rules of the Board of Directors also set out the obligations for members of the Board, as they are described in the AFEP-MEDEF Code. In particular, the rules stipulate that the members of the Board may received, when they are nominated, from additional training on the specific characteristics of the Company and the companies it controls, their businesses, and their business sector, and that they may periodically hear from the principal executives of the Company, who may be called to attend Board meetings.

Finally, it is stipulated that the Board of Directors is regularly informed about the financial position, the cash position, and the commitments of the Company and the Group, and that the Chairman and the Chief Executive Officer shall continually communicate to the Board members any information about the Company which they learn and which they believe to be useful or pertinent. The Board of Directors and the Committees also have the option to hear from experts in the areas which fall within their respective expertise.

1.4.4 Work of the Board, frequency of Board meeting, and average attendance rate of Board members

During the Applicable Period, the Board of Directors, which was formed on October 20, 2017, met twice: October 23, 2017 and November 23, 2017.

The attendance rate at these meetings for all directors was 100%.

During the Applicable Period, the main items before the Board covered the following:

- the appointment of a non-voting member;
- the noting of the new composition of the Board of Directors following the settlement-delivery of the shares of the Company in the context of their listing for trading on the Euronext Paris regulated market;
- the composition of the Board committees;
- the approval and adoption of new internal rules for the Board of Directors;
- the certification of the definitive execution of the capital increase through the public offering decided in the context of listing the Company's shares for trading on the Euronext Paris regulated market, and the corresponding issue of shares of common stock in the Company;
- the establishment of a liquidity contract;
- the validation of the Group's budget and business plan.

1.4.5 Shares held by Board members

Under the terms of Article 16 of the Bylaws, each member of the Board of Directors must own at least 100 shares in the Company throughout his or her term of office and, in any event, within twelve (12) months of their appointment to the Board. Share loans by the Company to the members of the Board of Directors are not permitted in order to meet this obligation. At the time members take their seats on the Board, they must register the shares they hold. The same applies to any securities subsequently acquired.

The number of shares held by Board members is detailed in Section 17.2. "Equity interest and stock options held by members of the Board of Directors and executive management" in the Registration Document

1.5 Committees formed by the Board

At its meeting of October 23, 2017, the Board of Directors of the Company decided to from two Board committees: an Audit Committee and a Nominations and Compensation Committee to assist it in some of its mission and to contributed effectively to the preparation of certain specific issues submitted for its approval. Each of these Committees has internal rules (attached to the internal rules of the Board).

The meetings of the Board Committees are regularly reported to the Board of Directors. The members of these Committees, detailed below, complies with the recommendations of the AFEP-MEDEF Code, except with respect to Recommendations 16.1 and 17.1 concerning the absence of executive corporate officers on the Nominations and Compensation Committee (for more details, see Section 1.1 "Corporate Governance Code" of this report).

1.5.1 Audit Committee

(a) Members as of December 31, 2017

Under the terms of Article 2 of its internal rules, the Audit Committee is composed of three members, two of whom are appointed from among the independent members of the Board of Directors on the recommendation of the Nominations and Compensation Committee. The composition of the Audit Committee may be amended by the Board of Directors and, in any event, must be modified in the event of any change in the general composition of the Board of Directors. In particular, pursuant to the applicable legal provisions, members of the Committee must have specific expertise in financial and/or accounting matters. The term of office of the members of the Audit Committee coincides with their terms on the Board of Directors. It may be renewed at the same time as their term on the Board of Directors.

At its meeting of October 23, 2017, the Board of Directors appointed Orla Noonan (Chairman and independent Director), Dajun Yang (independent Director) and Xiao Su (Director).

(b) Missions of the Audit Committee

Under the terms of Article 1 of the internal rules of the Audit Committee, the mission of the Committee is to follow up on matters relating to the preparation and audit of accounting and financial information, to ensure the effectiveness of the risk monitoring and operational internal control process, and assist Board of Directors in is mission of control and verification in this area.

In this context, the Audit Committee performs the following primary duties:

- monitor the process for preparing financial information;
- monitor the effectiveness of the systems for internal control, internal audit and risk management relating to financial and accounting information;
- monitor the legal audit of the corporate and consolidated financial statements by the Company's auditors; and
- monitor the independence of the Statutory Auditors.

As required by its internal rules, the Audit Committee reports regularly to the Board of Directors on the performance of its missions and informs the Board promptly of any difficulties encountered.

(c) Meetings of the Audit Committee

As required by its internal rules, the Audit Committee meets at least twice a year when the annual and half-year financial statements are prepared.

During the Applicable Period, the Audit Committee did not meet.

1.5.2 The Nominations and Compensation Committee

(a) Members as of December 31, 2017

Under the terms of Article 2 of its internal rules, the Nominations and Compensation Committee is composed of four members, two of whom are independent members of the Board. They are appointed by the Board of Directors from the members and in consideration of their independence and expertise in the selection and compensation of executive officers of listed companies. The Nominations and Compensation Committee may not include any executive officer of the Company. The composition of the Committee may be modified by the Board of Directors and, in any event, must be modified in the event of any change in the general composition of the Board of Directors. The term of office of the members of the Nominations and Compensation Committee coincides with their term on the Board of Directors. It may be renewed at the same time as their term on the Board of Directors.

At its meeting of October 23, 2017, the Board of Directors decided to name Patrizio di Marco (Chairman and independent Director), Fanny Moizant (independent Director), Chenran Qiu and Evelyne Chétrite to the Nominations and Compensation Committee. As of December 31, 2017, the Nominations and Compensation Committee had four members, two of whom are independent: Patrizio di Marco (Chairman and independent Director), Fanny Moizant (independent Director), Chenran Qiu and Evelyne Chétrite.

(b) Nominations and Compensation Committee

Under the terms of Article 1 of its internal rules, the Nominations and Compensation Committee is a specialized committee of the Board of Directors with the principal mission to assist the Board in (i) the composition of the management bodies of the Company and its Group and (ii) to determine and regularly assess all compensation and benefits packages for corporate officers or executives of the Group, including all deferred benefits and/or Group voluntary or compulsory severance packages. In the context of its nominations role, the Committee performs the following tasks:

- recommends nominations for members of the Board of Directors, executive management and Board committees; and

- conducts an annual review of the independence of members of the Board of Directors.

In the context of its role relating to compensation, it performs the following tasks:

- reviews and recommends to the Board of Directors all aspects of the components and conditions of compensation for the Group's key executives;

- reviews and recommends to the Board of Directors the method for apportioning directors’ fees; and

- consults for recommendation to the Board of Directors on all other exceptional compensation for special assignments which the Board of Directors may assign, if necessary, to certain of its members.

(c) Meetings of the Nominations and Compensation Committee

Under its internal rules, the Nominations and Compensation Committee meets as often as necessary and, in any event, at least once a year, prior to the Board of Directors' meeting to decide on the situation of the members of the Board in terms of the independence criteria adopted by the Company and, in any event, prior to any meeting of the Board of Directors to set the compensation of the executive officers and on the distribution of directors' fees.

During the Applicable Period, the Audit Committee did not meet.

1.6 Evaluation of the functions of the Board

The internal rules of the Board of Directors stipulates the conditions under which the Board must evaluate its ability to respond to the expectations of shareholders by periodically analyzing its membership, organization and functions. For this purpose, once a year, the Board, on the report of the Nominations and Compensation Committee, must devote one item on its agenda to an evaluation of its operating conditions and procedures, a verification that important questions are properly prepared and discussed within the Board of Directors, and an assessment of the actual contribution of each member to the work of the Board on the basis of the member's expertise and participation in deliberations. This evaluation is performed on the basis of answers to an individual, anonymous questionnaire sent to each member of the Board of Directors once a year.

The Board of Directors assessed the composition, organization and operation of the Board and its Committees through discussion in the Nominations and Compensation Committee and at the Board meeting on March 20, 2018, which the members considered to be satisfactory and raised no points for specific attention or improvement.

1.7 Executive Management

1.7.1 Chairman, Chief Executive Officer and Deputy Chief Executive Officers

The offices of Chairman of the Board and Chief Executive Officer of the Company are separated. Yafu Qiu is Chairman of the Board of Directors and Daniel Lalonde is Chief Executive Officer of the Company. The positions of Deputy Chief Executive Officers in the Company will be assumed respectively by Evelyne Chétrite, Judith Milgrom, Ylane Chétrite and Chenran Qiu. Each Deputy Chief Executive Officer will be responsible for the development of policy for creation, design, artistic direction and marketing strategy of the brand(s) within his or her area of responsibility, namely:

- Sandro and Claudie Pierlot for Evelyne Chétrite,
- Maje and Claudie Pierlot for Judith Milgrom,
- Sandro Homme for Ylane Chétrite.

In addition, Chenran Qiu is responsible for the strategy and development of the Group in Asia.

1.7.2 Conduct of Executive Management - Limitations of powers

The offices of Chairman of the Board and Chief Executive Officer of the Company have been separate since the Company's initial public offering. As required by law, the Company's bylaws and the internal rules of the Board of Directors, the Chairman of the Company chairs the meetings of the Board and ensures that correct operation of the Company's governing bodies, and ensures, in particular, that the Board members are able to perform their tasks.

The Chief Executive Officer is vested with the most extensive powers to act in all circumstances in the name of the Company. He exercises these powers within the limits of the corporate purpose and subject to those powers expressly attributed by law to Shareholders' Meetings and to the Board of Directors.

He represents the Company with third parties. The Company is even bound by acts of the Chief Executive Officer that do not fall within the Company purpose, unless it can prove that the third party knew that the act exceeded such purpose or that the party could not fail to be aware of it under the circumstances; publication of the bylaws alone is not sufficient to constitute such proof.

Decisions of the Board of Directors limiting the powers of the Chief Executive Officer are not enforceable against third parties.

By agreement with the Chief Executive Officer, the Board of Directors determines the scope and the duration of the powers granted to the Deputy Chief Executive Officers. The Deputy Chief Executive Officers have the same powers as the Chief Executive Officer vis-à-vis third parties.

The Chief Executive Officer or the Deputy Chief Executive Officers may, subject to the limits set by the legislation in force, delegate the powers they deem appropriate, for one or more specific purposes, to any agents, even from outside the Company, either individually or forming a committee or commission, with or without the power of substitution, subject to the limitations set by law. These powers may be permanent or temporary and may include the power of substitution or otherwise. The delegations thus granted retain their full effects despite expiry of the office of the person conferring them.

Under Article 3.2 of its internal rules, the Board of Directors gives its prior approval, by simple majority vote of the members present or represented, for any act or decision of the Chief Executive Officer concerning the following:

- the approval of or amendments to the annual budget;
- the approval or material amendments to the three-year annual business plan;
- any issue of shares, instruments or securities giving rights, immediately or deferred, to the capital of the Group;
- Subscription of any indebtedness for an aggregate amount larger than €10,000,000 per year above annual budget and any modification of the terms of thta indebtedness, including amendment of financing documentation entered into in coeection with the initial public offering;
- any decision that may lead to an event of default or an acceleration under the terms of the financing documentation;

- any investment expenditure (Capex) more than 10% over the annual budget;
- The conclusion, the termination or any significant modification of any contract representing more than €4,000,000 per year, other than those described in (v) and (ix);
- Any individual expenditure not present in the annual budget in an amount greater than €2,000,000;
- The creation, acquisition, selling, termination or constitution of any guarantee on any activity, subsidiary, or assets for an amount superior to €2,000,000 or representing more than €7,000,000 turnover/Group annual profit or inducing annual investments of more than €3,000,000 (unless approved in the budget);
- Any firing, dismisssal change of scope of duties or remuneration of any employee or a corporate officer of the Group whose annual remuneration (both fixed and variable) exceeds €250,000;
- Conclusion of any industrial or commercial joint-venture agreement or merger agreements with a third party that could have a significant impact on the Group;
- Amendment of the methods and accounting principles currently used by the companies within the Group in relation to the establishement of their interim and consolidated accounts;
- Review and approval of the annual and consolidated accounts of any subsidiaries of the Group with an annual turnover of €25,000,000;
- The opening of a store or a subsidiary or a new activity in a new country;
- The auditor appointment or renewal;
- Any significant transformation or restructuring of a Group entity;
- The commercialization of any new line of products;
- any transaction that directly or indirectly modifies the share capital or equity (including any merger, demerger or spin-off or dividend distribution);
- Modification of more than 3% per year of the remuneration of the Group salaries compared to the annual budget;
- the execution, termination or modification of any agreement entered into with the founders or the principal executives of the Group (including their employment contracts or service agreements);
- The settlement of a dispute representing more than €2,000,000.

1.8 Principles and rules established by the Board for the compensation and benefits of any kind granted to corporate officers in fiscal year 2017

The compensation policy for corporate officers of the Company has been adapted to the normal practices of publicly traded companies and takes the recommendations of the AFEP-MEDEF Code into consideration.

1.8.1 Directors' fees

Under Article 6 of its internal rules, the Board, on the recommendation of the Nominations and Compensation Committee, freely distributes among its members the directors' fees allocated to the Board of Directors by the shareholders' meeting, taking into account the actual participation of the directors on the Board and in committees; A portion set by the Board, and taken from the amount of directors' fees allocated to the Board, is paid to the members of the Committees, also taking into consideration the effective participation of those members in the meetings of said Committees.

The compensation due to each member of the Board of Directors for fiscal 2017, after taking into account their attendance at Board and Committee meetings in 2017, is provided in Chapter 15 "Compensation and benefits" of the Registration Document to which this report is attached.

1.8.2 Compensation of executive officers

The compensation of the Chief Executive Officer and the Deputy Chief Executive Officers is composed of a fixed portion and a variable portion on the basis of a number of objectives defined on an annual basis.

The elements of compensation of the executive officers in respect of their corporate offices is determined by the Board of Directors on the recommendation of the Nominations and Compensation Committee:

The principles and rules established by the Board of Directors for determining the compensation and benefits paid to executive officers within this framework are described in Chapter 15 "Compensation and benefits" of the Registration Document to which this report is attached.

Pursuant to the recommendation of the AFEP-MEDEF Code, all elements of the compensation due or awarded for fiscal 2017 to the Chief Executive Officer and the Deputy Chief Executive Officers of the Company, as described in Chapter 15 "Compensation and benefits" of the Registration Document, will be submitted to the shareholders of the Company at the Annual Shareholders' Meeting scheduled for June 18, 2018.

In addition, pursuant to Article L.225-37-2 of the French Commercial Code, the principles and criteria for determining, dividing and awarding the fixed, variable and exceptional elements composing the total compensation and benefits of any kind attributable to executive officers for fiscal 2018, as presented in Chapter 15 "Compensation and benefits" of the Registration Document, will be submitted for approval to the Annual Shareholders' Meeting scheduled for June 18, 2018 in a specific resolution for each executive officer.

1.9 Shareholder participation in Shareholders' Meetings

The conditions for shareholder participation in shareholders' meetings are described in Articles 10, 11, 12, 13 and 20 of the bylaws, and in Sections 21.2.3 "Rights, privileges and restrictions attached to shares" and 21.2.5 "Shareholders' Meetings" of the Registration Document.

1.10 Information that could have an impact in the event of a public offering

The elements that could have an impact in the event of a public offering are described below.

The following table shows shareholders of the Company as of December 31, 2017:

Shareholders	Number of common shares	Number of Class G preferred shares(4):	Total number of shares and voting rights	% of voting rights
European TopSoho Sàrl (1)	44,829,918	0	44,829,918	61.3%
Founders: Sivan (2) Judor (3) Ylane Chétrite	3,025,392	5,250,000	8,275,392	4.1%
Managers	*Daniel Lalonde:* 119,225	1,605,000	1,724,225	0.2%
	Other managers: 582,801	6,976,075	7,558,876	0.8%
Public	24,576,588	0	24,576,588	33.6%
Treasury shares	36,099	0	36,099	0.0%
TOTAL	**73,170,023**	**13,831,075**	**87,001,098**	**100%**

The restrictions defined by the bylaws on the exercise of voting rights and stock transfers, or the clauses of agreements of which the Company has been informed pursuant to Article L.233-11 of the French Commercial Code, as well as the rules governing the nomination and replacement of members of the Board of Directors, and the agreements among shareholders of the Company known by the Company which may result in restrictions on stock transfers and the exercise of voting rights are described in Sections 18.2 “Declaration on control of the Company”, 21.2.3 “Right, privileges and restrictions attached to shares”, and 21.2.7 “Thresholds and identification of shareholders” in the Registration Document. The powers of the Board of Directors, particularly the issuance and purchase of shares, and the agreements signed by the Company that have been amended or end if control of the Company changes, are described in Sections 18.4 and 21.2.6 respectively of the Registration Document.

The direct or indirect interests held in the capital of the Company of which it is aware under Articles L. 233-7 and L. 233-12 of the French Commercial Code are described in the table of shareholders above.

There are no persons holding any security that carries special control rights or control mechanisms stipulated in a potential employee shareholding system, when the control rights are not exercised by employees.

Moreover, the Group has established agreements that stipulated severance packages for the termination or a change of position for the Chief Executive Officer and for Evelyne Chétrite, Judith Milgrom and Ylane Chétrite in their capacity as Deputy Chief Executive Officers. Detailed information is presented in Section 15.1 of the Registration Document.

2. INTERNAL CONTROL AND RISK MANAGEMENT

2.1 Introduction

2.1.1 Context

The report is a report on the internal control procedures implemented by the SMCP Company. It covers SMCP, but all the subsidiaries in which SMCP exercises exclusive or majority control.

In effect, SMCP works to ensure the homogeneity, throughout the Group, of the principal financial procedures while respecting the characteristics specific to each business, in order to preserve the relevance of analyses and the responsiveness of decisions. It is also establishing, throughout the consolidated group, risk identification procedures in order to develop adequate procedures and pertinent controls for each critical cycle. SMCP Group is particularly sensitive to the challenges of internal control, especially in accounting and finance, where the reliability of the information is of major importance.

This report is the result of a collection of information and analyses conducted in collaboration with the different internal control staff within SMCP and its subsidiaries, which result in a factual description of the control environment and the procedures in place.

The preparation of this document was coordinated by the Finance Department. This report was subject to a validation process involving Executive Management, the Finance Department, Legal Department, and all the members of the Executive Committee.

2.1.2 Objectives et principles of internal control

The Group’s internal control system is based, in particular, on its business intelligence systems that monitor in real time a large number of performance indicators in the primary operational segments of the Group. The Group’s internal control system is based on the following principles:

It is designed to guarantee:

- compliance with laws and regulations;
- the application of the instructions and strategies defined by the Group's Executive Management;
- the correct operation of the Group’s internal processes, particularly those that contribute to the protection of its assets; and

- the reliability of the financial information.

The internal control system consists of the following components:

- ongoing monitoring of key performance indicators in each of the Group's operational segments, at all levels of the Group, contributing to the improvement of the control environment and the rapid identification of any anomalies;

- a formal definition of powers and responsibilities within the framework of policies and procedures set up by the Group;

- a set of policies and procedures for the preparation and verification of the Group's financial information;

- high-performance IT systems in order to be able to analyze the Group's business in real time;

- a risk management system.

2.2 Participants in the internal control and risk management process

2.2.1 Executive Management

Under the terms of Article 19 of the bylaws as adopted by the Company following the initial public offering of the Company's stock on Euronext Paris, the Chief Executive Officer is vested with the most extensive powers to act in all circumstances in the name of the Company. He or she exercises these powers within the limits of the corporate purpose and subject to those powers expressly attributed by law to Shareholders' Meetings and to the Board of Directors. Under Article 3.2 of its internal rules, the Board of Directors gives its prior approval, by simple majority vote of the members present or represented, for any act or decision of the Chief Executive Officer concerning the following:

- Approval or amendments to the annual budget of the Group;

- Approval or material amendments to the three-year annual business plan;

- Any issue of shares, instruments or securities giving rights, immediately or deferred, to the capital of the Group;

- Subscription of any indebtedness for an aggregate amount larger than €10,000,000 per year above annual budget and any modification of the terms of thta indebtedness, including amendment of financing documentation entered into in coeection with the initial public offering;

- All decision that may lead to an event of default or an acceleration according to the financing documentation;

- All overspending of the budget for investment expenditures over 10% compared to the annual budget;

- The conclusion, the termination or any significant modification of any contract representing more than €4,000,000 per year, other than those described in (v) and (ix);

- Any expenditure of an individual amount superior to €2,000,000 unexepcted in the annual budget;
- The creation, acquisition, selling, termination or constitution of any guarantee on any activity, subsidiary, or assets for an amount superior to €2,000,000 or representing more than €7,000,000 turnover/Group annual profit or inducing annual investments of more than €3,000,000 (unless approved in the budget);
- Any firing, dismisssal change of scope of duties or remuneration of any employee or a corporate officer of the Group whose annual remuneration (both fixed and variable) exceeds €250,000;
- Conclusion of any industrial or commercial joint-venture agreement or merger agreements with a third party that could have a significant impact on the Group;
- Amendment of the methods and accounting principles currently used by the companies within the Group in relation to the establishement of their interim and consolidated accounts;
- Review and approval of the annual and consolidated accounts of any subsidiaries of the Group with an annual turnover of €25,000,000;
- The opening of a store or a subsidiary or a new activity in a new country;
- The auditor appointment or renewal;
- Any significant transformation or restructuring of a Group entity;
- The commercialization of any new line of products;
- any transaction that directly or indirectly modifies the share capital or equity (including any merger, demerger or spin-off or dividend distribution);
- Modification of more than 3% per year of the remuneration of the Group salaries compared to the annual budget;
- The execution, termination or modification of any agreement entered into with the founders or the principal executives of the Group (including their employment contracts or service agreements);
- The settlement of a dispute representing more than €2,000,000.

Executive Management works in close collaboration with the Finance Department in order to prepare the financial statements for approval by the Board of Directors. For this purpose, in its capacity as the responsible party for the establishment of the financial statements and the implementation of the accounting and financial internal control systems, Management discusses these issued with the Statutory Auditors on a regular basis during synthesis meetings and working meetings on current issues that could impact the Group’s business.

2.2.2 Operational Departments represented on the Executive Committee

The Group has established an Executive Committee composed, as of December 31, 2017, of thirteen members whose mission is to coordinate the operational management of the Group. This Committee, which meets monthly, analyzes the operational and financial performance of the Group, determines and monitors the progress of strategic projects, and recommends actions plans to achieve the Group's short and medium-term objectives. This Executive Committee, chaired by Daniel Lalonde, is composed of the principal operational managers of the Company:

- Evelyne Chétrite, Sandro Founder and Artistic Director;
- Judith Milgrom, Maje Founder and Artistic Director;
- Ylane Chétrite, Founder of Sandro Homme and Artistic Director;
- Isabelle Allouch, Chief Executive Officer of Claudie Pierlot;
- Flavien d'Audiffret, Digital and CRM Director;
- Jean-Baptiste Dacquin, Director of Human Resources;
- Philippe Gautier, Chief Finance and Operations Officer;
- Paul Griffin, Chief Executive Officer North America;
- Isabelle Guichot, Maje Chief Executive Officer;
- Jean-Philippe Hecquet, Sandro Chief Executive Officer;
- Elina Kousourna, Director of Strategy and Development; and
- Stéphane Ledru, Chief Executive Officer, Asia.

2.2.3 Support Departments

Finance Department

The corporate finance activities of the Group are centralized within the SMCP Finance Department for both France and International.

The Finance Department relies on the operational, administrative and/or financial managers of the international subsidiaries, who are daily relay points.

The Finance Department is responsible for establishing the financial statements, consolidating the results for the needs of periodic financial reporting, for producing and communicating to the operational departments the indicators and aggregates necessary to direct the activity and manage cash. The scope of its activity includes:

- The accounting and settlements of accounts: each position is established in collaboration with the operational officers and is reviewed by the Finance Department.
- Off-balance sheet commitments: any new contract or operation is evaluated and monitored on a regular basis.

- Budgets: budgets for revenue, operating costs, gross margin and EBITDA, and sales structures are prepared with applications developed in-house using the same approach as the statements of actual data prepared on the Group's management tool. These data serve as the basis for the development by the Finance Department of the targets defined by Executive Management.

- Sales administration: net sales are recorded in compliance with the contract documentation and the accounting standards governing revenue recognition.

- Management control: management control is performed on both the national and international levels by a team dedicated to each of these areas.

- Cash management: cash management is centralized. A daily reporting is sent to Management and projects are updated monthly.]

- Operational reporting: the Group has set up weekly and monthly internal activity reporting on the relevant indicators and metrics for the activity. This periodic reporting is analyzed by the Finance Department and provided to the Executive Committee and to Executive Management to obtain a financial view of the management of the business.

Legal Department

The Legal Department supports all operations conducted by the Company and its agents in France and internationally. Its areas of intervention are commercial law, consumer law, competition law, intellectual property law, labor law, market law, corporate law, commercial contracts, the management of disputes and litigation, daily support for the operational departments, both in France and abroad.

The Legal Department ensures the legal security of specific operations (the Company's strategic development and deployment operations, external growth projects, commercial partnerships, internal restructuring operations, etc.) and provides daily support to the operational departments.

The Legal Department sets up legal and compliance processes in order to manage the legal risks that the Group could incur.

2.2.4 Committees

Audit Committee

The Audit Committee is composed of three members, two of whom are appointed from among the independent members of the Board of Directors. The composition of the Audit Committee may be modified by the Board of Directors and, in any event, must be modified in the event of any change in the general composition of the Board of Directors.

Pursuant to applicable legal provisions, members of the committee must have specific skills in financial and/or accounting matters.

The term of office of the members of the Audit Committee coincides with their term on the Board of Directors. It may be renewed at the same time as their term on the Board of Directors.

After careful consideration, the chairman of the Audit Committee is appointed by the Board of Directors from among the independent members, on the recommendation of the Nominations and Compensation Committee. The Audit Committee may not include executive officers. The Audit Committee is chaired by an independent member of the Board of Directors.

The role of the Audit Committee is to follow up on matters relating to the preparation and audit of accounting and financial information and to ensure that the risk monitoring and operational internal control procedures are effective, and to assist the Board of Directors in exercising its control and monitoring functions in such matters.

In this context, the Audit Committee performs the following primary duties:

(a) Monitoring the process for preparing financial information;

The Audit Committee must review, prior to presentation to the Board of Directors, the company and consolidated, annual or half-year and, if applicable, quarterly financial statements and ensure the pertinence and permanence of the accounting methods used to prepared these statements. If necessary, the Committee will review major transactions which could have generated a conflict of interests.

In particular, the Audit Committee must review provisions and adjustments to provisions, and any situation that may generate a significant risk for the Group, as well as any financial information or any quarterly, half-year or annual report on corporate business, or prepared as part of a specific operation (spin-off, merger, market transactions, etc.).

This review must take place at least two (2) days before the review conducted by the Board of Directors.

The review of the financial statements must include a presentation from the Statutory Auditors indicated the essential points relating the results of the legal audit, including audit adjustments and significant weaknesses in the internal control identified during the work, but also about the accounting options used, as well as a presentation by the Chief Finance Officer describing the significant risks and off-balance sheet commitments of the Company.

(b) Monitoring the effectiveness of the systems for internal control, internal audit and the management of risks relating to financial and accounting information;

The Audit Committee ensure the pertinence, reliability and implementation of the Company's internal control, hedge identification and risk management procedures related to its business and the accounting and financial information.

The Committee must also review the significant off-balance sheet commitments and risks of the Company and its subsidiaries. In particular, the Committee must hear from internal audit managers and regularly review the business risk mapping. The Committee must also give its opinion on the organization of the internal audit unit and be informed about its work program. It must receive the internal audit reports or a periodic summary of these reports.

The detailed review of the risk mapping is conducted during Committee meetings dedicated to this purpose. The Committee reviews the significant risks and off-balance sheet commitments, specifies the importance of the malfunctions or weaknesses communicated to it, and informs the Board as needed.

The Committee monitors the existence, effectiveness, deployment and implementation of corrective actions if significant weaknesses or anomalies identified in the internal control and risk management systems.

(c) Monitoring the audit of the corporate and consolidated financial statements by the Company's auditors

The Committee must be informed of and monitor the following with the Company's Statutory Auditors (including outside the presence of executives): their general work program, any difficulties encountered in the performance of their mission, changes they believe have been made to the Company's accounts or other accounting documents, accounting irregularities, anomalies or inaccuracies they may have found, significant uncertainties or risks relating to the preparation and processing of the accounting and financial information, and any significant weaknesses in the internal control they may have discovered.

The Committee must regularly interview the Statutory Auditors, including outside the presence of the executives. In particular, the Audit Committee must hear from the Auditors at Committee meetings dealing with the review of the financial information preparation process and the audit of the financial statements, so that they report on the performance of their missions and the conclusions from their work.

(d) Monitoring the independence of the Statutory Auditors.

The Committee must direct the procedure to select and appoint the Statutory Auditors, and submit this selection to the Board of Directors. At the expiration of the appointments of the Statutory Auditors, the selection or renewal of the Statutory Auditors may be preceded, on the recommendation of the Committee or a decision by the Board, by a bid tender process supervised by the Committee, which validates the specifications and the choice of the firms consulted and ensuring the Section of the "best bidder" and not the "lowest bidder."

In order to allow the Committee to monitor, throughout the appointment of the Statutory Auditors, the rules of independence and objectivity of the Statutory Auditors, the Audit Committee receive the following every year:

- the declaration of independence of the Statutory Auditors;
- the amount of the fees paid to the Auditors' network by the companies controlled by the Company or the entity that controls the Company for services not directly related to the mission of the Statutory Auditors; and
- information on the services performed for the work directly related to the mission of the Statutory Auditors.

The Committee must also review with the Statutory Auditors the risks affecting their independence and the protective measures taken to attenuate these risks. In particular, it must ensure that the amount of the fees paid by the Company and the Group, or the percentage they represent in the net sales of the firms and networks, are not sufficient to damage the independence of the Statutory Auditors.

The audit mission must be exclusive of any other work not related to this mission with respect to the code of ethics of the audit profession and professional standards. The Auditors selected must waive, for themselves and the network to which they belong, any consulting activity (legal, fiscal, IT, etc.) performed directly or indirectly for the benefit of the Company. For the companies controlled by the Company or the company that controls the Company, the Auditors must refer more specifically to the code of ethics of the Auditors' profession. However, after prior approval from the Audit Committee, incidental work or work that directly complements the audit of the accounts may be performed, such as acquisition or post-acquisition audits, but excluding valuation and consulting work.

The Committee reports regularly to the Board of Directors on the performance of its tasks and informs it promptly of any difficulties encountered.

The Nominations and Compensation Committee

The Nominations and Compensation Committee is composed of four members, the majority of whom are independent members of the Board of Directors as defined by Article 1.1 of the internal rules of the Board. They are appointed by the Board of Directors from the members and in consideration of their independence and expertise in the selection and compensation of executive officers of listed companies. The Nominations and Compensation Committee may not include any executive officer of the Company.

The chairman of the Nominations and Compensation Committee is appointed from among the independent members by the Board of Directors.

The Nominations and Compensation Committee is a specialist committee of the Board of Directors whose main role is to assist the Board in the composition of the management bodies of the Company and the Group and in determining and regular review of all compensation and benefits packages for executive officers or senior managers of the Group, including all deferred benefits and/or Group voluntary or compulsory severance packages.

In this context, the Committee performs the following primary missions:

(a) Recommends nominations for members of the Board of Directors, executive management and Board committees

The mission of the Nominations and Compensation Committee is to make recommendations to the Board of Directors for the appointment of Members of the Board of Directors (by the shareholders' meeting or by appointment) and members of Executive Management, as well as the members and Chairman of the Committees of the Board of Directors.

For this purpose, it transmits proposals with reasons to the Board of Directors. These proposals are guided by the interests of the shareholders and the Company. Generally, the Committee must make every effort to reflect a diversity of experience and viewpoints, while ensuring a high level of expertise, internal and external credibility, and the stability of the governing bodies of the Company. In addition, the Committee established and updates a succession plan for members of the Board of Directors and for the principal executives of the Company and the Group so that it is able to rapidly propose succession solutions to the Board in the event of an unplanned vacancy.

Specifically in the case of the nomination of members of the Board of Directors, the Committee takes the following criteria into consideration: (i) the desirable balance of the members of the Board given the composition and changes in the shareholding structure of the Company; (ii) the desirable number of independent Board members; (iii) the proportion of men and women required by the current regulations; (iv) the timeliness of renewal of terms; and (v) the integrity, expertise, experience and independence of each candidate. The Nominations and Compensation Committee must also organize a procedure to select future independent members and conduct its own studies on potential candidates before any approach is made to such candidates.

When it issues its recommendations, the Nominations and Compensation Committee must work so that the independent members of the Board and the Committees include at least the number of independent members required by the governance principles to which the Company refers.

(b) Annual review of the independence of members of the Board of Directors.

Every year before the publication of the Company’s annual report, the Nominations and Compensation Committee reviews the situation of each Board member on the basis of the independence criteria adopted by the Company, and submits its opinions to the Board so that the Board can review the situation of each interested party on the basis of these criteria.

(c) Reviews and recommends to the Board of Directors all aspects of the components and conditions of the compensation for the Group's key executives

The Committee prepares proposals that include the fixed and variable compensation, as well as, if applicable, stock options, awards of performance options, retirement and insurance plans, severance packages, in-kind or specific benefits, and any other potential direct or indirect elements of compensation (including long term) that can constitute compensation for the members of Executive Management.

The Committee is informed of the same elements of the compensation for the main executives of the Group and the policies implemented in this respect within the Group.

In the context of preparing its recommendations and its work, the Committee takes into consideration market practices for corporate governance to which the Company adheres, including the following principles:

(i) The amount of the total compensation of members of Management submitted for a vote by the Board of Directors takes into account the company’s general interest, market practices, and the performance of corporate executive officers.

(ii) Each of the elements of the compensation for members of Management is clearly explained and reflects the general interest of the company. The appropriateness of the compensation proposed must be assessed within the environment of the Company’s business and by reference to practices in the French market and international practices.

(iii) The compensation of the members of Executive Management must be determined fairly and be consistent with the compensation of other executives of the Group, taking into consideration their responsibilities, expertise, and respective personal contributions to the performance and the growth of the Group.

(iv) The Committee proposes criteria to define the variable portion of the compensation for members of Executive Management, which must be consistent with the assessment conducted annually of the performance of the members of Executive Management and with the Group's strategy. The performance criteria used to determine the variable portion of the compensation of executive officers, whether it is a bonus or the award of stock options for new or existing shares or performance shares, must be simple to establish and explain, satisfactorily translate the performance target and economic development of the Group at least in the medium term, allows transparency for shareholders in the annual report and at shareholders' meetings, and be in lines with the Company's objectives and normal practices for executive compensation.

(v) The Committee monitors changes in the fixed and variable portions of the compensation of executive officers over several years in terms of the Group's performance.

(vi) If applicable, especially in the case of stock options for new or existing shares or performance shares, the Committee ensures that these are motivated by a goal to strengthen convergence of the interests of the beneficiaries and of the Company over time. Any member of Executive Management must make the commitment not to use hedging transactions to cover his or her risk for said options or performance shares.

(vii) The same methodology applies for the assessments of the compensation and benefits of the principal executives who are not officers of the Group or the Company and, more generally, the policies implemented in this area.

(viii) In all the matters described above, the Committee may formulate any proposal or recommendation at its own initiative or at the request of the Board of Directors or Executive Management.

(d) Reviews and recommends to the Board of Directors the method for apportioning directors' fees

The Committee recommends to the Board of Directors a distribution of directors' fees and the individual payments to be made to members of the Board of Directors, taking into consideration their effective participation on the Board and on the Committees of the Board, in their responsibilities and the time they must devote to their duties.

The Committee also formulates a proposal on the compensation allocated to the Chairman of the Board of Directors of the Company.

(e) Special missions

The Committee is consulted for a recommendation to the Board of Directors on all other exceptional compensation for special assignments which the Board of Directors may assign, if necessary, to certain of its members.

3. INTERNAL CONTROL AND RISK MANAGEMENT PROCESS

In the area of internal control and risk management, the Group has decided to apply the main recommendations proposed by the AMF's reference framework and guides to application, which were updated in July 2010.

3.1 Risks associated with the Group's business sector

SMCP faces several risks associated with the Group's business sector. The main risks are identified below:

- The Group is exposed to risks related to the competitive environment and its businesses face intense competition.

- Economic conditions and changes in those conditions, particularly in France, may have a material adverse impact on the Group.

- The Group's business is exposed to risks from changes in consumer trends and preferences, seasonal and weather variations, and changes in tourism flows.

- An increase in the production costs for products sold by the Group, particularly in China, and an increase in labor costs, particularly in France, could have a negative impact on the activity of the Group.

- The Group uses third parties in its business, primarily for the manufacture and distribution of products (local partners and affiliates) and could suffer losses from their default.

- If the suppliers or manufacturers used by the Group do not comply with labor laws, the applicable social protection laws and acceptable social and environmental standards, the reputation of its brands and its earnings could be negatively affected.

- The reputation of the Group's brands may be negatively impacted by marketing defective products, and the Group could incur liability.

- The Group is exposed to the counterfeiting risk, particularly in its new markets, which could have a negative impact on the value and image of the Group's three brands.

3.2 Risks associated with the Group's business activities

SMCP faces several risks associated with the Group's business activities. The main risks are identified below:

- The financial performance of the Group is closely tied to the reputation of the brands and the integrity and image of the Group, particularly because of the media exposure of the three brands - Sandro, Maje and Claudie Pierlot.

- The Group is exposed to a risk of impairment of its intangible assets (goodwill).

- The implementation of the Group's growth strategy could be slowed for different reasons, including the inability to identify appropriate locations and difficulty in implementing its expansion strategy satisfactorily at the rate planned, which could have an adverse impact on the Group's financial position.

- Rapid growth of the Group's businesses could make management of its operations more complex.

- The Group is exposed to the risk of non-renewal of its leases and concession agreements with department stores.

- The Group is exposed to the risk that its marketing initiatives do not guarantee the development of the Group's brand recognition, and do not succeed in attracting new customers to continue to develop its business, and the risks of unsatisfactory responses to questions or claims from customers.

- The Group is exposed to the risks relating to its international operations related to the need to adapt to local markets, currency fluctuations, or even customs barriers, particularly due to Brexit.

- The Group is exposed to the risks of using a set of IT applications, particularly in the event of a failure of the systems that could result in losses and late deliveries.

- The Group is exposed to risks related to thefts of products and money at in its points of sale, the theft of products during shipment or the theft of the personal data of customers.

- A significant increase in the commissions on sales levied by credit card suppliers and non-compliance with the rules for electronic money transfers could have an adverse impact on the Group's financial position.

- The Group is exposed to the risk associated with e-commerce and online sales, which are characterized by rapid technological changes.

- Dependence on certain suppliers or certain industries could have a material negative impact on the Group's business if relations with these parties deteriorate.

- The Group is exposed to the risks of strikes or other labor movements that could cause business interruptions or damage its reputation, although the Group has not suffered from any labor movement in the past.

- Weak formalization of agreements with suppliers, which consist of periodic pricing agreements, particularly with small suppliers, exposes the Group to risks of challenges, disputes or conflicts if disagreements arise between the parties.

- The Group may study acquisition opportunities, the execution of which could be complex, long and costly.

3.3 Risks associated with the Company

SMCP faces several risks associated with risks for the Company. The main risks are identified below:

- The Group is exposed to the risk of the loss of key personnel, particularly Daniel Lalonde, Evelyne Chétrite and Judith Milgrom, who are founders and Deputy Chief Executive Officers responsible for creation policy, design, artistic direction and marketing strategy for the Sandro and Maje, and Ylane Chétrite, Deputy Chief Executive Officer for creation, design, artistic direction and marketing strategy for the Sandro Homme collections.

- The Company is a holding company whose financial position depends on the positions of the other companies of the Group.

- The Group is exposed to the risk on its debt and the covenants in its financing agreements.

- The Group's results of operations can vary from one period to the next and their comparability is not necessarily representative of trends for the Group's future results.

3.4 Regulatory, legal and tax risks

SMCP faces several regulatory, legal and tax risks The main risks are identified below:

- The Group is exposed to the risks related to its intellectual property rights (its three brands in particular).

- The Group's businesses are subject to many regulations that could change in the future.

- The Group is exposed to the risks related to court, administrative, criminal or arbitration proceedings that may be part of significant financial claims.

- The Group is exposed to insurance risks, including the risks of potential incidents not covered by its insurance policies or when the amount exceeds the ceilings stipulated by the policies.

- The Group is exposed to the risks related to requirements resulting from applicable tax policy and changes in that policy (particularly on the Group's ability to deduct interest for tax purposes, use its tax deficits and continue to benefit under the same conditions from the tax credit for competitiveness and employment or any other mechanism that may replace it).

3.5 Market risks

SMCP faces several market risks. The main risks are identified below:

- Liquidity risk;

- Interest rate risk;

- Credit and/or counterparty risk; and

- Foreign exchange risk.

4. DESCRIPTION OF THE KEY CONTROLS ESTABLISHED ON THE PROCESSES AND MAJOR ACTIVITIES OF THE GROUP

4.1 Objectives, organization and function

Objectives

Risk control is carefully monitored by Group's senior management, with the close involvement of internal control. The Group's internal risk management and control systems are based on a combination of appropriate resources, procedures and actions intended to ensure that the necessary measures are adopted to allow the Group:

- to achieve its objectives, accomplish its missions and detect opportunities to develop its business, in compliance with its values, ethics and applicable laws and regulations; and

- to protect its main assets which form the basis of its business (tangible and intangible assets and, notably, its trademarks), to identify critical points and internal and external events and at-risk situations for the satisfactory conduct of its business.

Organizational framework

The Group's internal control and risk management process has been led since May 2015 by its Internal Control and Audit Department, which allows the Group, with its rapidly developing size and structure, to identify and prevent the risks that it may face. The Internal Control and Audit Department incorporates three functions: (i) risk management, (ii) internal control and (iii) internal audit.

The Internal Control and Audit Department reports to the Group's Director of Finance and Operations and may also report directly to the Group's Chief Executive Officer.

Internal control and risk management is the responsibility of the operational senior management of each Group entity, under the control of the Internal Control and Audit Department. Within each of these entities, the person responsible for risk management (generally the director or finance director) is responsible for verifying the satisfactory application of preventive procedures and the possibility of introducing new procedures that could, after examination by the Internal Audit and Control Department, be applied across the whole Group. The Internal Control and Audit Department plays a key role by establishing procedures applicable at the Group level (that is, with no distinction between the three brands) and defining the framework under which subsidiaries fulfill their responsibilities for internal control and risk management. It also coordinates the functioning of the overall system.

The internal control and risk management system

The Group's overall internal control and risk management system elaborated on the international "COSO" (Committee of Sponsoring Organizations of the Treadway Commission) framework and is based on several aspects, including:

- the control of operating risks;

- the management of the Group's overall risks at various levels (entities, functional departments and subsidiaries);

- the mapping of the major risks facing the Group;

- the oversight of the Group's internal control system;
- the ethics organizational structure and system; and
- the internal audit which, as an independent assurance function, evaluates the effectiveness and functioning of the overall system and reports to the various parties responsible for governance.

4.2 Operational risk management

Risk management relies on measures implemented by the Group to identify, analyze and control the risks to which it is exposed. The risk management system is subject to regular monitoring by senior management at the Group's operational entities, who report on risks to the Group Internal Control and Audit Department. The latter conducts the specific initiatives summarized below.

As part of the risk management procedure, the Group maps its main risks. The process for preparation and review of risk mapping, which was introduced in 2015 by the Group Internal Control and Audit Department, in particular with regard to the market listing of the Group's shares, identifies the main risks to which the Group is exposed and, for each risk, assesses its potential impact, the action plan in place and the personnel within the Group who are responsible for monitoring and associated controls.

This risk mapping is updated each year and allows the Group to define and follow up on the various specific action plans implemented to reduce or control the risks identified. By way of illustration, the action plans and internal policies in place to manage the risks identified by the Group include the following:

- *Risks associated with the competitive environment*. In a highly competitive sector, due in particular to the development of e-commerce and constant changes in consumer trends and preferences, the Group seeks to be present in all possible marketing channels (i.e., physical (free-standing stores, concessions and factory outlets) and digital (its own or partner websites)), and closely monitors changes in the markets in which it operates, including its main competitors' product offerings. It also relies on the speed of its production cycle and logistics for rapid upstream marketing of products that satisfy the latest consumer taste trends.
- *Risks associated with economic conditions and their evolution*. To limit the negative impact of adverse economic conditions on its business, the Group's development is focused on two main areas: (i) continued expansion of its international presence, with a gradual reduction of its exposure to its historic market (Group net sales generated in France fell from 50% to 41% between 2015 and 2017) and (ii) retaining its positioning in the accessible luxury market segment, where demand is characterized by reduced sensitivity to economic cycles.
- *Risks associated in an increase in production costs.* The Group has a broad range of products, which enables it to reduce its dependence on any specific product line. In addition, its policy of diversification and negotiation with its suppliers allows it to reduce its dependence on individual suppliers. The Group can also entirely or partially compensate an upward trend in production costs by a targeted increase of the sale price of finished products.
- *Risks associated with changes in consumer trends and preferences*. The Group markets two collections a year with products under three different brand names (Sandro – available in menswear (Sandro Homme) and womenswear (Sandro Femme), Maje and Claudie Pierlot) which represent distinctive styles. This diversity allows it to respond to differing consumer expectations and

changes in these expectations. In addition, the Group is seeking to diversify its product range, including its line of clothing for men (Sandro Homme), its range of accessories and the use of e-commerce.

- *Risks associated with logistics and efficient order processing*. For efficient management of order processing, the Group relies on several logistics sites located in the Paris region (Vémars, Marly-la-Ville and Vatry), and a semi-automated order preparation system. Should this system fail, the Group can institute temporary manual order processing as a fall-back. In addition, the Group may make use of other carriers in the event of failure by one of the carriers with whom it usually works.

- *Risks associated with the Group's brand reputation, integrity and image*. The financial performance of the Group is closely linked to the success and reputation of its three brands, Sandro, Maje and Claudie Pierlot. The Group places particular importance on protecting its brands and controlling their use. It has filed for protection or restriction of the use of its trademarks in all countries where it wishes to protect its rights. In addition, it ensures that the image of its brands is directly controlled throughout the entire distribution network; for example, its partners and affiliates must adopt a concept for their points of sale that is identical to that of the Group's directly-operated points of sale (by implementing the recommendations in the Group's "concept book"). Lastly, the Group actively pursues a policy of judicial remedy against counterfeiting or, more generally, fraudulent use of its trademarks.

- *Risks associated with Group customer relations*. The Group has established a "personalized sales strategy" to ensure that customers are offered the products that best suit their needs. In addition, the Group's sales teams all benefit from a training program launched in 2013 which trains vendors in sales techniques, the fundamental aspects of luxury brands and customer assistance. Finally, the Group uses CRM tools to promote customer loyalty and offer them attractive services.

- *Risks associated with the loss of key personnel*. The success of the Group is particularly linked to the performance of its management and creative teams, established around Mr. Daniel Lalonde and around Ms. Evelyne Chétrite and Ms. Judith Milgrom, the founders and Deputy Chief Executive Officers responsible for creating policy, design, art direction and marketing strategy of the Sandro and Maje brands, respectively, and Mr. Ylane Chétrite, Deputy Chief Executive Officer responsible for creating policy, design, art direction and marketing strategy of the Sandro Homme collections. To manage the risk related to a possible departure of one or more members of its team, the Group has, in recent years, sought to strengthen it progressively with the arrival of new talent, particularly from international luxury or mass market groups. This strengthening has involved both the creative activity and the operational departments (finance, brand management, North America and Asia management, e-commerce). As of the date of this report, the creative teams of the Sandro, Sandro Homme, Maje and Claudie Pierlot brands represent nearly one hundred designers, stylists and pattern makers.

- *Risks associated with dependence on certain suppliers*. For each brand, the Group's production teams ensure access to a panel of suppliers for each product line and diversification of suppliers' geographic locations. They identify new suppliers each year in order to avoid becoming dependent on particular suppliers.

The Chairman of the Board of Directors

Appendix II
Statutory auditors' report prepared in accordance with Article L. 225-235 of the French Commercial Code (Code de commerce), on the report of the Chairman of the Board of Directors of SMCP for the 20-month period ended December 31, 2017

This is a free translation into English of the statutory auditors' report issued in French prepared in accordance with Article L.225-235 of the French Commercial Code on the report prepared by the Chairman of the Board of Directors on the internal control procedures relating to the preparation and processing of accounting and financial information issued in French and is provided solely for the convenience of English speaking users.

This report should be read in conjunction with, and construed in accordance with, French law and the relevant professional standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of SMCP and in accordance with Article L. 225-235 of the French Commercial Code (Code de commerce), we hereby report to you on the report prepared by the Chairman of your Company in accordance with Article L. 225-37 of the French Commercial Code for the 20-month period ended December 31, 2017.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report on the internal control and risk management procedures implemented by the Company and containing the other disclosures required by Article L.225-37 of the French Commercial Code, particularly in terms of corporate governance.

It is our responsibility:

- to report to you on the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of accounting and financial information, and

- to attest that this report contains the other disclosures required by Article L. 225-37 of the French Commercial Code, it being specified that we are not responsible for verifying the fairness of these disclosures.

We conducted our work in accordance with professional standards applicable in France.

Information on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information.

These procedures mainly consisted in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and the existing documentation;

- *obtaining an understanding of the work involved in the preparation of this information and the existing documentation;*

- *determining if any significant weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our engagement are properly disclosed in the Chairman's report.*

On the basis of our work, we have nothing to report on the information in respect of the Company's internal control and risk management procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the Chairman of the Board of Directors in accordance with Article L. 225-37 of the French Commercial Code.

Other disclosures

We hereby attest that the Chairman's report includes the other disclosures required by Article L. 225-37 of the French Commercial Code.

Paris La Défense and Neuilly sur Seine, April 27, 2018

The Statutory Auditors

KPMG S.A.	*Deloitte & Associés*
Valéry FOUSSE	*Albert AIDAN*

Annexe III
Corporate Social and Environment Responsibility report (CSR)

0/ INTRODUCTION

2017 was an important year for SMCP, both on the strategic level and in terms of Corporate Social and Environmental Responsibility. The IPO that capped off the exceptional growth in recent years was an opportunity for us to conduct an inventory of our practices in relation to the corporate, social and environmental challenges, particularly through an initial analysis of materiality. This will let us structure our CSR strategy and our commitments in 2018. For this year, this chapter is intended to report, first, on our direct impacts, given that our Group designs and markets products with production subcontracted out and, second, our policies and actions in place to ensure the sustainability of our activities.

SMCP Group

a. The Group and its values

Since the creation of the Sandro brand in 1984 by Evelyne Chétrite, the launch of its sister brand Maje by Judith Milgrom in 1998, then the 2009 acquisition of Claudie Pierlot (founded in 1984) and, finally, the formation of the SMCP Group in 2010, our Group has grown from a few Sandro boutiques in Paris to an international Group composed of 1,332 points of sales in 38 countries, reaching €912 million in annual sales in 2017. Since 2010, we have increased our sales by a factor of five. Our Paris studios and workshops design all the creations of the SMCP Group to fulfill our mission of sharing Parisian fashion across the globe.

This exceptional growth is supported by a dynamic that is anchored in our values: an entrepreneurial spirit, passion, creativity and innovation, a global mindset and elegance. We embrace challenges, we act with determination and a sense responsibility, and we maintain our agility. We are passionate about our brands and develop them in line with their DNA. We brainstorm new ideas at all levels of our organization so that we always maintain a lead. We collaborate internationally and serve each customer, anywhere in the world, with the same professionalism. We cooperate constructively and constantly adopt an honest and respectful attitude towards others. These values were defined in 2014 with the participation of the top managers in the Group (around 100). They were then shares with all our employees.

b. The challenges of sustainable development identified

In 2018, we conducted a diagnostic of our Social and Environmental Responsibility (CSR) practices, with the assistance of a sustainable development consulting firm, through interviews with representatives of the Executive Committee and outside stakeholders (distributor, NGO, think tank). This diagnostic process identified our strategic challenges, particularly those for which expectations were highest.

We defined six major areas of action organized into around thirty challenges to be address within our CSR strategy:

Design and customer relationship

- Guarantee customer satisfaction
- Evolve towards responsible materials
- Guarantee the quality and safety of the products and the absence of toxic substances
- Managed unsold inventories responsibility
- Guarantee product traceability and labeling
- Promote responsible marketing

Respect of the environment

- Minimize the environmental impact of our activities
- Reduce waste, particularly the waste related to packaging
- Reduce energy consumption and the impact on climate change
- Respect and encourage the well-being of animals
- Manage infrastructures sustainably

Our product supply chain

- Engage with the supply chain on the environmental and social risks
- Respect and promote human rights and labor rights over the entire value chain
- Avoid water pollution

Our relationship with society

- Ensure a good reputation
- Encourage constructive dialog with stakeholders
- Defend a cause and conduct strategic societal actions
- Create value for French and European design and production

Development of our human and organizational capital

- Encourage employee satisfaction
- Guarantee fair and equitable compensation and benefits for employees
- Ensure responsible composition of the Board of Directors

- Guarantee the health and safety of employees
- Promote diversity and inclusion
- Encourage employee autonomy and attract new talent
- Promote an enterprise culture
- Ensure a responsible digital transformation

Ethical and commercial practices

- Fight against corruption
- Ensure and enhance responsible tax practices
- Develop a culture of integrity
- Guarantee the security and private life of customers
- Guarantee intellectual property

These six major area of actions reflect our values, which encourage us to act as aware entrepreneurs (I), commit with passion and attention (II), innovate and create for a better world (III), rely on our international presence to help meet global challenges, (IV) and act elegantly in all circumstances (V).

c. Implementation of the CSR approach

Our Group wants to insert its exceptional development with a process of progress and sustainable development by meeting the major economic, societal and environmental challenges for our businesses. To achieve this, the CSR function is attached to the Department of Strategy and contains a CSR Officer as well as a dedicated project manager. The structuring of the approach completed in 2018 is a first step, involving all representatives of the Executive Committee. Our Group is currently working on a definition of CSR objectives and a roadmap. This report describes the Group's actions and performance on the CSR challenges identified.

d. Strategic importance and risks and opportunities related to CSR

Building an authentic philosophy and strategy for sustainable development is one of our priorities. We want sustainable growth that respects humans and the environment.

The rapid growth of our business requires consideration of CSR challenges in order to preserve the reputation, integrity and brand image of the Group with our customers, employees and stakeholders. In addition, Group brands are subject to CSR regulatory obligations (Articles 75 and 225 of the "Grenelle II" Act and the Energy Audit).

In the absence of a formal and clearly communicated CSR strategy, risks can impact our Group, and particularly impact the following:

- The rapid business growth;
- The reputation, integrity and brand image of the Group;
- The Group's international operations and the risks specific to each production and distribution country;
- Data theft and hacking;
- Maintenance of good relations with employees within a context of Group expansion.

Thanks to the establishment of our well-founded and structured CSR strategy, these risks will be controlled as optimally as possible.

Moreover, we have observed a growing expectation and sensitivity from our employees and customers with regard to the CSR challenges and are observing changes in the industry as a result. Therefore, we are convinced that our ability to manage the social and environmental risks related to our business will have a positive impact on that business and on our employees, our financial position and our results.

1/ ACT AS AN AWAKE ENTREPRENEUR

a. Ensure customer satisfaction

Customer satisfaction has always been a core concern for each brand. It is also key priority for SMCP and today takes on a new dimension with the rising power of digital in the customer relationship.

Our large network of stores and our sales advisors, who have a passion for fashion and are carefully selected and trained, allow us to develop a strong relationship with our customers and personalized assistance adapted to our customers' needs. In order to encourage dialog with sales advisors, each article is displayed in a single size and the dressing rooms generally have no mirror. In addition, the sales advisor is positioned as an ambassador of the brand and assists the customer in his outfits and styles choices.

Our online presence is supported by our digital teams who ensure good coordination and alignment of the activities with the Group's strategy and requirements in terms of the security of customer data.

Moreover, we use customer relations management tools to be closer to our customers and enhance their loyalty. These tools include the transmission of messages, emails and letters informing the customers of new collections, various promotional offers or inviting them to private sales or previews. We segment our customers on the basis of the amount and frequency of their purchases for each of the brands. Communication becomes increasingly targeted and effective with the use of these tools. We have a database of around 5 million customers in the world (end of 2017), for all brands, and this database is continually growing (increase of around 30% in customers available over December 31, 2016).

All this data is used with respect for the customer's private life and is governed by our information charter within the framework of Article 5 "Confidentiality of data and information". Our charter states that customer data (e.g. names, addresses, purchases) are strictly confidential and intended for "use limited to what is necessary for the performance of the service", in accordance with the General Regulations on Data Protection (RGPD) of the European Union.

Finally, our effectiveness in the customer relationship was recognized on February 7, 2018, at the awards of the Qualiweb trophies that recognize each year the best online customer relations. Our Claudie Pierlot brand was a winner. Finally, our customer studies (on a sample of 3,162 buyers of ready-to-wear for men and/or women in France and 8,295 in China, over the last 12 months at the end of June 2017) reveal a level of loyalty and recommendation higher than the average of our competitors in France.

b. Ensure product traceability and labeling

Today, transparency is of capital importance to our customers, who want increasingly specific information on the products they buy. Their expectations concern both the origin and composition of the clothing. As a result, we provide information to our consumers, pursuant to European Regulation 1007/2011/EC of the European Parliament and Council of September 27, 2011, which requires textile companies to add a content label indicating the percentage of the different fibers in the clothing. In fact, the General Supply Conditions (GSC) of the SMCP Group, integrating the requirements of the European regulation on product labeling, apply to the Group's orders and to all orders of the companies under its control, as required by Article L.233-3 of the French Commercial Code. In these GSC, the official list of the textile names is detailed in order to guide suppliers to practices in compliance with the regulations in force. Before any content labeling, our references are tested by independent, approved laboratories. Following these results, the headquarters of each brand are responsible for producing the content labels.

For the origin labeling on our finished products, we indicate the country of the plant that designs the product and, for a cut-and-sew product, the country in which the product is assembled and put together.

c. Ensure the responsible use of materials

Whether our products are cut and sewn or are finished products, the components in our products are sourced by our brands. In the case of finished products, the components are required by our brands and purchased by the suppliers. For cut-and-sew products, the components are sourced and purchased by our brands, then sent to our suppliers for manufacturing.

The raw materials used to produce all our products are divided into three fiber families: natural fibers which are plant-based (cotton, linen, etc.) or animal-based (wool, cashmere, silk, leather, fur, etc.), the artificial materials obtained through the chemical treatment of natural materials (viscose, acetate, etc.), and synthetic materials from petrochemicals (polyester, polyamide, elastane). The raw materials most used for our production are cotton, viscose, wool, leather and polyamide.

We are aware that each family of fibers, each material and each production stage poses a number of environmental challenges (the use of pesticides, intensive crops and GMO, water consumption and pollution), social challenges (working conditions, fair compensation of producers, the health and safety or workers) or even ethical issues (animal well-being, for example). Thus, the materials that we use in our products represent a large portion of our environmental footprint.

Our Group therefore actively works on reducing possible negative impacts and all production of our materials must already meet the social and environmental criteria contained in the "Ethics and Social Charter" that we have established.

d. Guarantee the quality and safety of the products and the absence of hazardous substances

We pay very careful attention to the quality of our products. This is why we recruited a Maje Quality Manager in 2015 who has time dedicated to quality-related issues at Group level. We set up in the GSC a Quality appendix common to all our brands in 2016. We make sure of the safety of our products, both for humans and the environment, in compliance with the national and international regulations governing the Group.

Our "quality process" meets all regulations in force: the toxicological requirements of REACH (azo dyes, allergenic dyes, carcinogenic substances, etc.), the requirements of the POP Regulation (EC Regulation 850/2004) on persistent organic pollutants, the requirements of the regulation on biocides (EU Regulation 528/2012) and other regulatory requirements on materials of animal origin. We conduct quality tests on the raw materials and products, such as the weave, the knitwear, shoes, leather, fur and jewelry, as well as quality tests specific to certain countries. We have established specific requirements for quality and production criteria. Compliance with these requirements is guaranteed by controls organized and performed by the suppliers, as well as final quality inspections before shipment or quality controls on receipt of the merchandise. Only tests performed by accredited and certified laboratories are accepted.

2/ ENGAGE WITH PASSION AND ATTENTION

a. Encourage employee satisfaction

We passionately love our brands and are developing them in line with their DNA. This is why we are passionately and carefully committed to our employees. The growth of our brands cannot be achieved without them and we believe that their satisfaction and that of our customers are closely related. Therefore, employee motivation is one of our major strategic focuses to help reduce high turnover rates (in particular in stores) and maintain our business skills. Aim: strengthening and sustaining relationships between sales advisors and our customers, to further satisfy their needs.

For these reasons and to continuously improve the employee experience within SMCP, we launched our first internal opinion survey in 2017 called "SMCP Voices". With a 78% participation rate of our employees in 19 countries, this survey confirmed the lasting commitment of our teams (84%) and our other strengths. 90% of our employees feel capable of efficiently meeting challenges as part of a team and value a good degree of autonomy in customer services, 89% fully support Group values and 78% have faith in decisions taken by Top Management. This commitment is a driving force for our Group which allows us not only to support our growth, but also to meet new global, social and environmental challenges.

b. Employment and compensation

SMCP is a Group which generates new jobs. It is based in France and Europe and is growing its international presence (155 new free-standing stores in 2017). Our entire creative process takes place in our Parisian studios and workshops.

At December 31, 2017, France accounted for 46.2% of our headcount (2,368 employees of a total 5,127 Group employees). We are mainly present in Europe where we employee (excluding France) 1,353 persons. Our Asian workforce totals 761 persons, followed by North America with 645.

To meet the needs of each customer worldwide with the same level of professionalism, we pay particular care to preserve and sustain our human capital. Thus, at December 31, 2017, 87% of our employees worldwide had permanent work contracts.

SMCP Group total headcount at December 31, 2017 (global scope)

	2015	2016	2017	Change Y-1	Change Y-2
France	2,088	2,260	**2,368**	+5.7%	+13.4%
Europe	956	1,124	**1,353**	+20.4%	+41.5%
USA	429	501	**645**	+28.7%	+50.3%
Asia	384	564	**761**	+34.9%	+98.2%
Total Group	**3,857**	**4,449**	**5,127**	+15.8%	+32.9%

Number of hires per year in France (breakdown by professional category)

	Managerial-grade employees			**Employees**			**Supervisors**			**All**			**Changes**	
Year	**2015**	**2016**	**2017**	**2015**	**2016**	**2017**	**2015**	**2016**	**2017**	**2015**	**2016**	**2017**	**Change Y-1**	**Change Y-2**
Permanent contracts	73	91	91	1,226	1,132	1,222	152	126	118	1,451	1,349	**1,431**	6.1%	-1.4%
Temporary contracts	15	14	15	3,846	3,555	3,315	75	52	56	3,936	3,621	**3,386**	-6.5%	-14%
Total new hires	**88**	**105**	**106**	**5,072**	**4,687**	**4,537**	**227**	**178**	**174**	**5,387**	**4,970**	**4,817**	**-3.1%**	**-10.6%**

The Group is committed to equal pay for men and women in the same job and with the same seniority. The pay difference between male and female employees is due to two reasons. The Logistics teams, where employees have a higher level of compensation than sales staff and which represent a higher share of men, are included in the total number of employees. Moreover, male managerial-grade employees currently hold more senior positions.

Average basic salary of headcount on permanent contracts in France (FTE)

	Male					**Female**					**All**				
	2015	**2016**	**2017**	**Change Y-1**	**3-year change**	**2015**	**2016**	**2017**	**Change Y-1**	**3-year change**	**2015**	**2016**	**2017**	**Change Y-1**	**Change Y-2**
Managerial-grade employees	6,313	6,050	6,097	+0.8%	-3.4%	4,981	4,818	4,884	+1.4%	-1.9%	5,274	5,089	5,170	+1.6%	-2%
Supervisors	2,282	2,387	2,461	+3.1%	+7.8%	2,251	2,277	2,339	+2.7%	+3.9%	2,256	2,296	2,362	+2.8%	+4.7%
Employees	1,801	1,778	1,813	+2%	+0.7%	1,655	1,676	1,689	+0.8%	+2%	1,686	1,701	1,720	+1.1%	+2%
Average	**2,625**	**2,582**	**2,741**	+6.2%	+4.4%	**2,290**	**2,350**	**2,441**	+3.9%	+6.6%	**2,358**	**2,402**	**2,510**	+4.5%	+6.5%

Average basic salary of headcount on constant permanent contracts over three years in France (FTE)

	Male					Female					All				
	2015	**2016**	**2017**	**Change Y-1**	**3-year change**	**2015**	**2016**	**2017**	**Change Y-1**	**3-year change**	**2015**	**2016**	**2017**	**Change Y-1**	**Change Y-2**
Managerial-grade employees	6,732	6,325	6,937	+9.7%	+3.1%	5,513	5,342	5,125	-4.1%	-7%	5,766	5,551	5,498	-1%	-4.6%
Supervisors	2,411	2,441	2,594	+6.3%	+7.6%	2,282	2,322	2,392	+3%	+4.8%	2,300	2,340	2,422	+3.5%	+5.3%
Employees	2,045	2,094	2,159	+3.1%	+5.6%	1,764	1,819	1,919	+5.5%	+8.8%	1,836	1,890	1,989	+5.2%	+8.3%
Average	**3,160**	**3,314**	**3,708**	+11.9%	+17.4%	**2,766**	**2,910**	**3,078**	+5.8%	+11.3%	**2,846**	**2,992**	**3,207**	+7.2%	+12.7%

c. Social dialog

Overall, the Group considers that it enjoys satisfactory working relations with its employees and their representatives. More than 10 collective agreements or action plans have been negotiated since December 2012 with representatives of the employee trade unions, and the response from the works committee to projects presented by senior management is frequently favorable.

With the aim to maintain the quality of the social dialog, we have signed the following agreements since 2013: an agreement covering a fixed number of working days, a profit-sharing agreement, a savings scheme, an agreement covering the fractioning of annual leave, an agreement covering the solidarity day and a mandatory annual negotiation agreement.

d. Guarantee fair and equitable compensation and benefits for our employees

The main aims of our compensation policy is to attract, retain and award our employees, by offering them competitive compensation within our industry, inciting management to obtain the Group's sales objectives and encouraging a high level of performance.

Wages are revised annually, taking into account individual performance, market conditions and Group changes within recent years.

To optimize the relationship between the compensation of employees and Group objectives, financial bonuses are structured to reflect the contribution of each employee to the achievement of collective and individual objectives. Moreover, all employees with the required seniority are eligible for an annual development assessment, which is a key performance and motivation tool.

e. Guarantee employees health and safety

We strive to ensure the health and safety of our employees at all times. In 2016, we began to implement guidelines for hygiene, health and safety processes. In this context, three mechanisms were introduced at French sites: a safety log, a log of health and safety in the workplace checks, and a log of non-acute treatments. Internal communication was launched on the subject in January 2016.

The Group decided to implement delegations of authority to the heads of sales which would be criminally responsible instead of senior management in terms of health and safety in the workplace. A new structure and obligations to introduce health and safety policies at the regional management, store manager and HR department levels are also being studied.

We have also set up three health, safety and working conditions committees (HSWCC): a network HSWCC, a head office HSWCC and a logistics HSWCC. In 2017, there were a total of 32 employee representatives within the economic and social unit (principles and substitutes). The majority of operators with whom we work are certified economic operators who guarantee the implementation of the appropriate standards in terms of health and safety.

Moreover, we have established a serious crisis management procedure (serious accident, robbery, fire, terrorist attack, theft, etc.) with a roadmap for the teams within our network, which sets out the steps, contact persons, deadlines and methods of action. We have also published a document of best practices for points of sale, covering stock (e.g. secure shelving), stairs (e.g. ramps or guardrails, anti-slip strips, wear on steps), lockers and items in the first aid box.

Therefore, in France in 2017, the number of work-related accidents, commuting accidents and illnesses hours totaled 176,164 hours, i.e., 25,166 days in total (based on an assumption of a 35 hour working week), or 10.6 days of absence per employee.

f. Promote diversity and inclusion

We believe that diversity is a force that drives new ideas at all levels of our structure and keeps us one step ahead of the game. Our ability to meet the expectations and various needs of an international population is closely linked to our ability to promote and value diversity and inclusion internally.

Therefore, in each of our French locations, a reminder of anti-discrimination rules are displayed, notably resuming elements from our three French internal regulations (head office, logistics, networks), including "slander, insults, aggressive behavior and disrespect is prohibited within the Group (...). The same is true of racism, xenophobia, sexism and/or discriminatory behavior within the meaning of the provisions of the French Labor Code and Criminal Law.".

To raise awareness among employees of various types of disabilities and encourage those affected to be recognized (if this is not already the case), we hired an independent body to intervene on these subjects.

In terms of layout and fittings, SMCP, Sandro and Claudie Pierlot's head offices comply with reduced mobility standards. Maje's head office will also comply with these standards as of 2018 following its relocation.

The drafting of a Group recruitment policy is currently under way, following the recruitment of a Head of Talent Acquisition.

We excel in terms of the representation of women at the Group business level as a whole. At December 31, 2017, 77% of our employees within the France scope were female.

In line with our logic of diversity and inclusion, 60% of our employees within the France scope are under 30.

Breakdown of employees by age and by gender in France in 2017

Gender	Under 20 years	20 to 29 years	30 to 39 years	40 to 49 years	50 years and over	Grand total	Grand total (%)
Grand total	**56**	**1,327**	**650**	**222**	**113**	**2,368**	
	3%	**56%**	**27%**	**9%**	**5%**	**100%**	
Female	43	1,016	508	173	84	1,824	77%
Male	13	311	142	49	29	544	23%

The presence of women within management bodies remains a challenge for most companies, including in traditionally female sectors such as the world of fashion. At SMCP Group, women account for a large percentage of members of management bodies: 58% of the Board of Directors is composed of women. The Board has 12 members: Yafu Qiu (Chairman of Shandong Ruyi), Daniel Lalonde (Chief Executive Officer of SMCP), Evelyne Chétrite (Founder of Sandro and Artistic Director), Judith Milgrom (Founder of Maje and Artistic Director), Chenran Qiu (Vice-Chairman of Shandong Ruyi and Deputy Chief Executive Officer of SMCP), Francis Srun (Executive Chairman of Shandong Ruyi), Xiao Su (Chairman of Shandong Ruyi), Weiying Sun (Chief Executive Officer of Shandong Ruyi) and four independent members.

g. Attract new talent and encourage employee commitment

Changes in the relationship with the employee and increasing corporate expectations, in particular in terms of well-being in the workplace and personal development, encourage us to continuously improve our employee brand. Our aim is to identify new talent and make ourselves appealing on the labor market through the attractiveness of our brands and our collections, our unique business model of an accessible luxury leader, our in-house career development opportunities, our strong corporate values and a constantly growing business with good growth prospects in a highly competitive sector. Our employees enjoy advantages such as meal vouchers, health and prudential plans and a 50% refund of commuting costs.

Major conferences are organized for all employees, which include the presentation of new collections and brand fashion shows twice a year.

Global leaders meet each year to reflect on and share Group strategies, values, and key orientations. Moreover, they benefit from web-conferences with the Chairman and founders.

In line with encouraging employee commitment through training, we created the SMCP School in 2013 within 90 pilot stores (42 in France, 27 in Europe, 6 in North America and 15 in Asia).

This ambitious training program meets a dual challenged: talent attractiveness and employee commitment. Our aim is strengthen their willingness to commit to the Group's goals and develop a real sense of pride in belonging to the Group. In 2017, we focused on:

- The integration of employees (integration at pilot points of sale, training for the Vision 2020 corporate plan);
- Understanding challenges faced by the Group and its vision for 2020, as well as the correct functioning of the company ("Managers' rights and duties," "Finance for Non-Specialists");

- Good front line knowledge and management to better equip our network teams: charter covering brands, collections, products, sales techniques, recruitment, management, HR principles and store tools;

- Management through external training;

- English.

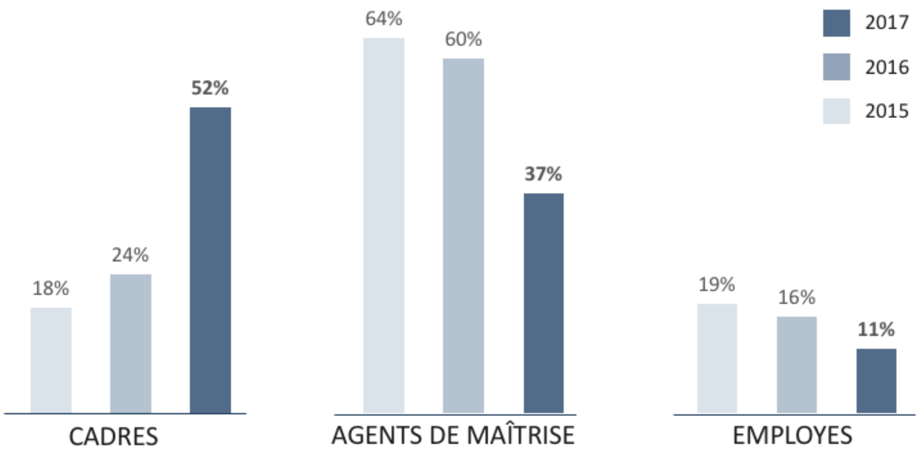
Modules including "Vision 2020," "Finance for Non-Specialists," and "Rights & Duties" were created internally by our experts to support this training goal. We hope to continue with this approach in 2018 as we have seen first hand that it creates links between employees, by enabling them to discuss and exchange their points of view. It also encourages internal expertise, engages speakers and benefits from an inexpensive short and internal format (in terms of cost and man-hours).

Finally, a large-scale e-learning project, which was launched in 2017 and remains in place, called on contributions from several departments (IT, HRIS, Development, HR, Brands). The biggest challenge of this project is providing access to high-quality training (internal and external content) to all of our employees, in a smooth, flexible and modern manner. Therefore, regardless of his or her location or position within the Group, each employee can benefit from a clear and relevant integration and training process, with access to must-have common bases and good-to-have training, which will allow him or her to develop a good understanding of the Group's challenges and objectives.

Total number of training hours provided in 2017 (excluding language training hours, coaching that will take place in 2018 that was provisioned for in 2018, seminars, conferences and training session of less than three hours long)

GEOGRAPHIC SEGMENT	Number of hours
France and Europe	11,750.5
USA	2,744
Asia	3,357
TOTAL	17,851.5

Percentage of employees who have undertaken training by professional category in France in 2017



h. Ensure responsible digital transformation

Implementation of specialized teams. Our international growth means that we must step up the pace of our digital transformation. We are committed to ensuring that this involves our employees and improves the quality of service to and the satisfaction of our customers, while paying attention to the ethical issues which this transformation raises. Our digital acceleration is thus supported by a team of around forty internal professionals who manage our entire online presence across our various platforms.

Roll out of collaborative tools to support corporate digital transformation. To support the Group's transformation and its new working methods, SMPC created the Insynch program in 2017. The aim of this program is to facilitate communication, encourage collaboration within the Group, and provide greater flexibility and efficiency in the workplace. Collaborative tools allow our teams to work in project mode, enable live modifications and the storage of data in the cloud so that everyone has access to documents regardless of their location or time zone. SMCP thus has the means to support its growth by providing an innovative ecosystem to its employees to accompanying them during changes in their business lines.

Drafting of a users' charter. SMCP Group is committed to the management of information and the complexity that this implies for employees due to the multiplication of material, data and access modes, for both companies and individuals. It therefore drafted a users' charter for access to information technology. The aim of this charter is, on one hand, to define access rules, by employees, to IT resources and, on the other hand, set out the use to be made, by the Group, of employees' data in line with legislation. This charter governs, in particular, the use of internal and external data by imposing strict confidentiality rules on this data and information. Confidential items notably include economic and financial data (revenue, store footfall, budgets), style data (models and collections currently being designed), marketing data (marketing plans or CRM contact plans), customer data (names, addresses, purchases), as well as any information relating to SMCP Group's growth plans (store opening plans for example).

3/ CONTRIBUTE TO CREATING A MORE SUSTAINABLE PLANET

a. Reduce energy consumption and its impact on climate change

The apparel and accessories sector is dependent on weather conditions. For example, cold and wet weather in the spring may have a negative impact on the sale of garments from the spring/summer collections. Natural disasters, such as hurricanes, tornadoes, flooding, earthquakes or any other major climatic event, may also impact the availability and price of raw materials used to manufacture the products sold by the Group. The Group's inability to compensate for seasonal fluctuations and adapt to weather conditions could have a material adverse effect on its business, financial position and results.

We have therefore included climate risk, both physical and transitional, in our risk matrix.

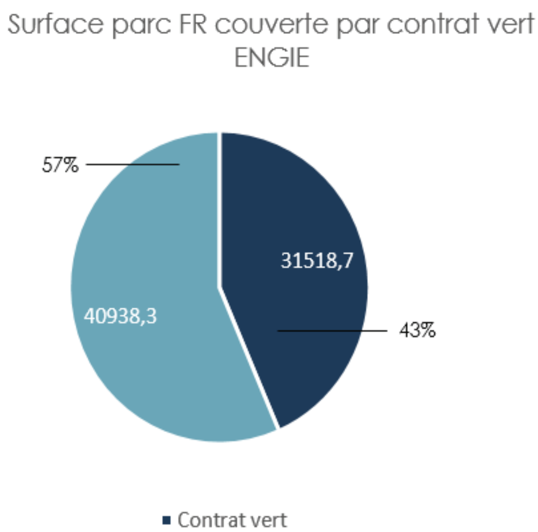
Moreover, we strive to contribute, at our level, to the fight against climate change.

We calculated for the first time in 2017 a consumption assumption of 12,844,106 KWh for our network (directly-operated stores only, i.e., 522), head offices and warehouses, which corresponded to 4,651,317 kg of CO2 equivalent for scopes 1 & 2.

We are fully conscious of the impact of our energy consumption on the climate and have, since 2015, systematically installed LED lighting in all new points of sale openings. This has led to a 40% decrease in electricity consumption. Moreover, during refurbishment, we equip our stores with full-LED lighting (ceilings and furniture). In total, LED lighting affected 523 points of sale worldwide at the end of 2017, i.e., 39% of our network of stores.

Moreover, in France, 43% of our network has subscribed to ENGIE green contracts. These contracts allow us to contribute financially to the production of energy from renewable sources, trace the origin of energy fed into the grid by ENGIE using a Guarantee of Origin mechanism and, finally, involve our employees. Under these contracts, for every 1 MWh consumed by our Group, 1 MWh of renewable electricity is fed into the grid.

Energy consumption in France in 2017: share of ENGIE green contracts



The Group is bound by regulatory requirements relating to the diagnosis of greenhouse gas (GHG) emissions (Article 75 of the Grenelle II Act) and changes imposed by the energy transition for green growth act (L. n° 2015-992 dated August 17, 2015). An assessment of GHS emissions will therefore be carried out during 2018, with a focus on the brands' major sources of emissions. This assessment will strengthen our continuous improvement of environmental performance approach and enable us to define an impact reduction strategy in line with our challenges.

The optimization of logistics flows was one of the areas reviewed as part of the Group's supply policy. For scope 3, in terms of GHG emissions, transport relating to the import and export of Group merchandise is the largest source of emissions. Quantification work is currently underway.

Finally, the Group is in the experimental stages of rail transport solutions for merchandise between Asia and France.

b. Reduce waste and packaging

In response to our employees' desire to work for a Group which takes environmental issues seriously, in 2017 we introduced waste sorting in our Paris offices, in partnership with Greenwishes. This company collects our waste and supports us in our optimization approach by monitoring and tracing the waste collected. This allows us to measure our progress on a monthly basis, by category of waste.

At our warehouses, we have also introduced the compacting of boxes and their collection for recycling. Moreover, special bags are available for both plastic waste (hangers, covers, etc.) and paper waster other than boxes (such as tissue paper for example). Finally, eco boxes are used to collect and recover our used ink cartridges and toner.

c. Respect and encourage animal well-being

We are fully aware of the importance of animal well-being to our consumers and the various scandals that have hit the clothing sector. We therefore pay close attention to our supply of materials of animal origin. In 2016, we defined our requirements in terms of animal well-being for the SMCP Group as a whole in the *Quality* appendix to our General Supply Conditions.

SMCP Group therefore officially prohibits the use of dog and cat fur, feathers from live birds and the shearing or removal of hair from live animals. Each animal has the right to kind treatment, both during breeding and slaughter. Suppliers commit to these principles by signing our General Supply Conditions and their appendices.

We ensure that each supplier provides the Production department of each brand with a certificate of compliance when confirming an order. This certificate must state the common and scientific name of the animal, along with its country of origin and its source (hunting or breeding). For furs and wool skins, the supplier must also state the treatment applied, if the material is second hand or damaged, if the entire or a substantial part of the finished product is composed of animal parts such as paws, tails, etc.

Material from species protected by the Washington Convention governing the international trade of endangered species of wild fauna and fauna are not covered by this certificate as the supplier must first of all verify the species used and any registration in the CITES appendices and EC regulation no. 338/97 and, secondly, notify the brand and verify the applicable customs formalities.

4/ LEVERAGING OUR GLOBAL MINDSET TO HELP MEET GLOBAL CHALLENGES

a. Engage with the supply chain on environmental and social risks

Ensuring that our brands' supply chains safeguard the environment and protect human rights is a key challenge for the Group. We focus on this not only when selecting our subcontractors and suppliers but also over the course of our relationships with them.

We do not manufacture our items ourselves, but rather subcontract half of production to the Euro-Mediterranean region and half to Asia. A risk analysis produced by the Compliance team in 2015 led to the Group's exclusion of Bangladesh. However, a large percentage of the Group's sales is generated in countries where environmental and social risks are considered to be high and therefore must be controlled.

In 2014, we established a dedicated structure and processes for overseeing the supply chains. Both the Compliance and Production departments of all three brands are involved in this. Someone has been closely monitoring the running and follow-up of social audits since 2017.

b. Requirements formalized by the Group

GSCs specify the environmental and social standards with which suppliers must comply. Suppliers must:

- comply with local and international regulations and standards in terms of hygiene, safety and security, the environment and labor rights;
- notify the Group in the event of non-compliance;
- be willing to undergo environmental and social audits.

For these standards also to apply to tier-2 suppliers, the GSCs stipulate that subcontractors are prohibited from using third parties without the SMCP Group's authorization. If such subcontracting is approved by the Group, the subcontractor must ensure that the third party complies with the principles defined by the Group.

The SMCP Group has also formalized an "Ethics and Corporate Social Responsibility Charter," which is included in the GSCs. It requires suppliers to comply with the OECD Guidelines and the UN Global Compact for Sustainable Development and specifies that the Group's brands encourage initiatives to reduce environmental impact.

c. Subcontractor selection

We use a network of sourcing agents for each country. These agents are aware of the Group's social and environmental requirements and are required to take them into account when selecting subcontractors. Each new supplier is subject to a site inspection by our production teams before production may begin.

d. Audits and corrective actions

SMCP has been conducting social audits of its suppliers since 2014. Since 2017, these have been performed by Asia Inspection (AI), an organization with 1,500 auditors and operations in more than 80 countries. Audits include site inspections and interviews with employees. We took advantage of this change in service provider to redesign our approach. Suppliers are now audited based on business risks and no longer on geographic region, as used to be the case. This new vision means that any issues related to our supply chain, such as safeguarding our brand image, economic dependency, worker protection, etc. can be taken into account directly.

The topics covered are as follows:

TOPIC	SUB-TOPIC
Health and safety, hygiene	General
	Infrastructure security
	Fire safety
	Machines/facilities
	Hazardous materials
	Canteen and dormitories
Waste management	Legal authorizations
	Solid, hazardous waste
	Wastewater, emissions and noise
	Reduction in water and energy consumption
Child labor	Child labor
	Young workers
Working hours, wages and benefits	Working hours
	Wages and benefits
Working conditions	Representation of employees' interests to management
	Forced labor
	Discrimination
	Disciplinary measures

Suppliers audited in 2017 were selected based on the following criteria:

- Volume: top suppliers accounting for 50% of total volume, all product types;
- Made in France: top suppliers accounting for 50% of total volume produced in France;
- Brand image: suppliers producing consumables, engraved sundries and labeling;
- Leather: suppliers with leather-processing factories, which carries a specific set of health and safety issues for workers and the environment;
- Animal products: suppliers whose factories raise animals for their fur and/or process the fur, which also carries problems regarding animal well-being and ethics.

Once the social audit is completed, the supplier is allocated a score from 0 to 10 (the average of the scores obtained for each topic) and a color – red, amber or green – depending on the number of areas or severity of non-compliance and their score. Personalized follow-up is then arranged to help the supplier carry out remedial action.

Color risk	**Conditions**							**CAP follow-up**
	Score		**Granularity**					
			Critical		Major		Minor	
Red	< 5/10	or	≥ 1	or	≥ 10			Immediate audit follow-up
Amber	< 7.5			or	≥ 5	or	≥ 10	Desktop review
Green	≥ 7.5			and	< 5	and	< 10	Regular audit follow-up

In 2017, 50 audits were conducted on 43 suppliers. Overall, the score obtained on this panel was better than the average score for the sector. This was primarily due to our brands having a stable base of suppliers with whom they work from season to season, thus allowing them to establish relationships of trust and a mutual desire for ongoing improvement.

e. Respect and promote human rights and labor rights across the entire value chain

The SMCP Group strives to guarantee human rights protection for all Group employees as well as all the employees of its subcontractors and suppliers.

The SMCP Ethics and Corporate Social Responsibility Charter, which is included in the GSCs and must be signed by suppliers, specifies the prohibition of work by children under the age of at least 15, and older when schooling is compulsory beyond that age.

Through the GSCs, suppliers also agree to comply with the UN International Convention on the Rights of the Child of 20 November 1989, which prohibits child labor and forced labor as defined in Article 1 of the ILO Convention of 25 June 1957.

Supplier audits also include topics related to child labor, working hours, wages and benefits, and social practices.

5/ ELEGANCE AT ALL TIMES

a. Develop a culture of integrity

Our Ethics and Corporate Social Responsibility Charter lays out the fundamental principles with which all suppliers and subcontractors, as well as their own suppliers and subcontractors, must comply.

To work with our brands, suppliers must agree to comply with the requirements of this Ethics and Corporate Social Responsibility Charter, which champions the principles stipulated in the International Labour Organization (ILO) Conventions, the Universal Declaration of Human Rights, the OECD Guidelines, and the UN Global Compact for Sustainable Development regarding child labor, working conditions, trade union rights, anti-corruption, and environmental requirements.

In order to ensure that the practices across our supply chain are respectful of people and the environment, our teams or independent bodies perform audits on selected suppliers to check whether they and their own suppliers and subcontractors are complying with the provisions of our Charter. Furthermore, we prohibit the subcontracting of all or some of the contract performance unless so approved by the brands in advance.

b. Fight against corruption

Ethical practices and anti-corruption rules are key values for us and one of our major concerns. As the first link in the relationship with suppliers, our Group is particularly exposed to those risks. We pledge to our shareholders, partners, suppliers and employees that we will conduct an effective, rigorous anti-corruption policy. Such a policy is part of our commitment to the values of honesty, fair competition, prevention of conflicts of interest, respect for professional secrecy and the battle against all forms of discrimination that we defend as part of the development of our activities.

In accordance with France’s law adopted in March 2017 on the duty of vigilance of parent companies and ordering companies (L.2017-399 of March 27, 2017), which in particular requires the identification of corruption risks and the prevention of corruption resulting from the activities of our Group and our brands, and the law of transparency, anti-corruption and economic modernization, known as the “Sapin II” law (of December 9, 2016), which, as from June 2017, also requires the establishment of a corruption prevention plan, we have introduced measures to prevent acts of corruption or influence peddling.

In 2016, we commissioned PwC to produce a map and analysis of corruption risks per country as part of a CSR report on our distribution network. It was revealed that some of the countries in which we operate are exposed to corruption risks considered to be high, according to the risk analysis methodology defined by PwC. The Group distributes its products in three countries where the level of corruption risk has been assessed as the highest (Kazakhstan, Lebanon and Russia).

To prevent corruption, the Group-level Internal Audit and Compliance departments have set up supplier audits with AI that include interviews with employees and site inspections. They have also laid out anti-corruption measures in our GSCs and formalized an “ethics and anti-corruption charter.”

In addition, our GSCs stipulate the procedures and supplier obligations regarding the prevention of corruption and influence peddling. By signing the GSCs, suppliers agree to:

- declare and guarantee that they comply with their legal and regulatory obligations;
- send within a reasonable time frame all information and documents requested by SMCP to implement the assessment procedures defined in Article 17, II. 4 of Act No. 2016-1691 of December 9, 2016 on transparency, anti-corruption and economic modernization;
- immediately inform SMCP of any new information likely to have an impact on said assessment procedures (change of administrators, ongoing legal proceedings concerning acts of corruption, new business partners, etc.);
- be fully liable in the event of non-compliance with these legal and regulatory requirements and compensate SMCP for all and any consequences (including legal costs) resulting therefrom.

Lastly, our Ethics and Anti-Corruption Charter was formalized and distributed to Group employees in February 2015. It is available in French and English on our intranet and covers the different forms of corruption, the main examples of corruption (illicit payments, gifts, donations and philanthropy, political party financing) and managing business partners. In addition, teams in Asia have been trained in anti-corruption procedures by a specialist body, the ICAC (Independent Commission Against Corruption), which advises companies on improving internal procedures to prevent the risk of corruption. The gift policy in Asia is stricter than in Europe (below €150), and prohibits the acceptance of gifts from partners valued at more than HKD 500 (approximately €60). Following this training, SMCP Asia drew up a "Code of Conduct" divided into three parts: anti-corruption, conflicts of interest, and confidentiality, with the addition of a gift and benefit acceptance form that employees must complete.

6 / COMMITMENT TO COMMUNITY RESPONSIBILITY

In 2017, the SMCP Group brands pursued philanthropic initiatives with two charities, La Chaîne de l'Espoir (The Chain of Hope) and Women for Women International.

a. Claudie Pierlot and Annick Goutal for La Chaîne de l'Espoir

Claudie Pierlot and Annick Goutal have always shared the same taste for elegance. As a result, in 2017 the two fashion houses set up a partnership for this solidarity program. United in their convictions, they asserted their belief in creating a freer world through education by supporting La Chaîne de l'Espoir, a children's education charity.

For more than 25 years La Chaîne de l'Espoir has been involved with communities in Togo, Benin, Nepal, India, Thailand and Haiti, enabling the most vulnerable children to go to school or access to vocational training. The charity's education programs put 11,000 children each year on the path to education, covering their school fees and providing them with material support, food aid and medical care.

For this particular initiative, for each Petite Chérie nautical top or 100ml Petite Chérie Eau de Parfum sold, 50% of the profits were donated to the La Chaîne de l'Espoir educational charity.

b. Maje pop-up store in London's Regent Street for Women for Women International

Limited-edition items were created in collaboration with British poet Greta Bellamacina. She was chosen because she embodies the spirit of the Maje brand in terms of women's empowerment, independence and love. The poems penned by Greta Bellamacina adorned limited-edition stationery, t-shirts and accessories, with all profits from the sale of those items being donated to Women for Women International.

c. Partnerships with local charities to manage unsold inventory in North America

To get involved in our host territories and maximize the positive impact of our stores, a number of our Sandro and Maje points of sale in North America teamed up with local charities to manage their unsold inventory.

CONCLUSION

We fully understand that the social, societal and environmental challenges related to the textile industry are not limited to our direct impact. Although 2017 was the starting point of our CSR strategy, our goal is to go well beyond consideration of those direct impacts and make commitments that contribute in a positive way. These commitments will be supported by goals determined in accordance with the special nature of our business model and by the involvement of our stakeholders. In this way, we will continue to better embody the values of French elegance that we spread around the world through our brands.

OUR METHODOLOGY

For the first time, we have published a report on the Group's corporate social responsibility.

This report includes corporate social responsibility indicators related to defined perimeters. The goal of this document is to describe clearly and precisely the scope and calculation method regarding each indicator.

1. Reporting period

The 2017 CSR report covers the period from January 1 to December 31, 2017.

2. Reporting scope

Indicators were collected, calculated and consolidated based on data available internally and extracted from IT tools. The data presented are aimed at covering all activities and all host countries of SMCP and its brands. Nevertheless, some social performance indicators are only available for France, while some environmental indicators have been extrapolated from the global scope based on a sampling in France. The purpose of this methodology note is to define those factors.

3. Reporting methodology

For this first reporting exercise, SMCP relied on the expertise of a sustainable development consulting firm. The report's content was based on indicators selected to reflect the main economic, social, environmental and societal impacts of the Group's activities.

For this first year, reporting complies with Article 225 of the Grenelle Act and the issues identified are based on the Global Reporting Initiative (GRI) guidelines under the GRI sector supplement, “Textiles, Apparel, Footwear and Luxury Goods,” the UN Global Compact, and the OECD Guidelines.

4. Report verification

SMCP has entrusted the verification of the data presented in its CSR report to the independent third party, Deloitte.

5. Employee-related data

Employee-related data cover all contract types at SMCP, with the exception of temporary contracts, and therefore include interns and apprentices.

The “SMCP Group total workforce at December 31, 2017” social indicator is global in scope.

The “Total number of training hours provided” social indicator relates to the Group’s three business units (Europe, North America and Asia) and excludes language training hours, coaching planned in 2017 that will take place in 2018, seminars, conferences and training under three hours. For 2018, the Group will consolidate its training hours reporting.

The “Breakdown of employees by age and gender” social indicator relates to the Europe business unit.

The rest of the indicators relate exclusively to the France reporting scope (headquarters and networks) which accounts for 46.2% of our workforce. This limited scope is due to the fact that the Group is currently consolidating employee-related data for all three of its business units and therefore is not in a position to report on this at the present time.

6. Environmental data

Environmental data for the 2017 report pertains to the Group’s electricity consumption for stores under direct management, headquarters and warehouses.

The GHG emissions calculated and advised in this first report pertain to emissions related to electricity consumption for the reporting scope described above.

GHG emissions generated by our transport operations are currently being quantified.

a. Energy

The network’s energy consumption is consumption calculated from extrapolations and applied to a specific reporting scope.

The network here is limited to directly managed points of sale (including outlets), i.e. 522 stores. It does not include in-store concessions and affiliates, since SMCP has no influence over the energy supplied to those particular store types.

The sample used for the calculation comprises 149 points of sale in France, representing 28% of our branches and outlets worldwide. Since all stores of a given brand are based on the same store concept, electricity consumption per m2 is virtually identical anywhere in the world. Energy consumption for these 149 stores is consumption obtained from the electricity bills of each entity concerned.

The number of m^2 used includes sales areas and storage areas.

Energy consumption for the headquarters is the consumption obtained from the electricity bills of each entity concerned. The reporting scope represented by the headquarters is the SMCP-Claudie Pierlot headquarters and the headquarters of Sandro, Maje, SMCP North America and SMCP Asia.

Energy consumption for the warehouses is the consumption obtained from the electricity bills of each entity concerned. The reporting scope for the warehouses covers three warehouses in France and two in China.

b. GHG emissions

For this first reporting exercise, only one kg of CO_2 equivalent emitted was calculated for energy consumption.

Energy consumption in kWh per country was multiplied by the $kgCO_2$ advised by the French environment and energy management agency (ADEME) for the country in question (ADEME Base Carbone® emission factor documentation).

The GHG emissions scope is therefore the same as the scope for calculating electricity consumption.

INDICATOR TABLE

EMPLOYEE-RELATED INFORMATION					
Indicator name	**Sub-indicator**	**Unit**	**Indicator**	**Scope**	**Excluded data**
Labor					
Total headcount	-	No.	5,127	World	Temporary staff
Employee breakdown by gender	Women	Number	1,824	France	Temporary staff
	Men	Number	544	France	Temporary staff
Employee breakdown by age	< 20	Number	56	France	Temporary staff
	20 to 29	Number	1,327	France	Temporary staff
	30 to 39	Number	650	France	Temporary staff
	40 to 49	Number	222	France	Temporary staff
	> 50	Number	113	France	Temporary staff
Employee breakdown by geographic region	Europe	Number	3,721	World	Temporary staff
	Asia	Number	645		
	United States	Number	761		
New hires	New hires	Number	1,431	France	Fixed-term staff, interns, apprentices, temporary staff
Departures	Departures	Number	1,390	France	Fixed-term staff, interns, apprentices, temporary staff
Layoffs	Layoffs	Number	225	France	Fixed-term staff, interns, apprentices, temporary staff
Compensation	Average monthly base salary	€	2,510	France	Social benefits, premiums, overtime
Change in compensation	Change in the average monthly base salary compared to the previous year	%	+ 4.5	France	Social benefits, bonuses, overtime
Organization of labor					
Organization of working hours	Number of part-time employees on permanent contracts	Number	362	France	-
Absenteeism	Total number of days absent	Number	25,166	France	Parental leave, sick child, planned leave

LABOR RELATIONS					
Organization of dialog between management and employees, and employee procedures for information, negotiation and consultation	Percentage of employees covered by staff representatives	%	100	France	-
Collective bargaining agreements	Number of signed collective bargaining agreements	Number	0	France	-
HEALTH AND SAFETY					
Occupational health and safety	-	Report section	2/e.	France	-
Agreements on occupational health and safety signed with trade unions or employee representatives	Agreements on occupational health and safety signed with trade unions or employee representatives	Number	0	France	-
Frequency and severity of work injuries	Total number of days lost following a work injury	Number	2,830	France	-
	Equivalent in number of days absent due to a work injury per employee	Number	1.2	France	Temporary workers, interns, apprentices
	Frequency	%	Data not available for 2017		
	Severity	%	Data not available for 2017		
Occupational illness	Number of days absent due to occupational illness	Number	21,838	France	-
TRAINING					
Training policies	-	Report section	2/g.	World	-
Number of training hours	-	Number	17,851.5	World	Language training hours, coaching planned in 2017 that will take place in 2018, seminars, conferences and training under three hours

EQUAL OPPORTUNITIES					
Measures taken to promote gender equality	Number of women/men on the Board of Directors	Number	7/5	World	-
	Number of female executives/male executives	Number	304/96	France	Fixed-term staff, interns, apprentices, temporary staff
	Number of female non-executives/male non-executives	Number	1,341/402	France	Fixed-term staff, interns, apprentices, temporary staff
Measures taken to promote the integration of people with disabilities	Measures taken to promote the integration of people with disabilities	Report section	2/f.	France	-
Employees with disabilities	Number of employees with disabilities	Number	5	France	Temporary staff
	Percentage of employees with disabilities	%	0.21	France	Temporary staff
Anti-discrimination policy	-	Report section	2/f.	France	-
PROMOTION AND COMPLIANCE WITH THE FUNDAMENTAL CONVENTIONS OF THE INTERNATIONAL LABOUR ORGANIZATION (ILO)					
Compliance with the freedom of association and the right to collective bargaining	-	Report section	4/b.	World	-
Elimination of discrimination in respect of employment and occupation	Elimination of discrimination in respect of employment and occupation	Report section	2/f.	France	-
Elimination of forced or compulsory labor	-	Report section	4/e.	World	-
Effective abolition of child labor	-	Report section	4/e.	World	-

ENVIRONMENTAL INFORMATION					
Indicator name	**Sub-indicator**	**Unit**	**Indicator**	Scope	Excluded data
GENERAL ENVIRONMENTAL POLICY					
Organization of the company to take into account environmental issues	-	Report section	0/c.	World	-
Environmental evaluation or certification procedures	-	-	Data not available for 2017		
Employee training and information on environmental protection	-	-	Data not available for 2017		
Means employed to prevent environmental and pollution risk	-	Report section	0/c.	World	-
Amount of provisions and guarantees for environmental risks	-	-	SMCP's direct impact is low in this regard since the Group is not a manufacturer. The Group will be holding a think tank this year on the indirect impacts of its value chain.		
POLLUTION AND WASTE MANAGEMENT					
Measures for prevention, reduction and reparation: air	-	-	SMCP's direct impact is low for this since the Group is not a manufacturer. The Group is holding a think tank this year on the indirect impacts of its value chain.		
Measures for prevention, reduction and reparation: water	-	-			
Measures for prevention, reduction and reparation: soil	-	-			
Consideration of noise and all other forms of pollution specific to an activity	-	-			
Measures to prevent, recycle and dispose of waste	-	Report section	3/b.	France	-
Measures to combat food waste	-	-	SMCP's direct impact is low for this since the Group does not have any company restaurants		

SUSTAINABLE USE OF RESOURCES					
Water consumption	-	-	SMCP’s direct impact is low for this since the Group is not a manufacturer. The Group will be holding a think tank this year on the indirect impacts of its value chain.		
Water supply based on local restrictions	-	-			
Land use	-	-			
Raw material consumption	-	Report section	1/c.	World	-
Measures taken to improve the efficiency of their use	-	Report section	1/c.	World	-
Energy consumption	Total electricity consumption for stores under direct management, warehouses and headquarters	kWh LHV	12,844,106	World	-
Measures taken to improve energy efficiency	Measures taken at stores under direct management, warehouses and headquarters	Report section	3/a.	World	-
Measures taken to increase the use of renewable energy	Measures taken at stores under direct management, warehouses and headquarters	Report section	3/a.	France	-
CLIMATE CHANGE					
Greenhouse gas (GHG) emissions	Calculation of GHG emissions based on the Group’s total electricity consumption	kg CO_2 eq	4,651,317	World	-
Adapting to the consequences of climate change	-	Report section	3/a.	World	-
PROTECTION OF BIODIVERSITY					
Measures taken to safeguard or develop biodiversity	-	-	Data not available for 2017		

INFORMATION ON CORPORATE COMMITMENTS TO PROMOTE SUSTAINABLE DEVELOPMENT					
Indicator name	**Sub-indicator**	**Unit**	**Indicator**	**Scope**	**Excluded data**
TERRITORIAL, ECONOMIC AND SOCIAL IMPACT OF THE COMPANY'S BUSINESS					
In terms of employment and regional development	-	Report section	2/b.	World	-

Annexe IV
Report by one of the Statutory Auditors, appointed as independent third party, on the consolidated human resources, environmental and social information included in the management report

This is a free translation into English of the statutory auditors' report issued in French prepared in accordance with Article L.225-235 of the French Commercial Code on the report prepared by the Chairman of the Board of Directors on the internal control procedures relating to the preparation and processing of accounting and financial information issued in French and is provided solely for the convenience of English speaking users.

This report should be read in conjunction with, and construed in accordance with, French law and the relevant professional standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of SMCP SA, (the "Company"), appointed as independent third party and certified by COFRAC under numbers 3-1048[50]*, we hereby report to you on the consolidated human resources, environmental and social information for the year ended December 31st, 2017 included in the management report (hereinafter named "CSR Information"), pursuant to article L.225-102-1 of the French Commercial Code (Code de commerce).*

Company's responsibility

The Board of Directors is responsible for preparing a company's management report including the CSR Information required by article R.225-105-1 of the French Commercial Code in accordance with the reporting protocols and guidelines used by the Company (hereinafter the "Guidelines"), summarized in the management report and available on request at the company's head office.

Independence and quality control

Our independence is defined by regulatory texts, the French Code of ethics (Code de déontologie) of our profession and the requirements of article L.822-11 of the French Commercial Code. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional standards and applicable legal and regulatory requirements.

Statutory Auditors' responsibility

On the basis of our work, our responsibility is to:

- *attest that the required CSR Information is included in the management report or, in the event of non-disclosure of a part or all of the CSR Information, that an explanation is provided in accordance with the third paragraph of article R.225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information);*
- *express a limited assurance conclusion that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Guidelines (Conclusion on the fairness of CSR Information).*

[50] whose scope is available at www.cofrac.fr

It is not our responsibility to provide any conclusion on the compliance with other applicable legal expectations, in particular those concerning article L.225-102-4 of the French code of commerce (duty of care) or the French law 2016-1691 (fight against corruption).

Our work involved four persons and was conducted between March and April 2018 during a three-week period. We were assisted in our work by our sustainability experts.

We performed our work in accordance with the order dated 13 May 2013 defining the conditions under which the independent third party performs its engagement and the professional guidance issued by the French Institute of statutory auditors (Compagnie nationale des commissaires aux comptes) relating to this engagement and with ISAE 3000[51] concerning our conclusion on the fairness of CSR Information.

1. Attestation regarding the completeness of CSR Information

Nature and scope of our work

On the basis of interviews with the individuals in charge of the relevant departments, we obtained an understanding of the Company's sustainability strategy regarding human resources and environmental impacts of its activities and its social commitments and, where applicable, any actions or programmes arising from them.

We compared the CSR Information presented in the management report with the list provided in article R.225-105-1 of the French Commercial Code.

For any consolidated information that is not disclosed, we verified that explanations were provided in accordance with article R.225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the scope of consolidation, i.e., the Company, its subsidiaries as defined by article L.233-1 and the controlled entities as defined by article L.233-3 of the French Commercial Code within the limitations set out in the methodological note of the management report.

Conclusion

Based on the work performed and given the limitations mentioned above, in particular as regards information on employee breakdown by age and gender, hires and departures, number of days of absence and workplace injuries limited to France we attest that the required CSR Information has been disclosed in the management report, with the exception of biodiversity information which is not presented, without required explanation.

2. Conclusion on the fairness of CSR Information

Nature and scope of our work

We conducted around ten interviews with the persons responsible for preparing the CSR Information in the departments in charge of collecting the information and, where appropriate, responsible for internal control and risk management procedures, in order to:

- *assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, and taking into account industry best practices where appropriate ;*

[51] **ISAE 3000 – *Assurance engagements other than audits or reviews of historical financial information***

- *verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the internal control and risk management procedures used to prepare the CSR Information.*

We determined the nature and scope of our tests and procedures based on the nature and importance of the CSR Information with respect to the characteristics of the Company, the human resources and environmental challenges of its activities, its sustainability strategy and industry best practices.

Regarding the CSR Information that we considered to be the most important[52]*:*

- *at parent entity and sites level, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information in the management report;*
- *at the level of a representative sample of entities/divisions/sites selected by us*[53] *on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly applied, and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents. The selected sample represents 46% of headcount and between 23% and 44% of quantitative environmental data disclosed.*

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the company.

We also assessed the relevance of explanations provided for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes we have used, based on our professional judgement, are sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures. Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not detecting a material misstatement in the CSR information cannot be totally eliminated.

Conclusion

Based on our work, except for the effects of the conclusion mentioned in part 1 of this report, no other material misstatements have come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

[52] **Quantitative information :**

Social: Workforce at 31 December ; Breakdown by age and gender ; Number of hires ; Number of dismissals ; Number of days of absence ; Number of days lost due to workplace and commuting injury and sick leave; Number of training hours.

Environmental: Total electricity consumption; GHG emissions scope 1 and 2.

Qualitative information :

Number of health and safety collective agreements ; Ensure the safe and responsible use of materials ; Implemented measures to improve renewable energies consumption management ; Identification of significant scope 3 GHG emission sources ; Inclusion of social, economic, and environmental considerations in the purchasing decisions ; Social audits performed on suppliers.

[53] **Group activity in France**

Neuilly-sur-Seine, April 27, 2018

One of the Statutory Auditors

Deloitte & Associés

Albert Aidan	*Julien Rivals*
Partner	*Partner, Sustainability Services*

Annex V
Cross-reference table

Cross-reference table of the Management Report specified by Articles L.225-100 et seq. of the French Commercial Code

The cross-reference table below has been provided to help readers of this registration document to easily identify specific information in the Board of Directors' annual management report that should be presented to the general meeting of shareholders convened to approve the financial statements for each year end, in accordance with Articles L.225-100 et seq. of the French Commercial Code.

Management report	Chapters / Sections of the registration document
Business review	
Position, activities and changes to the business of the Company and its subsidiaries in the fiscal year ended	6 and 9
The results of the Company and its subsidiaries during the fiscal year just ended (especially debt position)	9 and 10
Financial key performance indicators	3
Principal risks and uncertainties	4
Information on market risks and financial risk management	4.4 (and 20.1.1 Note 6.1.17)
Acquisitions of equity interests	7 and 25
Research and development, patents and licenses	11
Foreseeable changes and future outlook	12 and 13
Subsequent events	20.6
Share capital and shareholding	
Composition and changes to the shareholding and share capital	18.1 and 21.1.7
Table summarizing current delegations of authority for capital increase and implementation of such delegations during the fiscal year	21.1.1
Acquisitions and disposals of treasury shares by the Company	21.1.3
Employee equity interests in the Company's share capital	17.3
Trading by executives and corporate officers in the Company's shares	N/A
Information that could have an impact in the event of a public offering	18.4
Names of controlled companies and % of capital held by the Company	7

Share divestments to adjust cross shareholdings	N/A
Governance	
Method of General Management	14.1.2
Composition of the Board of Directors	14.1.1
Compensations of corporate officers and executives	
Compensations of corporate officers and executives	15
Details about retirement commitments (other than basic pension commitments and mandatory supplementary pension schemes) and the other end-of career benefits paid out fully or partly as pension payments, where these commitments are at the company's expense	N/A
Corporate social & environmental responsibility	
Information on how the Company handles the social and environmental consequences of its activity	8.2, 17 and Annex III
Non-financial, especially environmental and social key performance indicators	8.2, 17 and Annex III
Information on facilities listed in "upper threshold" SEVESO category	N/A
Other legal and tax information	
Dividends paid	20.3
Information on supplier terms of payment	9.1.2.4
Financial injunctions or sanctions for anti-competitive practices	N/A
Lavish expenditures	N/A
Information on the reintegration of overheads into taxable profit	N/A
Table of the results over the last five fiscal years	20.1[54]

The Board of Directors' report mentioned in paragraph 2 of Article L.225-37-2 of the French Commercial Code will be available in the notice to attend the general meeting of shareholders scheduled for June 18, 2018.

[54] The Company was created on April 20, 2016 and its twenty-month fiscal year ended on December 31, 2017.

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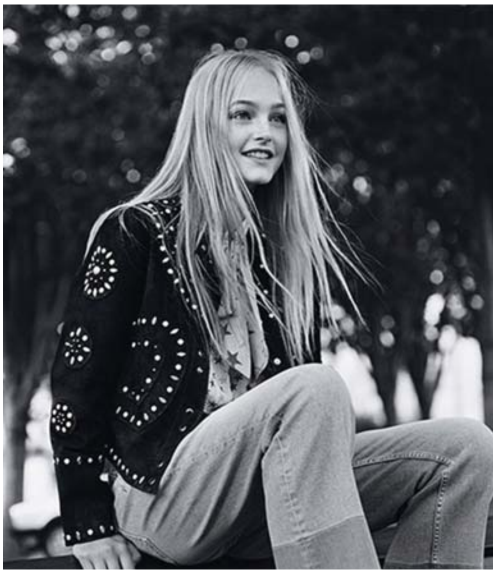

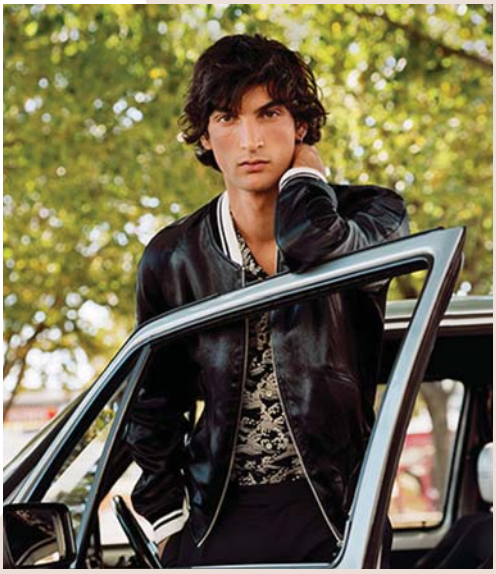

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