SMCP

SANDRO, MAJE, CLAUDIE PIERLOT

SMCP S.A.S.

Simplified joint-stock company (*société par actions simplifiée*) [1] with a share capital of €58,168,480.70
Registered office: 49, rue Étienne Marcel, 75001 Paris, France
Registered with the Paris Trade and Companies Registry under company number 819 816 943

REGISTRATION DOCUMENT

AMF | AUTORITÉ DES MARCHÉS FINANCIERS

The *Autorité des marchés financiers* (French Financial Markets Authority or "**AMF**") registered the French language version of the registration document on September 15, 2017 under number I. 17-066, pursuant to, and in accordance with, Article 212-23 of its General Regulations (*Règlement General*). This document may only be used for the purposes of a financial transaction if it is supplemented by a securities 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 was only granted upon, *inter alia,* verification by the AMF that this document is complete, clear and coherent as per the requirements of Article L.621-8-1-I of the French *Code monétaire et financier*. The AMF has not, and cannot be construed as having, verified any of the accounting and financial information contained herein.

DISCLAIMER

By accepting this document, you acknowledge, and agree to be bound by, the following statements. This document is a translation of the SMCP's *document de base* dated September 15, 2017 (the "**registration document**"). The registration document, in its original French version, is publicly available at www.amf-france.org. This translation (the "**Translation**") is provided for your convenience only and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published in whole or in part for any purpose. This translation has not been prepared for use in connection with any offering of securities. It does not contain all of the information that an offering document would contain.

IN THE EVENT OF ANY AMBIGUITY OR CONFLICT BETWEEN THE CORRESPONDING STATEMENTS OR OTHER ITEMS CONTAINED HEREIN, THE FRENCH LANGUAGE REGISTRATION DOCUMENT SHALL PREVAIL.

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1 Adoption of the status of French joint-stock company (*société anonyme)* shall take effect on the date that the AMF approves the prospectus for admission of the Company's shares to trading on the regulated market of Euronext Paris.

NOTE

SMCP S.A.S.[2]*, a simplified joint-stock company incorporated under French law with a share capital of €58 168 480.20 and having 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.*

*In this registration document, the term "**Group**" means (i) the Company and its subsidiaries and equity interests regarding the financial information for the eight-month interim period ended December 31, 2016, the financial information for the six-month interim period ended June 30, 2017 and for the pro forma financial information for the the twelve-month period ended December 31, 2016 and the six-month interim period ended June 30, 2016 and (ii) SMCP Holding S.A.S. and its subsidiaries and equity interests regarding the financial information for the financial years ended December 31, 2016, and December 31, 2015 and for the twelve-month period ended December 31, 2014.*

*"**Shandong Ruyi**" refers to Shandong Ruyi Technology Group Co. Ltd and/or its subsidiaries.*

*"**KKR**" refers to certain investment funds advised by Kohlberg Kravis Roberts & Co. L.P. and/or its subsidiaries.*

This registration document *describes the Group as it will exist after implementation of the restructuring operations described in section 7.1.2 of this registration document.*

To provide accounting information that will enable an understanding of the Group's financial position, this registration document includes the following financial statements:

- *the consolidated financial statements of the Company for the six-month interim period ended June 30, 2017, prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union;*
- *the pro forma financial information of the Company*[3] *for the six-month interim period ended June 30, 2016 and the twelve-month period ended December 31, 2016 prepared in accordance with IFRS as adopted by the European Union;*
- *the consolidated financial statements of the Company for the eight-month interim period ended December 31, 2016 (including three months of operational activity) prepared in accordance with IFRS as adopted by the European Union;*
- *the consolidated financial statements of SMCP Holding S.A.S.*[4] *for the financial year ended December 31, 2016, prepared in accordance with IFRS as adopted by the European Union;*
- *the consolidated financial statements of SMCP Holding S.A.S. for the financial year ended December 31, 2015, prepared in accordance with IFRS as adopted by the European Union; and*

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2 Until September 13, 2017, the Company's name was TopSoho S.A.S.

3 The Company was incorporated in April 2016 in the context of the acquisition of the Group by Shandong Ruyi. The *pro forma f*inancial information shows the Group's financial position as if Shandong Ruyi had acquired the Group on January 1, 2016. For a 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 this registration document).

4 SMCP Holding S.A.S. was the parent company of the Group until October 2016, when the Group was acquired by Shandong Ruyi. Until September 13, 2017, the name of SMCP Holding S.A. was SMCP S.A.S.

- *the consolidated financial statements of SMCP Holding S.A.S. for the twelve-month period ended December 31, 2014, prepared in accordance with IFRS as adopted by the European Union[5];*

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 realization of various risks described in chapter 4 of this registration document, "Risk Factors", may have an impact on the activities, the position and financial results of the Group and its ability to achieve its objectives.

Investors are requested 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 are derived from statistics and studies by third parties (see Chapter 23 "Third-party information and statement by experts and declarations of any interest" of this registration document) and by professional organizations, or include 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 may not have 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.

In the current 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 the points of sale closings during the same period.

In this registration document, data related to digital net sales include partners' net sales, unless otherwise expressly specified.

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

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5 The SMCP Holding S.A.S. financial year ended on December 31, 2014 was a 21-month financial year, commencing on April 1, 2013, the first financial year following acquisition of the Group by KKR. This registration document presents interim information on the twelve-month period commencing January 1, 2014 and ending December 31, 2014 to facilitate the reader's comparison of the financial information presented.

Table of contents

1. PERSONS RESPONSIBLE

1.1 Person responsible for the registration document

Mr. Daniel Lalonde, Chairman of SMCP S.A.S.

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 is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its scope.

I have obtained a letter from the Statutory Auditor stating that he has completed his assignment, which included checking the information relating to the financial position and the financial statements presented in this registration document, and that he has read the registration document in its entirety."

September 15, 2017

Mr. Daniel Lalonde

Chairman of SMCP S.A.S.

2. AUDITORS OF THE FINANCIAL STATEMENTS

2.1 Statutory auditor

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

Represented by Mr. 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 April 30, 2022.

KPMG S.A. is a member of the *Compagnie Régionale des Commissaires aux Comptes de Versailles.*

In accordance with applicable law, the Company will appoint a second statutory auditor in connection with the admission of its shares to trading on the regulated market of Euronext Paris.

2.2 Alternate statutory auditor

Salustro Reydel
2, avenue Gambetta
92066 Paris La Défense
France

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 April 30, 2022.

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

3. SELECTED FINANCIAL INFORMATION

The selected financial information presented herein has been extracted from:

- the consolidated financial statements of the Company for the six-month interim period ended June 30, 2017, prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union;

- the *pro forma* financial information of the Company for the six-month interim period ended June 30, 2016 and the twelve-month period ended December 31, 2016 prepared in accordance with IFRS as adopted by the European Union as if the acquisition of the Group by Shandong Ruyi occurred on January 1, 2016[6];

- the consolidated financial statements of the Company for the eight-month interim period ended December 31, 2016 (including three months of operational activity), prepared in accordance with IFRS as adopted by the European Union;

- the consolidated financial statements of SMCP Holding S.A.S. for the financial year ended December 31, 2016, prepared in accordance with IFRS as adopted by the European Union[7];

- the consolidated financial statements of SMCP Holding S.A.S. for the financial year ended December 31, 2015, prepared in accordance with IFRS as adopted by the European Union; and

- the consolidated financial statements of SMCP Holding S.A.S. for the twelve-month period ended December 31, 2014, prepared in accordance with IFRS as adopted by the European Union.

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 concerning the Group's assets, financial position and results" of this registration document.

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6 The Company was incorporated in April 2016 in the context of the acquisition of the Group by Shandong Ruyi. The *pro forma f*inancial information shows the Group's financial position as if Shandong Ruyi had acquired the Group on January 1, 2016. For a 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 this registration document).

7 SMCP Holding S.A.S. was the parent company of the Group until October 2016, when the Group was acquired by Shandong Ruyi. Until September 13, 2017, the name of SMCP Holding S.A.S. was SMCP S.A.S

Selected financial information from the consolidated income statement

(In thousands of euros)	**Twelve-month period ended December 31, 2016 *pro forma*[8] SMCP S.A.S.**	**Financial year ended December 31, 2015 SMCP Holding S.A.S.**	**Twelve-month period ended December 31, 2014 SMCP Holding S.A.S.**	**Six-month period ended June 30, 2017 SMCP S.A.S.**	**Six-month period ended June 30, 2016 *pro forma* SMCP S.A.S.**
Net sales	**786,286**	**675,381**	**508,610**	**438,871**	**377,190**
Commission	(105,186)	(94,268)	(74,555)	(55,796)	(50,675)
Net sales after commissions	681,100	581,113	434,055	383,075	326,514
Purchases and changes in inventories	(185,693)	(160,270)	(117,695)	(104,088)	(92,297)
Gross margin[9]	495,407	420,844	316,359	278,987	234,217
Depreciation and provisions for depreciation	(37,918)	(38,051)	(26,773)	(17,765)	(19,853)
Recurring operating income	**91,674**	**68,467**	**47,001**	**55,316**	**41,294**
Operating income	60,346	57,511	38,548	42,290	15,780
Financial income	(78,052)	(36,207)	(34,044)	(30,419)	(48,970)
Pre-tax income	(17,706)	21,304	4,504	11,871	(33,190)
Net income	**22,202**	**7,891**	**(7,294)**	**1,137**	**(26,181)**

Selected adjusted pro forma[(1)] *financial information*

(*In thousands of euros*)	**Operating income**	**Financial Income**	**Pre-tax income**	**Net income**
Twelve-month period ended December 31, 2016 *pro forma* adjusted SMCP S.A.S.	85,165	(56,449)	28,716	**53,749**
Six-month period ended June 30, 2016 *pro forma* adjusted SMCP S.A.S.	39,740	(48,970)	12,373	**4,802**

(1) *Pro forma* data (as if the acquisition of the Group by Shandong Ruyi had taken place on January 1, 2016) adjusted to exclude non-recurring expenses related to the acquisition and its concomitant refinancing (see note 7 of the *pro forma* financial statements for the six-month period ended June 30, 2016 and for the twelve-month period ended December 31, 2016 in sections 20.1.2 and 20.1.3 of this registration document).

Performance indicators

(In thousands of euros)	**Twelve-month period ended December 31, 2016 *pro forma*[(2)] SMCP S.A.S.**	**Financial year ended December 31, 2015 SMCP Holding S.A.S.**	**Twelve-month period ended December 31, 2014 SMCP Holding S.A.S.**	**Six-month period ended June 30, 2017 SMCP S.A.S.**	**Six-month period ended June 30, 2016 *pro forma* SMCP S.A.S.**
Net sales	786,286	675,381	508,610	438,871	377,190
EBITDA[(1)]	129,592	106,518	73,774	73,081	61,147

(1) EBITDA corresponds to recurring operating income plus depreciation and amortization expense. It does not include non-operating income. EBIDTA is not a standardized accounting aggregate with a single generally accepted definition, nor should it be considered as a substitute for operating income, net profit, operational cash flow or as a measure of liquidity. Other issuers with an activity similar to or different from that of the Company may calculate EBITDA differently compared to the definition adopted by the Group.

(2) Pro forma *financial information, as if the acquisition of the Group by Shandong Ruyi occurred on January 1, 2016.*

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8 *Pro forma* financial information, as if the acquisition of the Group by Shandong Ruyi occurred on January 1, 2016.

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

Selected financial information from the consolidated balance sheet

(In thousands of euros)	**December 31, 2016 SMCP S.A.S.**	**December 31, 2015 SMCP Holding S.A.S.**	**December 31, 2014 SMCP Holding S.A.S.**	**June 30, 2017 SMCP S.A.S.**
ASSETS				
Goodwill	630,071	336,775	336,279	631,007
Brands	600,000	236,000	236,000	600,000
Other intangible assets	120,048	116,213	121,717	125,020
Intangible assets	65,051	69,109	64,102	58,643
Non-current financial assets	15,105	12,640	10,313	15,899
Other non-current assets	1,298	423	2,318	2,285
Deferred tax asset	54,758	19,773	18,036	37,995
Total non-current assets	**1,486,329**	**790,933**	**788,765**	**1,470,849**
Inventories	147,052	125,741	97,770	146,427
Customer receivables and related accounts	40,738	35,741	31,020	42,004
Other receivables	26,901	34,460	39,788	26,648
Other current financial assets	-	15	233	-
Cash and cash equivalents	57,326	27,149	16,140	37,135
Total current assets	**272,018**	**223,107**	**184,951**	**252,214**
TOTAL ASSETS	**1,758,346**	**1,014,040**	**973,716**	**1,723,063**
LIABILITIES				
Equity capital – Group share	**613,524**	**272,382**	**265,465**	**622,190**
Bond loans	448,070(1)	280,075	278,371	414,691
Convertible bond loans	-	151,999	140,740	-
PIK Shareholder loan	300,00(2)	-	-	300,000(2)
Deferred tax liabilities	196,941	103,508	100,186	189,403
Other non-current liabilities	8,643	4,039	2,119	20,816
Total non-current liabilities	**953,654**	**539,621**	**521,416**	**924,910**
Interest bearing financial liabilities	**5,071**	**13,368**	**13,128**	**4,678**
Supplier debts and related accounts	100,851	79,911	52,979	95,183
Banking loans and short-term financial debts	1,224	47,060	76,538	1,275
Current provisions	3,454	3,006	3,505	2,681
Other debts	80,570	58,691	40,866	72,146
Total current liabilities	**191,169**	**202,037**	**186,836**	**175,963**
TOTAL LIABILITIES	**1,758,346**	**1,014,040**	**973,716**	**1,723,063**

(1) *The Group intends to proceed (i) with the redemption in full of the 2022 Bonds (i.e., a principal amount of €100 million) with (a) a portion of the proceeds of the Company's share capital increase, which would be carried out at the time of the admission of the Company's shares to trading on the regulated market of Euronext Paris, and/or (b) drawings under credit lines made available in connection with the New Facilities Agreement and (ii) with the partial redemption of the 2023 Bonds (up to €111.3 million) with the proceeds of the share capital increase. An additional partial redemption of the 2023 Bonds for an amount equal to 10% of the principal amount of the outstanding 2023 Bonds will be completed simultaneously or shortly after the settlement/delivery of the Company's shares on the regulated market of Euronext Paris. The remaining 2023 Bonds will be redeemed during the 2018 and/or 2019 financial years (see sections 10.2.2.2 and 10.3 of this registration document).*

(2) *As part of the Reorganization, the €300 million PIK Shareholders' Loan will disappear following the merger of European MidSoho Sàrl into the Company (see section 7.1.2 of this registration document).*

Selected financial information from the consolidated cash flow statement[10]

(In thousands of euros)	**Twelve-month period ended December 2016 SMCP Holding S.A.S.**	**Twelve-month period ended December 31, 2015 SMCP Holding S.A.S.**	**Twelve-month period ended December 31, 2014 SMCP Holding S.A.S.**	**Six-month period ended June 30, 2017 SMCP S.A.S.**
Net cash flow from operating activities[11]	108,097	99,479	15,250	55,594
Net cash flow from investing activities	(39,090)	(36,799)	(43,206)	(21,200)
Net cash flow from financing activities	(27,341)	(53,199)	24,520	(53,844)
Net change in cash	41,665	9,482	(3,436)	(19,450)

Net sales per category of point of sale

(In thousands of euros)	**Financial year ended December 31, 2016 SMCP Holding S.A.S.**	**Financial year ended December 31, 2015 SMCP Holding S.A.S.**	**Twelve-month period ended December 31, 2014 SMCP Holding S.A.S.**	**Twelve-month period ended June 30, 2017 SMCP S.A.S.**	**Six-month period ended June 30, 2016 *pro forma* SMCP S.A.S.**
Free-standing stores	289,706	267,829	206,084	158,393	142,620
Corners	293,312	262,364	204,611	155,101	140,775
Factory Outlets	51,897	37,421	24,817	31,941	21,273
Affiliates	31,740	29,195	26,166	16,167	15,605
Internet[(1)]	66,903	35,837	14,285	49,901	31,945
Partnerships	52,728	42,735	32,646	27,368	24,972
Total	**786,286**	**675,381**	**508,610**	**438,871**	**377,190**

[(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. The total net sales including the partners' net sales amount to €53.9 million euros for the six-month period ended June 30, 2017, 36.2 million euros for the six-month period ended June 30, 2016, 75.4 million euros for the financial year ended December 31, 2016, 41.9 million euros for the financial year ended December 31, 2015 and 17.6 million euros for the financial year ended December 31, 2014.

10 As the Company was incorporated on April 19, 2016 and therefore has, for 2016, only consolidated financial statements covering a period of eight months (including three months of business activity), the presentation of its cash flow statement would not allow for a useful comparison of the Group's cash flow over the last two financial years; the discussion of cash flows for the 2015 and 2016 financial years is therefore based on the cash flow statements of SMCP SAS, the Group's parent company until October 2016, at which time the Group was acquired by Shandong Ruyi.

11 For the financial year ended December 31, 2016, the accounts of SMCP Holding S.A.S do not include certain costs related to general management of the Group amounting to €3.9 million, of which only €0.3 million were effectively disbursed as at December 31, 2016. This can be explained by the attribution of the general management to the Company from October 10th, 2016 (which was previously attached to SMCP Holding S.A.S.) and its related costs. These costs have not been re-invoiced to SMCP Holding S.A.S. For a better understanding and comparability of the Group's financial position, net cash flow from operating activities for the twelve-month period ended December 31, 2016 should therefore be reduced by up to €0.3 million (see note 4.2.2 of the consolidated financial statements of SMCP Holding S.A.S for the twelve-month period ended December 31, 2016, included in section 20.1.5 of this registration document). Restated from this amount, the net cash flow from operating activities reaches €107.8 million for the twelve month period ended December 31, 2016.

Number of points of sale (directly operated)[12]

	As at December 31, 2016	As at December 31, 2015	As at December 31, 2014	As at June 30, 2017	As at June 30, 2016
By brand					
Sandro	436	405	370	446	419
Maje	344	319	289	349	334
Claudie Pierlot	168	144	115	177	153
Suite 341	50	38	31	50	48
By geographical segment					
France	479	464	437	479	479
EMEA(1)	294	252	210	306	270
APAC(2)	93	62	35	106	76
Americas	132	128	123	131	129
Total points of sale	***998***	***906***	***805***	***1,022***	***954***

(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 at December 31, 2016	As at December 31, 2015	As at December 31, 2014	As at June 30, 2017	As at June 30, 2016
By brand					
Sandro	540	503	448	562	524
Maje	445	414	369	457	432
Claudie Pierlot	188	163	131	198	172
Suite 341	50	38	31	50	48
By geographical segment					
France	479	464	437	479	479
EMEA	383	341	277	410	359
APAC	221	179	140	239	201
Americas	140	134	125	139	137
Total points of sale	***1,223***	***1,118***	***979***	***1,267***	***1,176***

12 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, 2016	As of December 31, 2015	As of December 31, 2014	As of June 30, 2017	As of June 30, 2016
Free-standing stores	350	334	306	354	339
Concessions	480	437	397	489	463
Affiliates	73	64	58	76	70
Internet	48	38	26	51	43
Factory Outlets	47	33	18	52	39
Total points of sale (directly-operated stores)	**998**	**906**	**805**	**1,022**	**954**
Partnerships	225	212	174	245	222
Total	**1,223**	**1,118**	**979**	**1,267**	**1,176**

Sales growth on a like-for-like basis[13] at constant exchange rates[14]

	Financial years ended December 31, 2016 *pro forma* SMCP S.A.S.	Financial year ended December 31, 2015 SMCP Holding S.A.S.	Twelve-month period ended December 31, 2014 SMCP Holding S.A.S.	Six-month period ended June 30, 2017 SMCP S.A.S.
Total growth in like-for-like sales	***7.1%***	***11.0%***	***1.4%***	*6.8%*

EBITDA and EBITDA margin[15]

(In thousands of euros)	Twelve-month period ended December 31, 2016 *pro forma* SMCP S.A.S.	Financial year ended December 31, 2015 SMCP Holding S.A.S.	Twelve-month period ended December 31, 2014 SMCP Holding S.A.S.	Six-month period ended June 30, 2017 SMCP S.A.S.	Six-month period ended June 30, 2016 *pro forma* SMCP S.A.S.
Net sales	786,286	675,381	508,610	438,871	377,190
Commission	(105,186)	(94,268)	(74,555)	(55,796)	(50,675)
Net sales after commissions	**681,100**	**581,113**	**434,055**	**383,075**	**326,514**
Purchases and changes in inventories	(185,693)	(160,270)	(117,695)	(104,088)	(92,297)

13 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 to a Sandro Homme or Sandro Mixed store) during the period considered.

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

15 Group EBITDA corresponds to recurring operating income plus depreciation and amortization expense. It does not include non-operating income. EBITDA margin, expressed as a percentage, corresponds to EBITDA divided by net sales. EBIDTA is not a standardised accounting aggregate with a single generally accepted definition, nor should it be considered as a substitute for operating profit, net profit, operational cash flow or as a measure of liquidity. Other issuers with an activity similar to or different from that of the Company could calculate EBITDA differently compared to the definition adopted by the Group.

(In thousands of euros)	**Twelve-month period ended December 31, 2016 *pro forma* SMCP S.A.S.**	**Financial year ended December 31, 2015 SMCP Holding S.A.S.**	**Twelve-month period ended December 31, 2014 SMCP Holding S.A.S.**	**Six-month period ended June 30, 2017 SMCP S.A.S.**	**Six-month period ended June 30, 2016 *pro forma* SMCP S.A.S.**
Gross margin[16]	**495,407**	**420,844**	**316,359**	**278,987**	**234,217**
Other operating income	4,259	2,093	7,065	975	1,792
Personnel costs	(166,859)	(147,281)	(118,292)	(91,398)	(79,570)
Other operating expenses	(203,215)	(169,139)	(131,358)	(115,483)	(95,292)
EBITDA	**129,592**	**106,518**	**73,774**	**73,081**	**61,147**
EBITDA margin	**16.5%**	**15.8%**	**14.5%**	**16.7%**	**16.2%**

Consolidated data by brand:

(In thousands of euros)	**Twelve-month period ended December 31, 2016 *pro forma* SMCP S.A.S.**	**Financial year ended December 31, 2015 SMCP Holding S.A.S.**	**Twelve-month period ended December 31, 2014 SMCP Holding S.A.S.**	**Sixth-month period ended June 30, 2017 SMCP S.A.S.**	**Six-month period ended June 30, 2016 *pro forma* SMCP S.A.S.**
Net sales					
- of which Sandro	375,823	328,339	262,639	217 062	177,451
- of which Maje	312,936	271,907	186,871	167 914	153,217
- of which Claudie Pierlot	97,528	75,135	58,901	53 895	46,520
- of which Other & Holding	0	0	198	-	-
EBITDA					
- of which Sandro	59,721	54,523	41,093	38 721	28 568
- of which Maje	58,023	45,062	23,879	29 059	27 398
- of which Claudie Pierlot	11,871	7,964	5,805	6 256	5 571
- of which Other & Holding	(23)	(1,031)	2,997	(955)	(389)
EBITDA margin					
- of which Sandro	15.9%	16.6%	15.6 %	17,8%	16,1%%
- of which Maje	18.5%	16.6%	12.8 %	17,3%	17,9%%
- of which Claudie Pierlot	12.2%	10.6%	9.9 %	11,6%%	12,0%%

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

Free cash flow[17]:

(*In millions of euros*)	**Financial year ended December 31, 2016 SMCP Holding S.A.S.**[18]	**Financial year ended December 31, 2015 SMCP Holding S.A.S.**	**Twelve-month period ended December 31, 2014 SMCP Holding S.A.S.**	**Six-month period ended June 30, 2017 SMCP Holding S.A.S.**
Free cash flow	78.7	52.1	6.3	41.4

[17] Free cash flow is defined as EBITDA after taking account of changes in working capital requirements and net cash flow used in investing activities.

[18] As corrected for costs related to general management of the Group amounting to €3.9 million and not borne by SMCP Holding S.A.S. following their transfer to the Company on October 10, 2016 (for a total amount of €3.9 million, of which only €0.3 million have been disbursed), free cash flow of the Group amounted to €78.4 million for the twelve-month period ended December 31, 2016.

4. RISK FACTORS

Before proceeding with the acquisition or subscription of the Company's shares, 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 important with respect to making an investment decision, as they 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 46% of its net sales for the twelve-month period ended December 31, 2016 *pro forma*. 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 (2.0% in the European Union and 1.4% in France for 2017) (source: *IMF, World Economic Outlook, April 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. For example, the Maje 2014 autumn/winter collection did not achieve the same level of success as other Group collections. Furthermore, the Group launches a uniform collection in the 36 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, 2016, the Group employed 3,896 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 net sales for the twelve-month period ended December 31, 2016 *pro forma*) 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 or

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, 2016 (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 6.3.1of 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, Marly-la-Ville and Vatry (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, 2016, the Group's goodwill represented €630 million, its brands represented €600 million, its leasehold rights represented €110 million and its other intangible assets represented €11 million. Pursuant to impairment testing carried out in 2016, the Group recorded losses of €0.3 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, 2014 to December 31, 2016, the Group's total points of sale (excluding partnerships) increased from 805 to 998. Of these 998 points of sale, 350 were free-standing stores and 480 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[19] 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 in London, and its concessions in large 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 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

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

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 net sales and the number of points of sale increasing from €508.6 million and 979 points of sale, respectively, as of December 31, 2014 to €786.3 million and 1,123 points of sale as of December 31, 2016. 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, 2016 *pro forma*, 37.3% of the Group's net sales 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 therefore must 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 35 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 6.16.4 of the consolidated financial statements of the Group for the twelve-month period ended December 31, 2016 *pro forma* 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, especially in the event of any modification of 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 9.6% of total Group net sales during the twelve-month period ended December 31, 2016 *pro forma*). 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 Mr. Daniel Lalonde, as well as 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. 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 Senior 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 June 30, 2017, the Group's total net debt[20] was €700.8 million (see section 10.2.2 of this registration document). The Group's adjusted net financial debt[21] amounted to €383.5 million. In connection with its initial public offering, the Group intends to proceed with a partial refinancing and to allocate a significant proportion of the proceeds from the capital increase to the reduction of its debt.

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.

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20 "Net debt" corresponds to gross debt net of cash and cash equivalents.

21 "Adjusted net financial debt" represents the net financial debt, adjusted for the Shareholder Loan maturing in 2025.

Although the Group's debt is projected to be significantly reduced following the proposed initial public offering, 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 Senior 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 2016 (see section 10.2.2.1 of this registration document). The New Facilities Agreement will also contain certain similar representations and covenants (see section 10.3.5 of this registration document).

Moreover, the Senior 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 section 10.3.3 of this registration document). The Group also granted security interests over the Sandro, Maje and Claudie Pierlot brands as part of the Facilities Agreement. These security interests will be definitively released upon the total repayment of the Facilities Agreement at the time of settlement and delivery of the Company's shares admitted to trading on the regulated market of Euronext Paris.

The restrictions in the indenture governing the Senior Bonds, the Facilities Agreement and the New 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 exercize 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 June 30, 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 June 30, 2017**	**Contractual cash flows**	**<1 year**	**2 to 5 years**	**>5 years**
Loans from credit institutions	**419,369**	**580,615**	**25,700**	**202,217**	**352,699**
Fixed rate bonds (*2023 Bonds*)	323,088	450,782	19,617	78,467	352,699
Floating rate bonds (*2022 Bonds*)	96,281	129,833	6,083	123,750	6
Bank overdrafts	**1,275**	**1,275**	**1,275**	**-**	**-**
Other loans and financial debt	**317,587**	**598,571**	**-**	**-**	**598,571**
Facilities	-	-	-	-	-
Other loans and financial debt	14	14	-	-	14
PIK Shareholder Loan	**317,587**	**598,557**	**-**	**-**	**598,557**
Financial debt	**738,231**	**1,180,461**	**26,975**	**202,217**	**951,270**

In May 2016, SMCP Group S.A.S., a subsidiary of the Company, concluded a facilities agreement with J.P. Morgan Limited, among others (see section 10.2.2.1 of this registration document).

In addition, in May 2016, SMCP Group S.A.S., a subsidiary of the Company, issued two series of bonds, one with a floating rate in a principal amount of €100 million, redeemable at maturity on November 1, 2022, and the other with a fixed rate in a principal amount of €371 million, redeemable at maturity on May 1, 2023. On April 3, 2017, the Group partially redeemed the 2023 Bonds for a principal amount of €37,100,000 (representing 10% of the total principal amount of the 2023 Bonds) at 103% of par, together with accrued interest payable on April 3, 2017. Following this payment, the total outstanding principal amount of the 2023 Bonds amounted to €333,900,000. 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).

Lastly, the Company benefits from a PIK Shareholder Loan granted by its principal shareholder European MidSoho Sàrl, for an initial principal amount of €300 million, bearing interest at a rate of 7.875% and maturing on October 9, 2025 (see section 10.2.2.3 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, 2016, the amount of the Group's unused credit lines totaled €70 million.

In connection with its initial public offering, the Group intends to partly refinance its debt, with effect from the date of settlement and delivery of the Company's shares that will be offered in connection with their admission to trading on the regulated market of Paris Euronext, by (i) fully discharging the PIK Shareholder Loan in the context of the Restructuring by merger (see section 10.2.2.1 of this registration document), (ii) fully redeeming the 2022 Bonds and partly redeeming the 2023 Bonds, (iii) fully repaying and cancelling the Facilities Agreement and (iv) establishing and partly drawing down a New Credit Facilities Agreement (see sections 10.2 and 10.3 of this registration document)

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 New 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 June 30, 2017, the Group's outstanding floating-rate debt was €96.3 million and the Group's outstanding fixed-rate debt was €323.1 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 Exchange rate risk

The Group prepares its financial statements in euros, but a significant proportion of its net sales (34.8% during the twelve-month period ended December 31, 2016 *pro forma*) is generated in foreign currencies, including the pound sterling, Chinese yuan, Swiss franc and U.S. dollar. A proportion of the Group's cost of sales (approximately 33%) is also recorded in foreign currencies, notably purchases from Asian suppliers in U.S. dollars or Chinese yuan. The Group also holds certain assets which are recorded in its balance sheet in foreign currencies.

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, 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 6.16.4 to the Group's consolidated financial statements for the twelve-month period ended December 31, 2016 *pro forma* (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, 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 20.4 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 shall provide the European Commision with the information needed to evaluate the effectiveness of the national targeted rules before July 1st, 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 June 30, 2017, a total deferred tax assets in an amount of €2.1 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) 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.

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, 2016 *pro forma*, the amount of CICE paid to the Group was €2.7 million.

The government recently announced his intention to lower the CICE rate by 1 percentage point (from 7% to 6%), before deleting the CICE in 2019 in order to replace it by a direct reduction of the employers' social contributions. Any modification or deletion of the CICE could have a material adverse effect on the Group's financial condition, results of operations and prospects. Any modification or deletion to the CICE could have a material adverse effect on the Group's financial condition, results of operations and prospects.

4.6 Insurance and risk management

4.6.1 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, with an aggregate policy limit of €20,000,000;
- Third party liability for delivered products and third party liability after delivery, with an aggregate policy limit of €20,000,000;
- Property and casualty insurance, with an aggregate policy limit of €120,000,000 for warehouses and certain shops (notably those located in central Paris), and an aggregate policy limit of €19,900,000 for the other points of sale;
- Insurance against fraud, with an aggregate policy limit of €5,000,000;

– Third party liability of Executive Officers, with an aggregate policy limit of €20,000,000; and

– Transport insurance.

The Group has not made any significant claims on any of its insurance policies in recent years, with the exception of the 2014 flooding of one of its New York points of sale (compensation of U.S.$1.7 million received).

4.6.2 Risk Management

4.6.2.1 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.

4.6.2.2 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 will be updated each year and will allow 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 58.5% to 46.4% between 2014 and 2016) 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[22] 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 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.

4.6.2.3 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, in 2014 the Group employed an external service provider to audit various production sites in Asia and to ensure that they were in compliance with ethical requirements. In 2015 and 2016, the Group extended this audit to the EMEA region and has planned to increase the number of audits to be carried out in 2017.

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22 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.S.[23]"

A Company shareholders' meeting will be held prior to approval by the AMF of the prospectus for admission of the Company's shares to trading on the regulated market of Euronext Paris, to adopt a resolution changing the Company's name to "SMCP S.A." and on updating the Company's Articles of Association in connection with the Company's conversion to a public limited company which will take place on the date of the granting of the visa by the AMF.

(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 Articles of Association.

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 will close 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 of the date of registration of this registration document, the Company is a simplified joint-stock company (*société par actions simplifiée*) incorporated under the laws of France.

A Company shareholders' meeting will be held prior to approval by the AMF of the prospectus for admission of the Company's shares to trading on the regulated market of Euronext Paris, to adopt a resolution converting the Company to a public limited company (*société anonyme*) and updating its Articles of Association with effect from the date of the AMF visa.

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23 Until September 13, 2017, the company name was TopSoho S.A.S.

(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 June 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 October 2016, the Chinese group Shandong Ruyi, one of the largest textile manufacturers in China, acquired an 85.7% majority stake in the Group.

5.2 Capital expenditure

The Group's growth strategy is reflected in a sustained capital expenditure policy, with more than €130 million invested since the beginning of 2014, particularly in the opening of new points of sale, mainly in Europe and in Asia.

Capital expenditure on maintenance and infrastructure amounted to between 2.3% and 2.8% of Group net sales before tax for each of the financial years 2014 to 2016. Capital expenditure on infrastructure included shared infrastructure, logistics and digital technology (see section 10.4.1 of this registration document). A detailed description of the Group's capital expenditure cash flow is set out in sections 10.5.1.2, 10.5.2.2 and 10.5.3.2 of this registration document.

(a) Capital expenditure since 2014

During the 2014 to 2016 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[24] and the United States.

During the twelve-month period ended December 31, 2014, the Group opened 91 points of sale (excluding partners) and in particular continued its expansion in Asia. It established SMCP Fashion Singapore, SMCP Hong Kong Limited and SMCP Macau, with all three companies wholly owned and controlled by SMCP Asia. In Europe, the Group expanded its business through the incorporation of SMCP Sweden. In addition, in April 2014 the Group acquired AZ Retail Limited, its local partner in Hong Kong since 2012, exercising a call option to acquire 100% of the control of AZ Retail Limited for an amount of €4.7 million.

During the financial year ended December 31, 2015, the Group continued its international expansion, in particular with the net opening of 39 points of sale (including partners) in the APAC region, including 23 in South Korea, 12 in mainland China and 16 in Australia. In total, the Group opened 101 points of sale (excluding partners), including 28 free-standing stores, 40 corners, 6 affiliates and 15 factory outlets. In addition, during the fourth quarter of 2015, the Group became the lessee of a new logistics site in Vémars, in the Paris region, making significant capital expenditure (investing in, for example, automated systems, storage and other equipment).

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), including 16 subsidiaries, 43 corners, 9 affiliates and 14 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 in the number of free-standing stores and corners in department stores (excluding partnerships, factory outlets, affiliates and Suite 341) opened by the Group during the last three financial years[25] and the six-month period ended June 30, 2017:

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

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

Brand		Number of free-standing stores and corners opened during the period concerned (excluding partnerships, factory outlets, affiliates and Suite 341)							
		Six-months 2017	**% compared with previous period**	**Twelve-months 2016**	**% compared with previous period**	**Twelve-months 2015**	**% compared with previous period**	**Twelve-months 2014**	**% compared with previous period**
Sandro	*Free-standing stores*	3	1.9%	9	6.1%	9	6.5%	24	20.9%
	Corners	4	1.9%	9	4.3%	13	6.7%	15	8.4%
Maje	*Free-standing stores*	-1	-0.8%	5	3.9%	12	10.3%	24	26.1%
	Corners	3	1.9%	11	7.7%	13	10.0%	15	13.0%
Claudie Pierlot	*Free-standing stores*	2	3.4%	3	5.5%	7	14.6%	6	14.3%
	Corners	2	2.3%	16	229%	13	22.8%	-1	-1.7%
Total		**13**	**1.6%**	**53**	**7.1%**	**67**	**9.8%**	**83**	**13.8%**

The table below sets out the net change by geographical segment in the number of free-standing stores and corners in department stores (excluding partnerships, factory outlets, affiliates and Suite 341) opened by the Group over the last three financial years and the six-month period ended June 30, 2017:

Geographical segmentation		Number of free-standing stores and corners opened during the period concerned (excluding partnerships, factory outlets, affiliates and Suite 341)							
		Six-months 2017	**% compared with previous period**	**Twelve-months 2016**	**% compared with previous period**	**Twelve-months 2015**	**% compared with previous period**	**Twelve-months 2014**	**% compared with previous period**
France	*Free-standing stores*	-1	-0.6%	3	1.7%	6	3.6%	8	5.0%
	Corners	-4	-2.1%	-	0%	3	1.6%	12	7.0%
EMEA	*Free-standing stores*	1	1.1%	1	1.1%	11	14.1%	13	20.0%
	Corners	6	4.1%	25	20%	17	16.0%	8	8.2%
APAC	*Free-standing sores*	5	10.0%	13	35.1%	12	48.0%	22	733.3%
	Corners	7	21.9%	11	52.4%	13	163%	0	0.0%
America s	*Free-standing stores*	-1	-3.2%	-	0%	-1	-3.1%	11	52.4%
	Corners	-	-%	-	0%	6	7%	9	12.0%
Total		**13**	**1.6%**	**53**	**7.1%**	**67**	**+9.8%**	**83**	**13.8%**

The table below shows the number of the Group's points of sale by brand and by geographical segment as of June 30, 2017:

	As at June 30, 2017	
	Number of directly-operated points of sale	**Number of points of sale (including partners)**
Brand		
Sandro	446	562
Maje	349	457
Claudie Pierlot	177	198
Suite 341	50	50
Geography		
France	479	479
EMEA	306	410
APAC	106	239
Americas	131	139
Total of points of sale	***1,022***	***1,267***

(b) Main capital expenditure projects underway

During the third quarter of 2017, the Group plans to open 23 new points of sale (excluding partners), including 10 free-standing stores and 13 corners. In addition, the Group opened a third logistics 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 shows the proposed openings of free-standing stores and corners by brand during the third quarter of 2017:

	Sandro	**Maje**	**Claudie Pierlot**	**Suite 341**
France	**-**	**-1**	**1**	**-1**
EMEA *of which*	**6**	**1**	**6**	**-**
Spain	1	-	1	-
Italy	1	1	2	-
Germany	1	1	1	-
Luxemburg	-	-	1	-
United-Kingdom	1	-	-	-
Netherlands	1	-	2	-
Switzerland	1	-1	-1	-
APAC *of which*	**6**	**7**	**1**	**-**
Mainland China	5	3	1	-
Hong Kong	-	1	-	-
Macau	-	1	-	-
Taiwan	1	2	-	-
Americas *of which*	**-2**	**-1**	**-**	**-**
United States	-2	-1	-	-
Canada	-	-	-	-
Total	**10**	**6**	**8**	**-1**

(c) 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 Group plans to open 32 new points of sale (excluding partners), including 26 free-standing stores and 6 corners during the fourth quarter of 2017.

The table below shows the proposed openings of free-standing stores and corners by brand during the fourth quarter of 2017:

	Sandro	**Maje**	**Claudie Pierlot**	**Suite 341**
France	**1**	**1**	**-**	**-1**
EMEA *of which*	**5**	**1**	**1**	**-**
Spain	2	-	-	-
Italy	1	-	1	-
United Kingdom	-	1	-	-
Germany	1	-	-	-
Netherlands	1	-	-	-
APAC *of which*	**9**	**8**	**1**	**-**
Mainland China	7	8	1	-
Hong Kong	1	-	-	-
Taiwan	1	-	-	-
Americas *of which*	**3**	**3**	**-**	-
United States	2	2	-	-
Canada	1	1	-	-
Total	**18**	**13**	**2**	**-1**

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 attractive 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 its customers attributes associated with luxury, such as on-trend, high-quality products, high-end communication, premium sales locations and a 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.

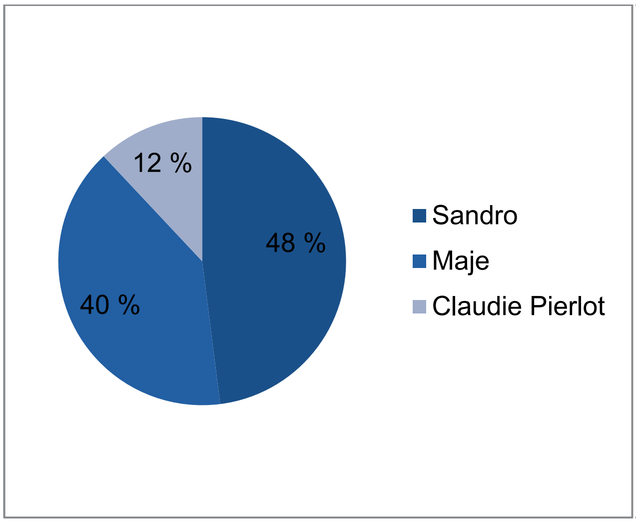
The Group's three brands can be characterized as follows:

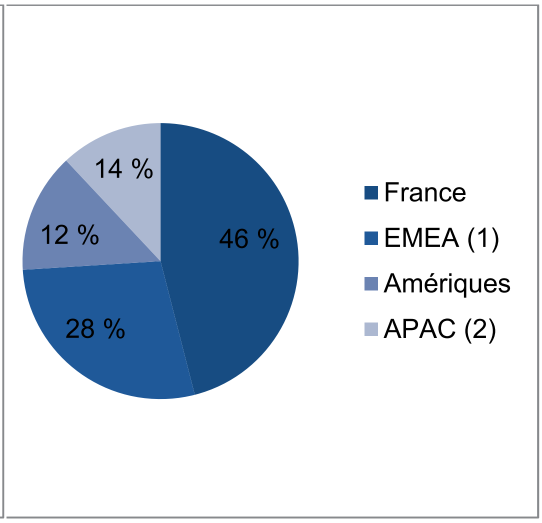
- **Sandro:** Founded in 1984 by Evelyne Chétrite, this brand is targeted at sophisticated and self-confident women with a sleek, cool sense of style and a Parisian nonchalance. The brand also includes a men's line (Sandro Homme, launched in 2007 by Evelyne's son, Ylane Chétrite) that offers active and 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 540 points of sale worldwide as of December 31, 2016, of which 436 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 445 points of sale worldwide as of December 31, 2016, of which 344 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 188 points of sale worldwide as of December 31, 2016, of which 168 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, 2016 *pro forma*.





(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 (383 points of sale as of December 31, 2016, excluding France, including partnerships) and in the Americas region since 2011 (140 points of sale as of December 31, 2016, including partnerships). The Group has also expanded its presence in the APAC region (221 points of sale as of December 31, 2016, including partnerships), particularly in mainland China where the Group opened directly-operated points of sale since 2013 (67 points of sale as of December 31, 2016). In the twelve-month period ended December 31, 2016 *pro forma*, the Group in particular opened seven new points of sale (including partnerships) in South Korea, seven in Hong Kong and seven in Australia.

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, 2016, of the Group's 1,223 points of sale, 350 were directly-operated stores and 480 were corners in department stores, with the remainder being affiliates, factory outlets, directly-operated websites and partner-operated dedicated mono-branded stores. As of December 31, 2016, the Group sold its products through 70 websites in 15 countries, including 48 directly-operated websites where its branded products can be purchased in the ten countries where the Group operates and 22 partner websites in seven other countries.

The 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 approximately 122 net store openings per annum, on average, since 2014 (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, 2016 *pro forma*, the Group generated net sales of €786.3 million, EBITDA of €129.6 million and an EBITDA margin of 16.5%. In the financial year ended December 31, 2015, and the twelve-month period ended December 31, 2016 *pro forma*, the Group achieved net sales growth of 32.8% and 16.4% respectively. From 2014 to 2016, the Group increased its total net sales at a compound annual growth rate ("**CAGR**") of 24.3%. As of December 31, 2016, the Group had 1,223 points of sale (including partners) across 36 countries. The Group generates 53.6% of its net sales outside France, reflecting an increase in international net sales of 41.3% since 2014.

In the six-month period ended June 30, 2017, the Group generated net sales of 438.9 million euros, EBITDA of 73.1 million euros and EBITDA margin of 16.7%. As of June 30, 2017, the Groupe had 1,267 points of sale (including partners) across 37 countries.

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 (33 years for Claudie Pierlot and Sandro and 19 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 the brands complementary, as they each address a customer base with a different mindset (only 15% of the Group's customers that had made a purchase in the last 12 months were common to at least two of the Group's brands). 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[26]

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 five 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 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 clothesand 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.

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[26] The information set out in this section relative to the size and the growth opportunities of the ready-to-wear clothes and accessories market are principally drawn from third-party sources referenced in Chapter 23 of this registration document.

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. For example, Sandro's creative team consists of 33 people: 11 designers, 10 modelers, 7 pattern makers and 5 persons dedicated to accessories creation.

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 1,223 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. 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 2016, the Group trained more than 1,300 employees and provided more than 21,000 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 240 suppliers, with the 10 largest suppliers representing approximately one-third of the total supply. The geographic proximity of the Group's supplier base (approximately 51% of the Group's production is concentrated mainly in Europe and North Africa, including Italy, Spain, Portugal, Morocco, Tunisia, Turkey and Romania) ensures reduced delivery times. Furthermore, the Group's carefully selected partners deliver reliable and high-quality products. The Group sources a mix of finished (54%) and cut and make goods (46%), 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. Replenishment represents approximately 10 to 15% of all orders.

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. The permanent and reinterpreted products represent approximately 10% of all products of a collection and approximately 15 to 20% of sales.

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 approximately 122 net points of sale openings per year on average since 2014 (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, while allowing it 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[27] 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 470[28] points of sale and 47%[29] of the total net sales for 2016;

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[27] For the financial year ended December 31, 2016, only 6% of the Group net sales were made through retail partnerships and 1% through digital partnerships "pure players", the rest being made through retail sales.

[28] Including affiliates and factory outlets.

- concessions (corners) for each brand in prestigious department stores, representing 480 points of sale and 37% of the total net sales for 2016;

- e -commerce websites (including digital partnerships), representing 70 points of sale and 10% of the total net sales for 2016;

- partnerships (excluding digital partnerships), representing 203 points of sale and 6% of the total net sales in 2016.

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 agross margin[30] of 77% during the financial year ended December 31, 2016. 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, 2016, 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[31] capabilities. These tools contributed to the constitution of a multi-channel client's data base unique to the three brands of the Group of more than 3.4 million entries in 2016 and a strong CAGR growth of 100% between 2009 and 2016. 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 newletters 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 Group estimates that its points of sale have a conversion rate of 7% to 12%. The average basket is made up of 1.6 products with an average ticket of €260 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 estimates that the average discount rate on all products sold was 25% to 28% (in value and excluding factory outlets) from 2014 to 2016. Lastly, the Group's clients buy on average 1.6 times per year.

The directly operated points of sale by the Group are characterized by a relatively compact surface area (80 to 100 square meters on average per store and 40 to 50 square meters on average per corner), resulting in strong operational KPIs. By way of illustration, the Group

[29] Including affiliates and factory outlets.

[30] Gross margin corresponds to gross margin as defined in apragraphe 9.1.5 of this registration document.

[31] Customer Relationship Management

considers itself above market average in terms of net sales per square meter of a point of sale, with net sales of approximately €14,000 per square meter in 2016. Finally, the Group exercises tight control over its investment expenditure, which represented an average of €2,000 per square meter between 2014 and 2015 for new point of sale openings. 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. By way of illustration, based on a sample of 201 points of sale opened in 2014 and 2015, Group's payback period amounted to one year on average.

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 2010 and 2016, the Group's net sales quadrupled (from €188 million to €786 million), representing a CAGR of 27%.[32]

Between 2014 and 2016, the Group's net sales increased from €508.6 million to €786.3 million, representing a CAGR of 24.3%, reflecting a mix of organic growth and point of sale openings. Like-for-like growth in net sales was 7.1% for 2016, 11% for 2015 and 1.4% for 2014. The Group also expanded its point of sale network significantly over the same period, with approximately 122 net openings per year on average since 2014, with total points of sale increasing from 979 as of December 31, 2014 to 1,223 as of December 31, 2016.

The Group's EBITDA increased from €73.8 million in 2014 to €129.6 million in 2016, representing a CAGR of 32.5% driven by solid organic growth and new store openings. For the twelve-month period ended December 31, 2016 *pro forma*, the Group further demonstrated its ability to deliver profitable growth through a significant expansion of its network reaching 1,223 points of sale in 36 countries as of December 31, 2016, achieving net sales growth of 16.4%, and an EBITDA margin of 16.5% (compared to 15.8% for the financial year ended December 31, 2015), benefiting from the investments made in 2015.

The Group outperformed the financial goals for the twelve-month period ended 31 December 2016 set at the time of its planned initial public offering in March 2016. In fact, the Group opened 92 new directly owned points of sale against the announced 80 to 100 new store openings; the 2016 net sales grew by 16.4% against an anticipated 10% growth (at constant perimeter and constant exchange rate, the net sales grew by 7.1 against an objective aimed at 3 to 5%); the 2016 EBITDA margin increased by 16.5% (against an objective aimed of "more than 16%"); finaly, the capital expenditure of the Group for the twelve-month period ended 31 December 2016 reached €39 million against an anticipated €40 to €49 million[33].

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

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[32] Calculated for the 2010-2012 period on the basis of Group sales under French GAAP.

[33] Corresponding to an annual rate between 2.5% and 3% of the net sales and an annual amount of expansion capex of €20 to €25 million per year, based on 2016 actual net sales.

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 shareholders of the Company (representing approximately 8% of the share capital as of the date 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[34], the United Kingdom, Spain, Germany, Italy and North America.

6.3.1 Driving organic growth by further building on its core business, growing digital, develop men's and expand 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.

Growing digital

The Group has experienced rapid growth in online sales in recent years, with e-commerce sales representing 12.3% of net sales for the six-month period ended June 30, 2017 and 9.6% of net sales for the twelve-month period ended December 31, 2016 *pro forma* against 2.8% in 2013. Between 2013 and 2016, the Group went from 25 to 70 points of sale in 15 countries. Furtheremore, the online sales of the Group have grown significantly, from €11.8 million in 2013 to €75.4 million in 2016. Furthermore, the international sales represented 48% of the

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

online net sales of the Group for the the twelve-month period ended December 31, 2016 *pro forma* against 25% in 2013.

The Group controls directly the majority of its digital points of sale. The contribution of the Brand websites to the Group's digital sales grew from 41% in 2013 to 62% in 2016. For the twelve-month period ended December 31, 2016, the 19 online stores of the Group's brands represented 62% of all digital sales, the 39 e-corners (including "Harrods.com", "Selfridges.com" or "Placedestendances.com") represented 18% of all digital sales, the 5 commerce marketplaces (including "Bloomingdales.com" or "Tmall.com") represented 9% of all digital sales and the seven online stores operated by partners "pure players" (including "Net-a-Porter.com") represented 11% of all digital sales. Furthermore, the websites directly operated by the Group attract each month approximately 3 million visitors. As of December 31, 2016, 60% of the websites visits were made using a mobile phone or a tablet (against 45% in 2014).

The Group capitalizes on a well-invested organization to support its digital strategy and notably on 40 professionals in-house and one digital platform.

To capture the digital potential, the Group intends to continue to expand its international digital presence. The Group believes it has a significant growth potential in its key markets (for example, as of December 31, 2016, the share of digital on total net sales was only 3% in Spain, Greater China and Italy, respectively). The Group plans to open new e-commerce websites in China and Switzerland for enhancing Sandro and Maje.

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 only 20% of the Sandro's total net sales for the twelve-month period ended December 31, 2016 *pro forma* (€73 million of net sales in 2016 against €56 million in 2014) from its Sandro Men line, offered in 104 points of sale dedicated to the brand (mainly in France), 103 unisex points of sale and 19 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. Menswear clothing represents 34% of all clothing sales in the world (representing €378 billion) and 48% of the net sales of brands in the sector. 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 Men 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 represents 7.2% of the Group's net sales in 2016, compared to 5.9% in 2015 and 6.2% in 2014. The Group's net sales from accessories increased by 35% between 2014 and 2016 from €31 million in 2014 to €57 million in 2016. The Group believes there is significant growth potential in this segment, which represents on average 40% of the net sales of brands in the sector. The success of Maje's "M" bag is a good illustration of this potential: over 44,000 units of this bag have been sold across the world since it was launched in March 2016. 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 155 points of sale in the Paris region, 313 points of sale outside the Paris region and 11 online stores[35] as at December 31, 2016. The Group has a balanced distribution network in France, with 192 points of sale for Sandro, 132 points of sale for Maje, 105 points of sale for Claudie Pierlot, 50 points of sale "Suite 341" and an extensive distribution system (179 directly-operated stores, 211 corners, 71 factory outlets, 61 affiliates and 11 online stores[36]).

Historically, the Group's net sales growth in France has outperformed the market, with growth of 9% in 2016 and 12.6% in 2015. 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 optimize its points of sale network by opening a limited amount of stores, mainly for 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.

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[35] Including brand websites exploited directly by the Group and by partners.

[36] Including brand websites exploited directly by the Group and by partners.

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

The Group intends to continue its growth in the major capitals and cities, including in Asia (particularly Greater China[37]), 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 2012, the French market represented 72% of the Group's net sales, compared to 46.4% in 2016, 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 15 cities in Greater China in premium locations where the profitability is overperforming the average profitability of the Group's points of sale. For the twelve-month period ended December 31, 2016 *pro forma*, the Group's net sales in Greater China reached €90 million. 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 (representing €62 million of net sales in 2016), Spain (representing €42 million of net sales in 2016), Germany (representing €22 million of net sales in 2016) and Italy (representing €18 million of net sales in 2016), where it benefits from a strong development potential, notably in major 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 90 corners and 31 free standing stores located in premium locations (this market represented approximately €90 million of net sales as of December 31, 2016). 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. The Group is also evaluating opportunistic acquisitions of small and medium-sized companies, as well as expansion in new markets, including Japan.

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

6.4 Presentation of markets and competitive positioning[38]

The Group is an international player experiencing strong growth in the apparel and accessories market where the Group operates in 36 countries across three continents: Europe, America and Asia. During the twelve-month period ended December 31, 2016 *pro forma*, 46% of the Group's net sales were generated in France, 28% in the EMEA region, 14% in Asia and 12.0% in America.

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 circa 53% of the apparel and accessories market and the men's market accounts to circa 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 2012-2016 period, the apparel and accessories market experienced strong, solid growth in all geographic regions. The size in the Asia-Pacific region has thus increased by approximately €141 billion, from approximately €518 billion in 2012 to around €659billion in 2016(representing a CAGR of around 6.2%). In Greater China the market has reached approximately €365 billion in 2016 and could increase by 4.0% per annum by 2021. In North America, the size of the market has increased by approximately €47 billion, from approximately €372 billion in 2012 to approximately €419 billion in 2016 (representing a CAGR of around 3.0%) and coud reach approximately €477 billion by 2021 (representing a CAGR of around 2.6%). In Western Europe, the market has expanded more slowly but has nonetheless grown by approximately 0.6% per annum since 2012, from €388 billion to approximately €397 billion in 2016.

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.

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[38] The information, contained in this section relating to markets, and particularly their size and growth perspectives, is principally drawn from third parties sources referenced in chapter 23 of this registration document.

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.

Cnsumers 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 appareland 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 behaviours

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 Berberry, the U.S. companies Tory Burch, Theory and Marc Jacobs, the Italians 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 53.6% of its net sales out of France during the twelve-month period ended December 31, 2016 *pro forma*, compared to 50.4% during the financial year ended December 31, 2015, 41.5% during the twelve-month period ended December 31, 2014, 34% during the financial year ended December 31, 2013 and 28% during the financial year ended December 31, 2012. 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.

- **Target style and 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).

The average selling price (in France and excluding sales periods) of a Sandro brand item from the 2015 Spring/Summer, 2015 Autumn/Winter, 2016 Spring/Summer and 2016 Autumn/Winter collections was approximately €210 for womenswear and €213 for Sandro Homme menswear.

In addition to its two main annual collections, the brand also offers "capsule"[39] 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.

- **Geographic locations**

The first Sandro store opened in 2004 in the Marais quarter of Paris. As of December 31, 2016, the brand had 540 points of sale[40] in 34 countries (compared with 26 countries in 2014), with 192 of them in France and 348 abroad. In total, 314 points of sale were for womenswear, 115 for menswear ("Sandro Homme" points of sale) and 111 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, 2016:

Country	Total number of points of sale	of which Sandro Femme	of which Sandro Homme	of which mixed(1)
France	**192**	**91**	**64**	**37**
United Kingdom	31	20	7	4
Spain	23	15	2	6
Germany	19	8	7	4
Switzerland	17	15	-	2
Italy	11	6	-	5
Russia	10	10	-	-
United Arab Emirates	8	4	1	3

39 The "capsule" collections comprise a limited number of products sold over a shorter timeframe than the seasonal collections.

40 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 Sandro Femme	of which Sandro Homme	of which mixed(1)
Netherlands	8	4	2	2
Turkey	7	5	1	1
Belgium	6	3	-	3
Ireland	4	4	-	-
Lebanon	3	2	1	-
Saudi Arabia	2	1	-	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
Total EMEA	**163**	**106**	**22**	**35**
South Korea	44	31	10	3
Mainland China	33	18	2	13
Australia	13	10	3	-
Hong Kong	9	4	1	4
Macao	3	1	-	2
Thailand	3	3	-	-
Singapore	2	-	-	2
Total APAC	**107**	**67**	**16**	**24**
United States	65	41	10	14
Canada	10	6	3	1
Mexico	3	3	-	-
Total Americas	**78**	**50**	**13**	**15**
Total	**540**	**314**	**115**	**111**

(1) Points of sale offering both Sandro 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.

- **Target style and 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).

The average selling price (in France and excluding sales periods) of a Maje brand item in the 2015 Spring/Summer, 2015 Autumn/Winter, 2016 Spring/Summer and 2016 Autumn/Winter collections was approximately €205.

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.

- **Geographic locations**

The first Maje store opened in 2003 on Rue du Four in Paris. As of December 31, 2016, the brand had 445 points of sale[41] in 35 countries (compared with 26 countries in 2014), of which 132 were located in France and 313 were international. As for Sandro, the Maje points of sale are located in the capitals and major cities of the various countries 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, 2016:

Country	Total number of points of sale
France	**132**
Spain	31
United Kingdom	24
Switzerland	18
Germany	12
Russia	10
United Arab Emirates	8
Belgium	7
Italy	7
Ireland	5
Netherlands	5

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

Country	Total number of points of sale
Turkey	5
Andorra	2
Saudi Arabia	2
Kazakhstan	2
Lebanon	2
Norway	2
Portugal	2
Ukraine	2
Austria	1
Latvia	1
Luxembourg	1
Kuwait	1
Morocco	1
Sweden	1
Total EMEA	**152**
South Korea	43
Mainland China	31
Australia	10
Hong Kong	7
Thailand	4
Macao	3
Singapore	1
Total APAC	**99**
United States	52
Canada	7
Mexico	3
Total Americas	**62**
Total	**445**

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**

  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).

  The average selling price (in France and excluding sales periods) of a Claudie Pierlot brand item from the 2015 Spring/Summer, 2015 Autumn/Winter, 2016 Spring/Summer and 2016 Autumn/Winter collections was approximately €192.

- **Geographic locations**

  As of December 31, 2016, the brand had 188 points of sale[42] in 18 countries (compared with 15 countries in 2014), of which 105 were located in France and 83 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, 2016:

Country	Total number of points of sale
France	**105**
Spain	16
United Kingdom	15
Germany	9
Switzerland	8
Russia	6
Belgium	3
Ireland	3
Lebanon	2
Netherlands	2

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

Country	Total number of points of sale
Portugal	2
Saudi Arabia	1
United Arab Emirates	1
Total EMEA	**68**
South Korea	6
Mainland China	3
Australia	2
Hong Kong	2
Taiwan	2
Total APAC	**15**
Total	**188**

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 create 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 communication resource vis-à-vis consumersand 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, on which the Group has around 1.5 million “fans” as at December 31, 2016, representing an increase of more than 60% within a single year) 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[43] 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 has a database of 3.8 million customers worldwide (as of the end of May 2017) across all brands. The Group’s database is constantly growing and has shown an increase of approximately 60% of available customers compared to December 31, 2015. 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 33 persons including 11 stylists, ten pattern makers, seven pattern makers and five persons 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.

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[43] Customer Relationship Management.

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 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[44] 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 (these regions account for approximately 51% of Group costs of sourcing and production), particularly in France, Italy, Spain, Portugal, Tunisia, Turkey and Eastern Europe, with the remainder in Asia, including mainland China, Vietnam and India (the APAC region represents 49% of the Group's costs of sourcing and production). 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 estimates that approximately 46% of the products it markets are subcontracted, with the Group purchasing the raw materials (cotton, leather, wool, silk, polyester and viscose for example) and outsourcing production to subcontractors. In 2016, the Group estimates that approximately 6 million parts and components were manufactured at the Group's request. The remaining items are finished products bought by the Group directly from the manufacturers, with the Group retaining control over product design.

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

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 33% 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 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

- **General presentation**

As of December 31, 2016, the Group had 350 stores (an increase of 16 free-standing stores compared with 2015), including 90 in the EMEA region, 179 in France, 31 in the Americas and 50 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, 2016 *pro forma*, 36.8% of the Group's net sales were generated through free-standing stores. In 2016, the Group opened new free-standing stores in mainland China, Hong Kong, Italy and Canada.

The following table shows the breakdown of free-standing stores by brand and by country as of December 31, 2016:

Country	Sandro	Maje	Claudie Pierlot	Total
Total France	**75**	**59**	**43**	**179(1)**
United Kingdom	11	11	7	29
Spain	6	9	2	17
Belgium	5	6	2	13
Switzerland	5	4	2	11
Italy	6	3	-	9
Germany	2	3	-	5
Luxembourg	1	1	-	2
Norway	1	1	-	2
Netherlands	1	1	-	2
Ireland	-	-	-	-
Sweden	-	-	-	-
Total EMEA	**38**	**39**	**13**	**90**
Mainland China	14	13	-	27
Hong Kong	7	5	2	14
Macao	3	3	-	6
Singapore	2	1	-	3
Total APAC	**26**	**22**	**2**	**50**
United States	17	12	-	29
Canada	1	1	-	2
Total Americas	**18**	**13**	**-**	**31**
Total	**157**	**133**	**58**	**350(1)**

(1) Including two Suite 341 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 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, 2016, the Group had 480 concessions (an increase of 43 concessions compared with 2015), including 147 in the EMEA region, 211 in France, 90 in the Americas and 32 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 and 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, 2016 *pro forma*, 37.3% of the Group's net sales were generated by concessions.

In 2016, the Group opened new concessions in Spain, mainland China and Germany, as well as in Portugal which represented its first points of sale there.

The following table shows the breakdown of the Group's concessions by brand and by country as of December 31, 2016:

Country	Sandro	Maje	Claudie Pierlot	Total
France	**90**	**48**	**49**	**211 (1)**
Spain	11	11	11	33
Germany	13	7	7	27
Switzerland	10	12	5	27
United Kingdom	12	8	5	25
Ireland	4	4	3	11
Netherlands	4	3	1	8
Italy	3	3	-	6
Portugal	2	2	2	6
Norway	1	1	-	2
Sweden	1	1	-	2
Total EMEA	**61**	**52**	**34**	**147**
mainland China	14	13	3	30
Hong Kong	1	1	-	2
Total APAC	**15**	**14**	**3**	**32**
United States	41	34	-	75
Canada	9	6	-	15
Total Americas	**50**	**40**	**-**	**90**
Total	**216**	**154**	**86**	**480 (1)**

(1) Including 24 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 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 50 Suite 341 points of sale (including free-standing stores and concessions) located exclusively in France and mainly outside of Paris, as of December 31, 2016. 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 essentially 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, 2016 *pro forma*, 9.6% of the Group's net sales, i.e., €75.4 million, were generated via the Internet, compared with 3.5% for the financial year ended December 31, 2014 (with €17.6 million of net sales in 2014). For the twelve-month period ended December 31, 2016, Sandro recorded 7.6% of its net sales through electronic platforms, Maje 11.1% and Claudie Pierlot 12.5%. As of December 31, 2016 *pro forma*, Group products were being sold via 48 directly operated electronic platforms and 22 platforms operated by the partners. In 2014, only 26 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. As of December 31, 2016, the Group's e-shops recorded more than 3 million visitors per month and the traffic recorded on these e-shops increased by approximatively 40%, compared to the twelve-month period ended December 31, 2015.

- **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" or "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, 2016, 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, 2016 *pro forma*, 4.0% of the Group's net sales were achieved through 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 (47 factory outlets as of December 31, 2016) situated in premium sales locations in France, the United Kingdom, Spain, Belgium and the United States. For the twelve-month period ended December 31, 2016 *pro forma*, 6.6% of the Group's net sales were generated through 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, 2016 *pro forma*, this distribution channel accounted for 6.7% of Group net sales, of which 1.1% 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 2016, 13 partnered retail stores were opened worldwide, notably in Seoul (South Korea), Sydney and Melbourne (Australia) and Jeddah and Riyadh (Saudi Arabia).

The following table shows the breakdown of the Group's partnered retail points of sale by brand and by country as of December 31, 2016:

Country	Sandro	Maje	Claudie Pierlot	Total
Russia	10	10	6	26
United Arab Emirates	8	8	1	17
Turkey	7	5	-	12
Lebanon	3	2	2	7
Saudi Arabia	2	2	1	5
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

Country	Sandro	Maje	Claudie Pierlot	Total
Morocco	1	1	-	2
Total EMEA	**40**	**39**	**10**	**89**
South Korea	44	43	6	93
Australia	13	10	2	25
Thailand	3	4	-	7
Taiwan	-	-	2	2
Hong Kong	-	1	-	1
Total APAC	**60**	**58**	**10**	**128**
Mexico	3	3	-	6
United States	1	1	-	2
Total Americas	**4**	**4**	**-**	**8**
Total	**104**	**101**	**20**	**225**

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 50 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 (se section 4.1.10 of this registration document). A team of approximately 150 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 personal data law has been harmonized in the European Economic Area, the transposition of the Personal Data 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 Personal Data 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 repeals the Data Protection Directive.

The Regulation, 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. 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 shops. 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 derogation, for retail establishments providing goods and services in international tourism areas, the night-time working period, whether 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 and stock liquidations

As a distributor, the Group is subject to a set of strict rules on bulk selling, sales 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 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.

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

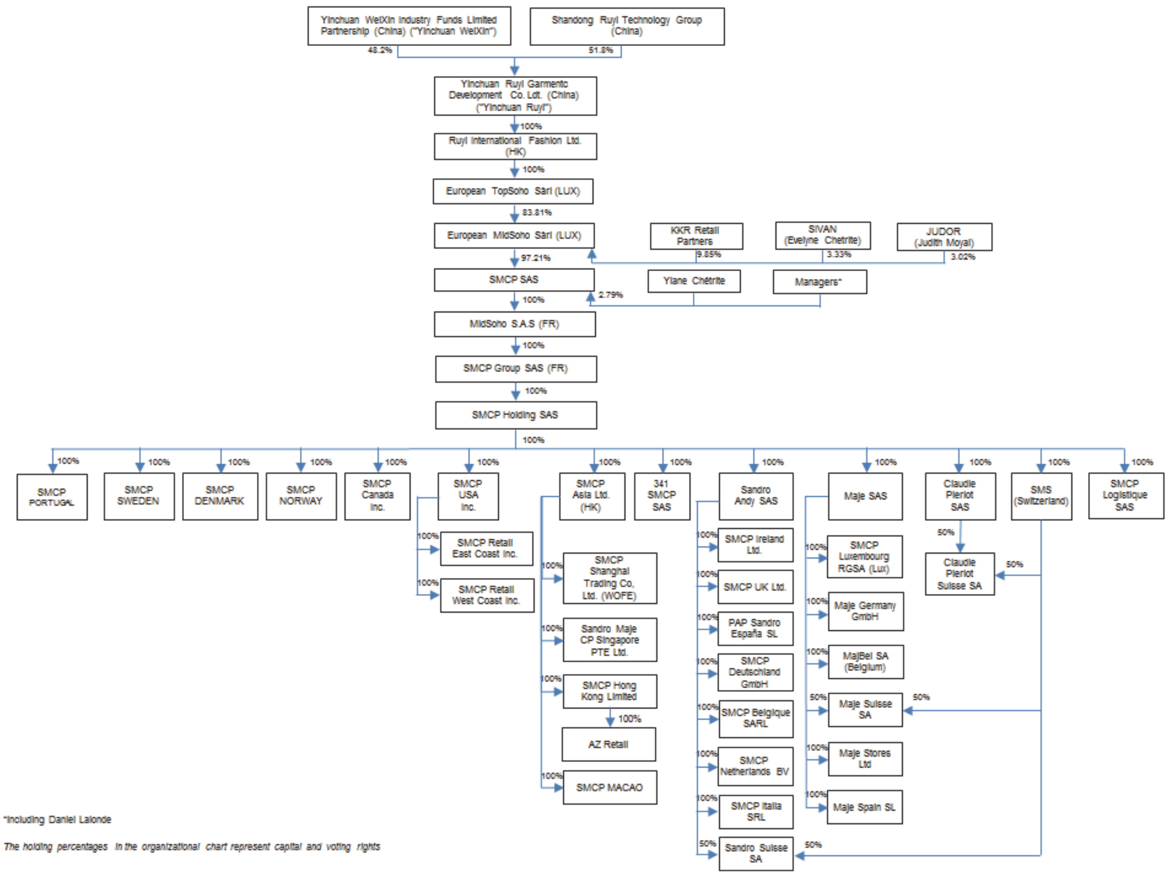
See section 8.2 of chapter 8 "Real estate, plant and equipment" of this registration document.

7. ORGANIZATIONAL STRUCTURE

7.1 Legal organizational structure of the Group

7.1.1 Simplified Group organizational chart as at the date of registration of this registration document

The organizational chart below shows the legal organizational structure of the Group as at the date of registration of this registration document, prior to the restructuring that will be implemented in connection with the admission of the Company's shares to trading on the regulated market of Euronext Paris, as described in section 7.1.2 of this registration document (the "**Restructuring**").



*Including Daniel Lalonde

The holding percentages in the organizational chart represent capital and voting rights

As at the date of registration of this registration document, the Company is a simplified joint-stock company incorporated under French law.

A meeting of the Company's shareholders will be convened, prior to the date of approval by the AMF of the prospectus for the admission of the Company's shares to trading on the regulated market of Euronext Paris, to adopt a resolution converting the Company to a public limited company and to update its Articles of Association as a consequence, with effect at the latest from the date of approval by the AMF.

7.1.2 Description of the Restructuring

At the time of its initial public offering, the Group intends to simplify its legal structure. The Restructuring mainly provides for the merger of European MidSoho Sàrl and MidSoho S.A.S. into the Company.

European MidSoho Sàrl is indirectly controlled by Shandong Ruyi, with the remainder of its share capital held by KKR and the founders of the Group. MidSoho S.A.S. is wholly-owned by the Company.

As at the registration date of this registration document, European MidSoho Sàrl holds 97.21% of the share capital of the Company. At the time of the initial public offering, the Company intends to allow the shareholders of European MidSoho Sàrl to become direct shareholders of the Company. To this end, it is anticipated that European MidSoho Sàrl will be merged with the Company.

Each of the mergers has been approved by the Company shareholders' meeting held on September 13, 2017, and will take effect on the settlement-delivery date of the shares offered in the initial public offering, prior to settlement.

In the context of the merger with European MidSoho Sàrl, the exchange ratio will be determined on the basis of the actual value of each of the companies that are party to the merger by reference to the share price of the Company determined in connection with admission of its shares to trading on the regulated market of Euronext Paris. In the context of the merger with MidSoho S.A.S., the acquiring company will be the sole shareholder of the absorbed company, without need for an exchange ratio. Upon completion of the mergers, the current shareholders of European MidSoho Sàrl will become direct shareholders of the Company.

As at the date of this registration document, the Company had issued 6,013,205 class 1 preference shares (the "**Class 1 Preference Shares**") held by certain managers and employees of the Group (including Mr. Daniel Lalonde and Mr. Ylane Chétrite) and by European MidSoho Sàrl. Each Class 1 Preference Share confers a priority right, in respect of each financial year, to a preferred and cumulative dividend.

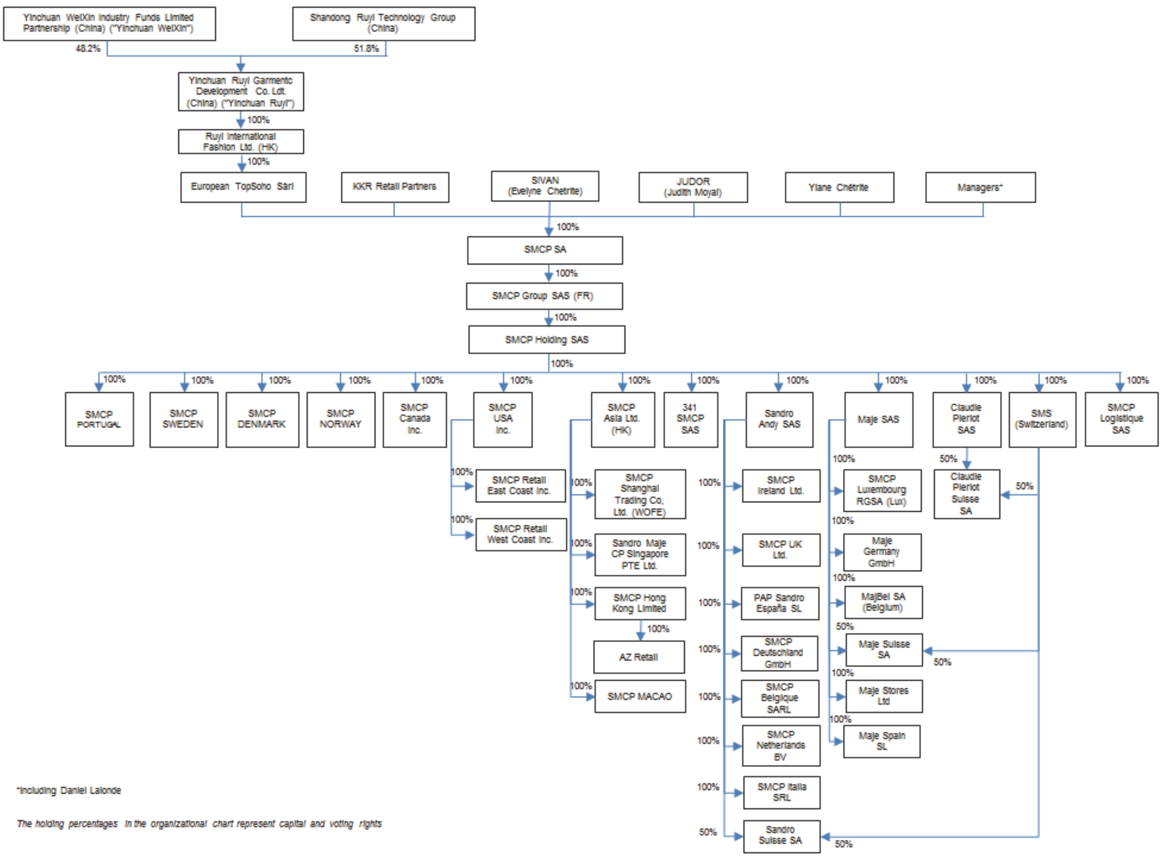
Class 1 Preference Shares will be converted to ordinary shares issued by the Company on the settlement-delivery date for the Company' shares offered in connection with their admission to trading on the regulated market of Euronext Paris, immediately before the merger of European MidSoho SARL and MidSoho S.A.S. into the Company. The exchange ratio will be determined on the basis (i) on the one hand, on the value of the Class 1 Preference Shares equal to the sum of the subscription price and the unpaid preferred dividend attached to the Class 1 Preference Shares, calculated on the date of the conversion and, and (ii) on the other hand, on the value of the Company's ordinary shares which will be equal to the share price of the Company determined in connection with the admission of its shares to trading on the regulated market of Euronext Paris (the "**Initial Public Offering Price**").

In connection with the secondary sale to be conducted as part of the initial public offering of the Company's shares on the regulated market of Euronext Paris, European TopSoho Sàrl (the direct shareholder of the Company following the merger of European MidSoho Sàrl in the

Company) intends to sell a number of shares in the Company with the effect that immediately following the initial public offering, European TopSoho Sàrl will hold approximately 51%[45] of the share capital and the voting rights of the Company. Following the completion of the initial public offering, Shandong Ruyi intends to purchase all or part of the shares in Yinchuan Ruyi owned by Yinchuan WeiXin[46], the vehicle formed by the minority shareholders who invested in the Group together with Shandong Ruyi (see section 7.1.1 of this registration document). This acquisition will be financed by the proceeds of the secondary sale in the initial public offering, as well as cash on hand at the Yinchuan Ruyi level. As a consequence, Shandong Ruyi does not intent to ultimately benefit from any of the proceeds generated from the sale of shares by European TopSoho in connection with the initial public offering. This acquisition, which will reinforce Shandong Ruyi's controlling position in the Company, will be undertaken with reference to the Initial Public Offering Price.

7.1.3 Simplified organizational chart of the Group after the Restructuring

The organizational chart below shows the legal organizational structure of the Group immediately after the Restructuring that will be implemented in connection with the admission of the Company's shares to trading on the regulated market of Euronext Paris.



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[45] After the dilution resulting from the management incentive programs, described in Chapter 15 of this registration document. .

[46] Yinchuan WeiXin Industry Funds Ltd Partnership is indirectly and majority-owned by investment funds of the Popular Republic of China.

7.2 Subsidiaries and equity interests

(i) Main subsidiaries

The main direct or indirect subsidiaries of the Company as at the date of this registration document are as follows:

– **SMCP Group S.A.S.** is a simplified joint-stock company incorporated under French law 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. SMCP Group S.A.S. is a holding company.

– **SMCP Holding S.A.S.** is a simplified joint-stock company incorporated under French law with capital of €93,617,711.00, having its registered office at 49, rue Etienne Marcel, 75001 Paris, France, registered under number 719 113 193 in the Paris Trade and Companies Register. SMCP Holding S.A.S. is a holding company and the sole shareholder of the French and foreign 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 U.S.$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 June 30, 2017 (free-standing stores, corners, factory outlets, and affiliates, excluding partnerships and online stores):

	Number of points of sale	Total sales area (in m²)
Total France	**468**	**29,009**
Spain	70	4,690
United Kingdom	53	3,780
Germany	31	1,649
Belgium	13	1,326
Switzerland	44	2,034
Netherlands	14	935
Norway	4	305
Sweden	2	145
Ireland	11	467
Luxembourg	2	153
Italy	24	1,963
Portugal	6	299
Total EMEA	**274**	**17,746**
Mainland China	75	6,885
Singapore	4	408
Hong Kong	18	1,438
Macao	6	671
Total APAC	**103**	**9,402**
United States	109	6,784
Canada	17	928
Total Americas	**126**	**7,712**
Total points of sale	**971**	**63,869**

The table below shows the distribution by brand of the Group's directly-operated points of sale as at June 30, 2017 (free-standing stores, corners, factory outlets and affiliates, excluding partnerships and online stores):

	Number of points of sale	**Sales area (in m²)**
Sandro	424	30,441
Maje	333	22,467
Claudie Pierlot	164	7,905
Suite 341	50	3,056
Total points of sale	**971**	**63,869**

Point of sale openings planned for the third and fourth quarters of 2017 are set out in section 5.2 of this registration document.

In 2013, the Group concluded a lease for a term of nine years for the premises of its headquarters in Paris.

In addition, it leases certain of its warehouses, including those based in the Paris region in Marly-la-Ville, for an area of 10,000 square meters, and in Vemars, for an area of 24,000 square meters and in Vatry, for an area of 17,000 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, 2016, the Group allocated €83.8 million for rent and service charges. Certain of the Group's leases (including for the Maje headquarters) were entered into 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, 2016 *pro forma*, the financial year ended December 31, 2015 and The twelve-month period ended December 31, 2014.

In millions of euros	**Twelve-months period ended December 31, 2016 *pro forma***	**Financial year ended December 31, 2015**	**Twelve-month period ended December 31, 2014**
Rents and service charges	83.8	69.5	51.0

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. By way of example, the Group has established the necessary internal procedures (notably concerning procurement) to comply with Regulation (EC) No. 1907/2006 of the European Parliament and of the Council concerning the registration, evaluation and authorization of chemicals and applicable restrictions (known as the "REACH" regulations).

For the 2017 financial year, the Company will prepare a report setting out all of the corporate and environmental information provided for by Article L.225-102-1 of the French Commercial Code, in the event of admission of its shares to trading on the regulated market of Euronext Paris before December 31, 2017.

The Group is currently working on the implementation and monitoring of corporate social responsibility indicators ("CSR") in view of the admission of its shares to trading on the regulated market of Euronext Paris.

9. REVIEW OF FINANCIAL POSITION AND RESULTS OF THE GROUP

Readers are invited to read the following information on the Group's financial results, together with the Group's consolidated interim financial statements for the six-month period ended June 30, 2017 and the consolidated financial statements of SMCP Holding S.A.S. [47] for the 12-month period ended December 31, 2016, the 12-month period ended December 31, 2015 and the 12-month period ended December 31, 2014[48], each 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 SMCP Holding S.A.S. for the 12-month period ended December 31, 2016, the 12-month period ended December 31, 2015 and the 12-month period ended December 31, 2014 have been audited by the Statutory Auditors. The Statutory Auditors' audit reports on these consolidated financial statements are provided in Sections 20.1.5.2, 20.1.6.2 and 20.1.7.2 of this registration document.

The statutory auditors have conducted a limited review of the consolidated interim financial statements for the six-month period ended June 30, 2017. The limited review report is provided in Section 20.1.1.2 of this registration document.

The Group has also prepared *pro forma* financial information for the interim six-month period ended June 30, 2016 and the 12-month period ended December 31, 2016 *pro forma*, as if the acquisition of the Group by Shandong Ruyi had taken place on January, 1, 2016[49]. Furthermore, to enable a better understanding and comparability of the Group's financial situation, in its 2016 *pro forma* financial information, the Group adjusted certain non-recurring expenses related to its acquisition by Shandong Ruyi and its concurrent refinancing (see note 7 of the *pro forma* financial statements for the 12-month period ended December 31, 2016 *pro forma*, included in section 20.1.3 of 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

[47] SMCP Holding S.A.S was the parent company of the Group until October 2016, the date on which the Group was acquired by Shandong Ruyi. Until September 13, 2017, the company name of SMCP Holding S.A.S was SMCP S.A.S.

[48] The SMCP Holding S.A.S. fiscal year ended December 31, 2014 was a 21-month year, commencing on April 1, 2013, corresponding to the first fiscal year after the acquisition of the Group by KKR. This registration document thus presents intermediate information over the 12-month period starting on January 1, 2014 and ending December 31, 2014 in order to facilitate the reader's ability to compare the presented financial information.

[49] The Company was incorporated in April 2016 after the acquisition of the Group by Shandong Ruyi. The pro forma financial information presents the Group's financial situation as if the acquisition by Shandong Ruyi had taken place on January 1, 2016.

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 6-month period ended June 30, 2017, the Group generated total net sales of €438.9 million and consolidated EBITDA of €73.1 million.

During the 12-month period ended December 31, 2016 *pro forma*, the Group generated total net sales of €786.3 million and consolidated EBITDA of €129.6 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 €375.8 million and EBITDA of €59.7 million during the 12-month period ended December 31, 2016 *pro forma*, representing 47.8% and 46.1% of consolidated net sales and consolidated EBITDA, respectively. This business division includes Sandro Homme[50];

Maje, the Group's second largest brand, generated net sales of €312.9 million and EBITDA of €58 million during the 12-month period ended December 31, 2016 *pro forma*, representing 39.8% and 44.8% of consolidated net sales and consolidated EBITDA, respectively.

Claudie Pierlot, acquired in 2009, generated net sales of €97.5 million and EBITDA of €11.9 million during the 12-month period ended December 31, 2016 *pro forma*, representing 12.4% and 9.2% of consolidated net sales and consolidated EBITDA, respectively; and

Other and Holdings, which includes non-allocated products and expenses, generated EBITDA of (€23,000) during the 12-month period ended December 31, 2016 *pro forma*.

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[50] The activities of Sandro Homme generated net sales of €55.6 million for the year ended December 31, 2014; €59.1 million for the financial year ended December 31, 2015 and €73 million for the 12-month period ended December 31, 2016 *pro forma*.

Segmentation by geographical area

The Group operates in the following four geographical segments:

France. The France segment generated net sales of €364.8 million for the 12-month period ended December 31, 2016 *pro forma*, representing 46.4% of the Group's consolidated net sales. As of December 31, 2016 the Group had 479 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 €221.2 million for the 12-month period ended December 31, 2016 *pro forma*, representing 28.1 % of the Group's consolidated net sales. As of December 31, 2016 the Group had 383 points of sale (of which 294 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 €109.2 million for the 12-month period ended December 31, 2016 *pro forma*, representing 13.9% of the Group's consolidated net sales. As of December 31, 2016, the Group had 221 points of sale in this region (of which 93 were directly operated points of sale), including 67 directly operated points of sale in mainland China.

Americas. The Americas segment generated net sales of €91.1 million for the 12-month period ended December 31, 2016 *pro forma*, representing 11.6% of the Group's consolidated net sales. As of December 31, 2016, the Group had 140 points of sale (of which 132 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 average basket, all brands combined, for the period from January 1, 2016 to December 31, 2016, excluding sales through concessions and factory outlets, was approximately €260. The fifty best-selling items of the Group represent generally 15% of the sales, with the best-selling item during a season usually representing 0.5% of the sales for the season. Over the 2014-2016 period, the average mark-down on the Group's products ranges was between 25% and 28%[51]. Discount rates applied by the Group vary among different regions and the Group considers that it is in line with the prices on the market on which it operates. The discount rates are higher in the United States and lower in Asia.

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 policies. Consequently, the evolution of the Group's pricing outside the euro zone also reflects fluctuations in exchange

[51] Including the sales made through the factory outlets

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.

Lastly, the Group's clients buy an average of 1.6 products per purchase (excluding sales made through concessions and factory outlets).

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 2014, 2015 and 2016 is attributable to the opening of new points of sale. This growth in net sales, on a constant exchange rate basis, has been facilitated in particular by a short ramp-up period for the Group's points of sale (between zero and nine months). As of December 31, 2016, the Group directly operated[52] 998 points of sale, of which 350 were free-standing stores, 480 were concessions in department stores and the remainder were affiliate-operated stores, factory outlets and online stores. During the period from December 31, 2014 to December 31, 2016, the Group opened an average of 97 points of sale (including partners) per year, and significantly expanded its presence in France and internationally (especially in North America 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 opening of a new point of sale entails capital expenditure, rental costs and personnel expenses. Historically, on average, the Group estimates that the average payback[53] period has been around 1.4 years for a free-standing store and around 0.3 years for a directly operated concession. Free-standing stores, affiliates and factory outlets require, on average, capital expenditure per square meter (excluding leasehold rights) of approximately €3,000, compared to €1,000 for a concession[54], and generally occupy between 80 and 100 square meters compared to approximately 40 to 50 square meters for a concession. For the 12-month period ended December 31, 2016 *pro forma*, free-standing stores, affiliates and factory outlets generated net sales totaling approximately €12,000 per square meter, compared with approximately €17,000 for concessions.

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

[53] "Payback" is defined by the Group as the ratio of capital expenditure to the margin on direct costs, and is the financial aggregate used by the Group to measure the profitability of a specific store (before allocation of selling, general and administrative expenses).

[54] Calculation on the basis of new openings over the period 2014 - 2015 and including the overall investment relating to the opening project, but excluding the key money.

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, however, the Group initially accesses new markets through concessions, allowing it to test the strength of its brands and gain market knowledge with minimal capital expenditure, 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 2016 (representing 46.4% of net sales for the 12-month period ended December 31, 2016 *pro forma*). 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, 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 deliveries and complemented by a "pre-collection" deposit 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. EBITDA margin is generally lower in the first and third quarters of the year due to the sales periods and to lower sales in February (shorter month) and August (summer vacation). The effect of sales and related discounts on the Group's financial statements is typically stronger for the January sales period than for the June/July sales period, since the June/July sales period is spread across 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 replenishment process the Group has implemented in recent years, which relies on three automated warehouses based in France, the United States and Shanghai, has helped the Group to optimize its inventory levels, leading to improvements in working capital.

The Group follows a policy of gradually depreciating inventories; for example the Group started depreciating its 2015 summer collection in September 2016.

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 have lower capital expenditure requirements than stores, margins on direct costs are typically lower for its concessions than for its stores, due in particular to the level of rent paid at its stores compared to 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 25% of its net sales over the last three fiscal years (23.6% for the 12-month period ended December 31, 2016 *pro forma*, 23.7% for the financial year ended December 31, 2015, and 23.1% for the 12-month period ended December 31, 2014). 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 46% of its products are "cut and sew" products, where it purchases materials and outsources their production to subcontractors; the remainder are finished products, where it buys finished goods 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.

In order to maintain its margins, 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, has enabled it to achieve attractive margins over the last three years. 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 (34.8% for the 12-month period ended December 31, 2016 *pro forma*) is generated in other currencies, particularly in pounds sterling, Chinese yuan, Swiss francs and U.S. dollars. A portion of its cost of sales is also denominated in other currencies, particularly purchases denominated in U.S.

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 and partnered retail sales, factory outlets and third-party websites) net of rebates, 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 sources two types of products: "cut and sew" products, for which it purchases the raw materials and then 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 and affiliate-operated stores from the time the stock is shipped 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.

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

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 expenses mainly cover rents, logistics and marketing costs, as well as a range of other smaller operating expenses. Within other operating expenses, rents are the Group's single largest cost item, covering mainly rents associated with 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.

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 in particular (i) the costs incurred at the time of acquiring new entities; (ii) provisions for impairment of brands, lease rights and goodwill, and any gains or losses arising from the disposal of non-current assets when they are significant; (iii) restructuring costs, expenses incurred for disputes, or any other non-recurring income or expense which the Group presents separately in order to facilitate understanding of current operating performance and give the reader a way to provisionally assess results.

Financial income and expenses include financial items recognized in net income or loss for the period, including interest expenses accrued on financial payables calculated by using the effective interest method (mainly current account overdrafts and medium- to long-term financing), foreign exchange gains and losses, gains and losses on derivative financial instruments, dividends received, and the portion of financial expenses derived 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, EBITDA and 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, 2016**	**As of December 31, 2015**	**As of December 31, 2014**	**As of June 30, 2017**	**As of June 30, 2016**
Brand					
Sandro	540	503	448	562	524
Maje	445	414	369	457	432
Claudie Pierlot	188	163	131	198	172
Suite 341(1)	50	38	31	50	48
Geographical area					
France	479	464	437	479	479
EMEA	383	341	277	410	359
APAC	221	179	140	239	201
Americas	140	134	125	139	137
Total points of sale	***1,223***	***1,118***	***979***	***1,267***	***1,176***

(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).

For the 6-month period ended June 30, 2017, the total number of Group points of sale rose to 1,267, compared with 1,223 as at December 31, 2016. This figure reflects the net opening of 44 points of sale, outside of France, primarily in the EMEA area, mainly in Italy (where the Group has currently 26 points of sale), Germany (where the Group has currently 42 points of sale), Spain (where the Group has currently 73 points of sale), and in the Middle East (where the Group has currently 33 points of sale), as well as in the APAC region, primarily in Greater China, where the Group is now present in 17 cities and 104 points of sale. As of June 30, 2017, in its other key markets, the Group has currently 68 points of sale in the United Kingdom, 133 in North America, 98 in South Korea and 26 in Australia. During the six-month period ended June 30, 2017, the Group opened its first directly owned point of sale in Taiwan for Sandro and Maje. Of the 1,267 points of sale as at June 30, 2017, 354 were free-standing stores and 489 were concessions, the remainder being affiliates, factory outlets, online stores and partner points of sale. On the 12-month period ended June 30, 2017, the Group proceeded to the net opening of 91 new points of sale (of which 68 are directly owned).

For the 12-month period ended December 31, 2016 *pro forma*, the total number of Group points of sale rose to 1,223, compared with 1,118 as at December 31, 2015. This figure reflects the net opening of 105 points of sale primarily in Spain, Germany, mainland China and Australia. The Group also opened its first points of sale in Portugal in 2016. Of the 1,223 points of sale as at December 31, 2016, 350 were free-standing stores and 480 were concessions, with the remainder being affiliates, factory outlets, online stores and partner points of sale.

For the financial year ended December 31, 2015, the total number of Group points of sale rose to 1,118, compared with 979 as at December 31, 2014. This figure reflects the net opening of 139 points of sale, primarily in the United Kingdom, Spain, Greater China, South Korea and the Middle East. Of the 1,118 points of sale as at December 31, 2015, 334 were free-standing stores and 437 were concessions, with the remainder being affiliates, factory outlets, online stores and partner points of sale.

For the 12-month period ended December 31, 2014, the total number of Group points of sale rose to 979, compared with 890 as at December 31, 2013. This figure reflects the net opening of 89 points of sale, primarily in the United Kingdom, the United States and mainland China. Of the 979 points of sale as at December 31, 2014, 306 were free-standing stores and 397 were concessions, with the remainder being 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[55].

	Period of 6-month ended June 30, 2017 SMCP S.A.S.	**Period of 12-month financial year ended December 31, 2016 SMCP S.A.S.**	**Financial year ended December 31, 2015 SMCP Holding S.A.S.**	**12-month financial period ended December 31, 2014 SMCP Holding S.A.S.**
Total like-for-like growth	**6.8%**	**7.1%**	**11.0%**	**1.4%**

For the 6-month period ended June 30, 2017, total like-for-like sales, at constant exchange rates, increased by 6.8%, compared with the same period of 2016. This good performance reflects the success of the collections of the Group's brands both in France and internationally. In France, the Group continued to increase its market shares despite a difficult environment. Furthermore, on this market, the performance of the Group was adversely impacted by the summer sales starting one week later in 2017. Internationally, where the Group generated 57.4% of its net sales during the 6-month period ended June 30, 2017, the Group registered a very good performance in particular on its key markets such as the United Kingdom, Spain, Italy, the United States, or mainland China. Lastly, the performance of the Group was positively impacted by the development of its online sales which represent 12.3% of the net sales of the Group on the period.

For the 12-month period ended December 31, 2016 *pro forma*, total like-for-like sales, at constant exchange rates, increased by 7.1%, despite a very high comparison basis at 11% for 2015. This excellent performance was driven by all of the Group's brands and geographical areas. In France, where it generated 46.4% of its net sales, the Group continued to increase its

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

market share. On the international market, the Group also posted excellent performance, in particular in its key markets such as Germany, the United States and mainland China. The Group benefited from both the strong performance of its brick-and-mortar network and the success of its web sites, which contributed significantly to like-for-like growth.

During the financial year ended December 31, 2015, total like-for-like net sales, at constant exchange rates, increased by 11%, with strong growth across all geographic areas, both internationally and in France, despite the impact of the terrorist attacks that struck Paris in January and November 2015. The Group recorded positive like-for-like growth on all of its sales, with a strong acceleration in growth of digital, in line with management priorities.

As for the 12-month period ended December 31, 2014, total like-for-like sales, at constant exchange rates, increased by 1.4%. The growth in like-for-like sales was impacted by the economic difficulties that arose in mature markets and by poor weather conditions (see section 9.1.2.5 of this registration document). Nevertheless, the Claudie Pierlot brand performed well while Sandro showed strong resilience during this period. The success of the Maje summer and winter collections, which included very few entry-level products but primarily products for festive occasions, was more subdued. The Group improved its collections management process, beginning with preparations for the 2015 summer season, resulting in a strong performance in 2015.

From January 1, 2014 to December 31, 2016, average like-for-like net sales growth, at constant exchange rates, was 6.5%. Over the same period, like for like sales at constant exchange rates increased in all geographical areas (France, Europe, North America and Asia) and were in line, overall, with the Group's growth, except in Asia which posted significantly higher comparable growth. In general, over this period, the brick-and-mortar network and Internet sales were strong drivers of comparable growth, with Internet sales significantly outperforming the brick-and-mortar segment.

Net sales

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.

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

(In thousands of euros)	**12-month financial period ended December 31, 2016 *pro forma* SMCP S.A.S.**	**Financial year ended December 31, 2015 SMCP Holding S.A.S.**	**12-month financial period ended December 31, 2014 SMCP Holding S.A.S.**	**6-month financial period ended June 30, 2017 SMCP S.A.S.**	**6-month financial period ended June 30, 2016 *pro forma* SMCP S.A.S.**
Brand					
Sandro	375,823	328,339	262,639	217,062	177,451
Maje	312,936	271,907	186,871	167,914	153,217
Claudie Pierlot	97,528	75,135	58,901	53,895	46,520
Other and holdings	0	0	198	0	0
Geographical area					
France	364,838	334,719	297,385	186,923	185,776
EMEA	221,150	184,638	127,670	129,396	101,912
APAC	109,214	75,225	30,518	70,298	47,884
Americas	91,083	80,799	53,036	52,254	41,618
Total net sales	**786,286**	**675,381**	**508,610**	438,871	377,190

For the 6-month period ended June 30, 2017, total net sales increased by €61.7 million, or 16.4%, from €377.2 million for the 6-month period ended June 30, 2016 to €438.9 million for the 6-month period ended June 30, 2017. This growth results from the Group's continued expansion with the net opening of 44 new points of sale during this period (91 new points of sale since June 30, 2016) and the success of the collections of the three brands in all the geographical areas. The Sandro brand was the main contributor, with a €39.6 million increase in sales (22.3%)[56]. This strong performance reflects a very good performance of Sandro men and women collections, the continued expansion of the brand's network, with the net opening of 22 new points of sale during this period (38 new points of sale since June 30, 2016), in particular in mainland China, and the performance of the online stores, of which the growth is the strongest among the three brands of the Group. The Maje brand realised a €14.7 million increase in sales (9.6%[57]). The brand opened 12 net points of sale during the period (25 new points of sale since June 30, 2016). Claudie Pierlot increased its sales by €7.4 million, representing a growth of 15.9%[58]. This strong growth reflects the desirability of the brand and the development of brand awareness in France and internationally. The Claudie Pierlot brand opened 10 new points of

[56] For the 6-month period ended June 30, 2017, Sandro realised 39% of its net sales in France, 29% in EMEA, 18% in APAC and 14% in Americas. For the same period, 49% of its net sales were generated by free standing stores sales (including affiliates and factory outlets), 36% by concessions sales, 10% by digital sales and 6% by partner sales (excluding digital sales).

[57] For the 6-month period ended June 30, 2017, Maje realised 38% of its net sales in France, 32% in EMEA, 18% in APAC and 13% in Americas. For the same period, 47% of its net sales were generated by free standing stores sales (including affiliates and factory outlets), 33% by concessions sales, 14% by digital sales and 6% by partner sales (excluding digital sales).

[58] For the 6-month period ended June 30, 2017, Claudie Pierlot realised 70% of its net sales in France, 26% in EMEA and 4% in APAC. For the same period, 41% of its net sales were generated by free standing stores sales (including affiliates and factory outlets), 40% by concessions sales, 17% by digital sales and 3% by partner sales (excluding digital sales).

sale during the period (26 new points of sale since June 30, 2016). With respect to covered geographical areas, sales in France increased by €1.1 million, representing a growth of 0.6%. The performance of the Group was adversely impacted by summer sales starting one week later in 2017. The performance is satisfying for the Group particularly as regards the weak economic environment in France. The EMEA region was the largest contributor to growth with a €27.5 million increase in sales representing a growth of 27.0%. This performance was driven by the Group's key markets, in particular the United Kingdom, Spain, Italy and Germany, where the Group recorded a a very good performance. The Group continued its expansion in its key markets in the EMEA region with the net opening of 27 new points of sale during the period (51 new points of sale since June 30, 2016) mainly in Italy, Spain, Germany and in the Middle East. The APAC region was the second largest contributor to the Group's growth with a €22.4 million increase in sales, representing a growth of 46.87%. This very good performance reflects the growing awareness of the Group's brands in this geographical area, in particular on the Chinese market, and its network continued expansion. Thus, the Group opened 18 new points of sale during the period (38 new points of sale since June 30, 2016) in the APAC region (mostly in Greater China where the Group is now present in 17 cities). Lastly, sales in Americas increased by €10.6 million, representing growth of 25.6%. This very significant growth was driven by the attractiveness of the Group's brands in this region and the strong performance of its network despite difficult market conditions.

For the 12-month period ended December 31, 2016 *pro forma*, total net sales increased by €110.9 million, or 16.4%, from €675.4 million for the financial year ended December 31, 2015 to €786.3 million for the 12-month period ended December 31, 2016 *pro forma*. This growth is the result of the Group's continued expansion with the opening of 105 new points of sale in 2016, and the success of the collections of the three brands in all the geographical areas. However, this growth was affected by a negative currency impact, primarily with respect to the pound sterling. The Sandro brand contributed the most to growth, with a €47.5 million increase in sales (14.5%)[59]. This performance reflects the success of the Sandro brand collections and the continued expansion of the brand network, with 37 new points of sale. The Maje brand posted a €41 million increase in sales (15.1%)[60]. In 2016, the brand opened 31 new points of sale. Claudie Pierlot increased its sales by €22.4 million (29.8%)[61]. This strong performance reflects the increasing success of the youngest brand of the Group's portfolio. In 2016, Claudie Pierlot opened 25 new points of sale. With respect to the covered geographical areas, the sales figure for France rose by €30.1 million, for growth of 9%. This strong performance was achieved in an environment of economic stagnation in which the Group's market share continued to grow.

59 For the period ended December 31, 2016, Sandro realised 44% of its net sales in France, 28% in the EMEA zone, 14% in the APAC zone and 14% in Americas. For the same period, 49% of its net sales have been generated by free standing stores sales (including affiliates and factory outlets), 38% by concessions sales, 8% by digital sales and 6% by partner sales (excluding digital sales).

60 For the period ended December 31, 2016, Maje realised 41% of its net sales in France, 30% in the EMEA zone, 17% in the APAC zone and 12% in Americas. For the same period, 47% of its net sales have been generated by free standing stores sales (including affiliates and factory outlets), 35% by concessions sales, 11% by digital sales and 6% by partner sales (excluding digital sales).

61 For the period ended December 31, 2016, Claudie Pierlot realised 73% of its net sales in France, 23% in the EMEA zone and 4% in the APAC. For the same period, 43% of its net sales have been generated by free standing stores sales (including affiliates and factory outlets), 41% by concessions sales, 12% by digital sales and 3% by partner sales (excluding digital sales).

Over the 12-month period ended December 31, 2016 *pro forma*, the Group opened 15 new points of sale. The EMEA region contributed the most to growth with a €36.5 million increase in sales (19.8%). This performance was driven by the Group's key markets, in particular in the United Kingdom, Germany and Spain, where the Group posted strong performance. The United Kingdom experienced dynamic growth at constant exchange rates, but was negatively affected by the depreciation of the pound sterling as a result of the Brexit vote, which impacted the conversion of sales into euros. The sharp drop in the pound sterling nevertheless boosted international tourism in the United Kingdom and, thus, traffic in the Group's London stores. At the same time, the Group continued its expansion in Europe with 42 new points of sale, six of which were in Portugal, where the Group established its first stores in 2016. The APAC area was the second largest contributor to Group growth with a €34 million increase in sales (45.2%). These results confirm the opportunities offered by the Asian market where the Group's brands have a strong appeal, in particular on the Chinese market. During this period, the Group opened 42 additional points of sale in Asia, 31 of which were directly operated. Lastly, sales for the Americas rose by €10.3 million, representing growth of 12.7%. This strong performance reflects the success of the Group's brands across the Atlantic, with the opening of six additional points of sale and in particular, the Group's first free-standing stores in Canada.

For the financial year ended December 31, 2015, total sales increased by €166.8 million, or 32.8%, rising from €508.6 million for the 12-month period ended December 31, 2014 to €675.4 million for the financial year ended December 31, 2015. This performance was driven by the successful expansion of the Group's network on the international market, the high appeal of the Group's collections and a positive foreign exchange effect over the period. The Sandro brand recorded an increase in sales of €65.7 (25.0%), driven by the success of collections and the opening of 55 points of sale (including partners). The Maje brand contributed the most to growth with an €85 million increase in sales (45.5 %). This performance reflects the increasing appeal of Maje collections as well as the opening of 45 points of sale (including partners). Claudie Pierlot sales rose by €16.2 million (27.6%), thus confirming the desirability of the collections of the Group's most recent brand. The brand opened 32 additional points of sale (including partners) in 2015. Regarding the geographical areas covered, net sales generated in France increased by €37.3 million (12.6%), driven particularly by strong growth in digital and the opening of 27 additional points of sale (including partners). Lastly, the sales figure for EMEA rose by €57 million, representing growth of 44.6%. This performance was driven by the key markets where the Group's brands continue to appeal to customers (particularly Spain, Switzerland, Germany and the United Kingdom), and by recent new markets, such as Italy. In 2015, the Group opened 64 additional points of sale in this region (including partners), primarily in Spain, the United Kingdom, the Netherlands and Italy. The APAC area contributed significantly to sales, with an increase of €44.7 million (146.5%) thus confirming the strong appeal of Group brands on the Chinese market. This growth was driven by the opening of 39 additional points of sale (including partners) and by a positive currency effect. Sales in the Americas rose by €27.8 million (52.3 %), driven by the success of Group collections, the opening of 9 additional points of sale (including partners) and a positive currency effect.

EBITDA and EBITDA margin

EBITDA is defined by the Group as operating income plus depreciation, amortization and provisions. 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 EBITDA differently from the definition used by the Group.

EBITDA margin corresponds to EBITDA divided by net sales.

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

(In millions of euros)	**12-month period ended December 31, 2016 *pro forma* [62] SMCP S.A.S.**	**Financial year ended December 31, 2015 SMCP Holding S.A.S.**	**12-month period ended December 31, 2014 SMCP Holding S.A.S.**	**6-month period ended June 30, 2017 SMCP S.A.S.**	**6-month period ended June 30, 2016 *pro forma*[63] SMCP S.A.S.**
Net sales	786.3	675.4	508.6	438.9	377.2
Commissions	(105.2)	(94.3)	(74.6)	(55.8)	(50.7)
Net sales after commissions	**681.1**	**581.1**	**434.1**	**383.1**	**326.5**
Cost of sales	(185.7)	(160.3)	(117.7)	(104.1)	(92.3)
Gross margin[64]	**495.4**	**420.8**	**316.4**	**279.0**	**234.2**
Other operating income	4.3	2.1	7.1	1.0	1.8
Personnel costs	(166.9)	(147.3)	(118.3)	(91.4)	(79.6)
Other operating expenses	(203.2)	(169.1)	(131.4)	(115.5)	(95.3)
EBITDA	**129.6**	**106.5**	**73.8**	**73.1**	**61.1**

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

(In millions of euros)	**12-month financial period ended December 31, 2016 *pro forma* SMCP S.A.S.**	**Financial year ended December 31, 2015 SMCP Holding S.A.S.**	**12-month financial period ended December 31, 2014 SMCP Holding S.A.S.**	**6-month financial period ended June 30, 2017 SMCP S.A.S.**	**6-month period ended June 30, 2016 *pro forma* SMCP S.A.S.**
EBITDA	129.6	106.5	73.8	73.1	61.1
EBITDA margin	16.5%	15.8%	14.5%	16.7%	16.2%

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 €286 million for the 6-month period ended June 30, 2016 to €335 million for the 6-month period ended June 30, 2017. As percentage of the net sales, it slightly increased from 75.8% to 76.3%.

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

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

64 The gross margin corresponds to the net sales after deduction of cost of sales and commissions paid to the department stores and affiliates.

The Group's gross margin went from €394 million for the 12-month period ended December 31, 2014 and €513 million for the financial year ended December 31, 2015, to €603 million for the twelve-month period ended December 31, 2016 *pro forma*. The gross margin then represented 77.5% of the total net sales for the twelve-month period ended December 31, 2014, 75.9% % of the total net sales for the financial year ended December 31, 2015, and 76.6% % of the total net sales for the twelve-month period ended December 31, 2016 *pro forma*. 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.

As at December 31, 2016, the Group's retail margin was approximately 36% in France with similar level on the international market. The APAC area has the highest retail margin because of higher gross margin and productivity compared with other regions, as well as lower operating expenses. The retail margin of free-standing stores, affiliates and factory outlets of the Group ranges between 35% and 40% of their net sales, whereas it ranges between 25% and 35% of net sales of concessions, and more than 45% of net sales for digital platforms, making digital thus being the most profitable channel of the Group.

The Group's retail margin increased from approximately €136 million for the 6-month period ended June 30, 2016 to approximately €160 million for the 6-month period ended June 30, 2017, representing an increase of 17.5%. As a percentage of the net sales, the retail margin increased from 36.0% for the 6-month period ended June 30, 2016, to 36.4% for the 6-month period ended June 30, 2017, reflecting in particular the increase of digital sales, and part of net sales made in the Greater China, which constitute the most profitable business segments of the Group.

The Group's retail margin increased from approximately €183 million for the 12-month period ended December 31, 2014 to €240 million for the financial year ended December 31, 2015 and to approximately €288 million for the 12-month period ended December 31, 2016 *pro forma*. The retail margin represented 36.0% of the net sales between the 12-month period ended December 31, 2014, 35.5% for the 12-month period ended December 31, 2015, and 36.6% for the 12-month period ended December 31, 2016 *pro forma*. The increase of the retail margin in percentage of the net sales between the 12-month period ended December 31, 2014 and the 12-month period ended December 31, 2016 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 gross margin corresponds to retail margin before taking into account the points of sale's direct expenses such as the rent, the employees costs, the commissions paid to the department stores and the other operating costs.

The table below summarizes the reconciliation of the gross margin and the retail margin with the gross margin (as appearing in the accounts) as included within the Group's financial statements for the last three financial years.

(In thousands of euros)	**12-month financial period ended December 31, 2016 *pro forma*[65] SMCP S.A.S.**	**Financial year ended December 31, 2015 SMCP Holding S.A.S.**	**12-month financial period ended December 31, 2014 SMCP Holding S.A.S.**	**6-month financial period ended June 30, 2017 SMCP S.A.S.**	**6-month financial period ended June 30, 2016 *pro forma*[66] SMCP S.A.S.**
Gross margin (as appearing in the accounts)	**495,407**	**420,844**	**316,359**	**278,987**	**234,217**
Readjustement of the commissions and other adjustments	107,118	91,707	77,750	56,089	51,560
Gross Margin	**602,525**	**512,550**	**394,109**	**335,076**	**285,777**
Direct costs of points of sale	(314,914)	(272,594)	(211,243)	(175,456)	(149,945)
Retail Margin	**287,611**	**239,957**	**182,866**	**159,620**	**135,832**

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.

The selling, general and administrative expenses recorded by the Group at the central level amounted to approximately €86.5 million for the 6-months period ended June 30, 2017 against €74.7 million for the 6-month period ended June 30, 2016. As a percentage of sales, these expenses slightly decreased from 19.8% to 19.7%. The selling, general and administrative expenses recorded by the Group at the central level totaled approximately €158 million for the 12-month period ended December 31, 2016 *pro forma*, €133.4 million for the financial year ended December 31, 2015 and €109.1 million for the 12-month period ended December 31, 2014. The average annual increase in Group expenditure between the 12-month period ended December 31, 2014 and the 12-month period ended December 31, 2016 *pro forma* was 20.4%. As a percentage of sales, these expenses fell to 20.1% for the 12-month period ended December 31, 2016 *pro forma*, compared to 21.3% for the financial year ended December 31, 2014. During the 24-month period ended December 31, 2014, the Group made large investments in its structure to sustain its growth. Since then, it has continued to invest, while benefitting from an operational leverage allowing it to reduce its expenditure as a percentage of sales. The Group invested in particular in marketing to increase the visibility of its brands on the international market and online.

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

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

9.2 Analysis of results of operations for the 6-month period ended June 30, 2017 and for the *pro forma* 6-month period ended June 30, 2016

In this section, unless otherwise stated, data as at June 30, 2016 have been extracted from the Company's *pro forma* financial information for the 6-month period ended June 30, 2016.

INCOME STATEMENT (*in millions of euros*)	**6-month period ended June 30, 2017 SMCP S.A.S.**	**6-month period ended June 30, 2016 *pro forma*[67] SMCP S.A.S.**
Net sales	438.9	377.2
Commissions	(55.8)	(50.7)
Net sales after commissions	**383.1**	**326.5**
Cost of sales	(104.1)	(92.3)
Gross margin[68]	**279.0**	**234.2**
Other operating income	1.0	1.8
Personnel costs	(91.4)	(79.6)
Other operating expenses	(115.5)	(95.3)
Depreciation, amortization and provisions	(17.8)	(19.9)
Operating income	**55.3**	**41.3**
Other income	2.3	1.1
Other expenses	(15.4)	(26.6)
Operating profit	**42.3**	**15.8**
Financial income	0.2	1.3
Cost of financial debt	(29.9)	(49.6)
Other financial expenses	(0.7)	(0.6)
Net financial expense	**(30.4)**	**(49.0)**
Profit (loss) before tax	**11.9**	**(33.2)**
Income tax expense	(10.7)	7.0
Net profit (loss) for the period	**1.1**	**(26.2)**
Attributable to the Company shareholders	1.1	(26.2)
Attributable to non-controlling interests	-	-
Net profit (loss) - Group share	**1.1**	**(26.2)**

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

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

Selected adjusted *pro forma*[69] financial information

(In millions of euros)	**Operating income**	**Net financial expense**	**Profit (loss) before tax**	**Net profit (loss) for the period**
Period of 6-month ended June 30, 2016 adjusted *pro forma* SMCP S.A.S.	39.7	(27.4)	12.4	4.8

9.2.1 Net sales after commissions

Net sales after commissions increased by 17.3%, from €326.5 million for the 6-month period ended June 30, 2016 to €383.1 million for the 6-month period ended June 30, 2017. This increase reflects the excellent performance of Sandro brand and the strong performance of Maje and Claudie Pierlot brands. During this period, the Group continued its international development strategy, allowing the Group's brands to increase their net sales outside of France.

The table below sets out the Group's net sales after commissions for the 6-month period ended June 30, 2017 and the 6-month period ended June 30, 2016.

(In thousands of euros)	**6-month period ended June 30, 2016 *pro forma* SMCP S.A.S.**	**6-month period ended June 30, 2017 SMCP S.A.S.**
Brand		
Sandro	154,052	190,076
Maje	132,901	147,152
Claudie Pierlot	39,561	45,846
Other and Holdings	-	-
Geographical area		
France	157,531	159,029
EMEA	86,846	110,671
APAC	45,581	66,051
Americas	36,557	47,323

9.2.1.1 Net sales after commissions by brand

Sandro

Net sales after commissions for the Sandro brand increased by 23.4%, from €154.1 million for the 6-month period ended June 30, 2016 to €190.1 million for the 6-month period ended June 30, 2017. This increase reflects the excellent performance of the Group's collections in France despite the delay of the summer sales agenda. It arises from the strong development of digital and international sales, where the Group continues to expand. For the 6-month period ended June 30, 2017 the Group opened 22 new points of sale for the Sandro brand, concentrated on strategic markets with in particular the opening of 7 points of sale in Greater China, 4 in Italy,

[69] *Pro forma* data adjusted to exclude expenses which should not have a prolonged effect on the Company's financial statement 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 six-month period ended June 30, 2016 in section 20.1 .2 of this registration document).

and 2 in Spain. These 22 net openings bring to 38 the total number of the brand's points of sale opening on the period of 12-month ended June 30, 2017.

Maje

Net sales after commissions for the Maje brand increased by 10.7%, from €132.9 million for the 6-month period ended June 30, 2016 to €147.2 million for the 6-month period ended June 30, 2017. This excellent performance, on a higher basis of comparison, is driven by the increase of the volume of products sold by the existing points of sales and the continued expansion of the Maje brand. For the 6-month period ended June 30, 2017, the Group opened 12 new points of sale of the Maje brand, all internationally, of which 4 in mainland China, 4 in Middle East, and 2 in Italy. These 12 net openings bring to 25 the total number of the brand's points of sale opening on the 12-month period ended June 30, 2017.

Claudie Pierlot

Net sales after commissions for the Claudie Pierlot brand increased by 15.9%, from €39.6 million for the 6-month period ended June 30, 2016 to €45.8 million for the 6-month period ended June 30, 2017.

This increase shows the growing success of the Claudie Pierlot brand, in France and internationally. During the 6-month period ended June 30, 2017, the Claudie Pierlot brand opened 10 new points of sales, mostly on the Group's key markets in Europe which are Italy, Spain, or Germany. These 10 net openings bring to 26 the total number of the brand's points of sale opening on the 12-month period ended June 30, 2017.

9.2.1.2 Net sales after commissions by geographical area

France

Net sales after commissions for the France segment increased by 1.0%, from €157.5 million for the 6-month period ended June 30, 2016 to €159.0 million for the 6-month period ended June 30, 2017.

The Group's performance in France, like other actors of ready-to-wear clothes and accessories market, was adversely impacted by the delay of the summer sales, which started one week later in 2017 compared to the previous years. Nevertheless, in a weak economic context, the Group continued to gain market shares. During the 6-month period ended June 30, 2017, the Group opened no point of sales in France, focusing on its international development.

EMEA

Net sales after commissions for the EMEA segment increased by 27.4%, from €86.8 million for the 6-month period ended June 30, 2016 to €110.7 million for the 6-month period ended June 30, 2017. This growth was driven by the Group's key markets which are the United Kingdom, Spain, Italy, and Germany. The excellent performances of these markets reflect both the development of the Group's brands awareness on these markets and the continued expansion of the points of sale network.

For the 6-month period ended June 30, 2017, the Group opened 27 new points of sale (8 in Italy, 9 in Middle East, 3 in Spain, and 2 in Germany). These 27 net openings bring to 51 the total number of the Group's points of sale opening in this geographical area on the 12-month period ended June 30, 2017.

APAC

Net sales after commissions for the APAC segment increased by 44.9%, from €45.6 million for the 6-month period ended June 30, 2016 to €66.1 million for the 6-month period ended June 30, 2017. This growth shows the high potential of the Group's brands in this region and in particular in Greater China. For the 6-month period ended June 30, 2017, the Group opened 18 new points of sale in the APAC region, including 12 in Greater China where the Group is now present on 17 cities. These 18 net openings bring to 38 the total number of the Group's points of sale opening in this geographical area on the 12-month period ended June 30, 2017.

Americas

Net sales after commissions for the Americas segment increased by 29.4%, from €36.6 million for the 6-month period ended June 30, 2016 to €47.3 million for the 12-month period ended June 30, 2017. This very good performance shows the success of the Group's brands in this region, with a limited number of new points of sales and in a weak ready-to-wear and accessories market.

9.2.2 Cost of sales

Cost of sales increased by 12.8%, from €92.3 million for the 6-month period ended June 30, 2016 to €104.1 million for the 6-month period ended June 30, 2017. As a percentage of net sales, cost of sales decreased, from 24.5% for the 6-month period ended June 30, 2016 to 23.7% for the 6-month period ended June 30, 2017, impacted, on one part, by the delay of summer sales agenda in France, and on the other part by the international development and in particular outside the Euro area, where products are sold at a higher price.

9.2.3 Gross margin[70]

Gross margin increased by 19.1%, from €234.2 million for the 6-month period ended June 30, 2016 to €279.0 million for the 6-month period ended June 30, 2017. As a proportion of sales net of commissions, the Group's gross margin slightly increased to 72.8% for the 6-month period ended June 30, 2017, compared with 71.7 % for the 6-month period ended June 30, 2016, reflecting the drop in cost of sales as a percentage of sales net of commissions.

9.2.4 Personnel costs

Personnel costs increased by 14.9%, from €79.6 million for the 6-month period ended June 30, 2016 to €91.4 million for the 6-month period ended June 30, 2017. This increase reflects in particular the ongoing development of the Group and the opening of new points of sale. As percentage of the net sales, the personnel costs decreased from 21.1% for the 6-month period ended June 30, 2016 to 20.8% for the 6-month period ended June 30, 2017.

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

9.2.5 Other operating expenses

Other operating expenses increased by 21.2%, from €95.3 million for the 6-month period ended June 30, 2016 to €115.5 million for the 6-month period ended June 30, 2017. This growth primarily reflects the increase in rental costs due to the international development and the opening of the new registered office in Paris for the Sandro brand.

9.2.6 Depreciation, amortization and provisions

Depreciation, amortization and provisions decreased by 10.5%, from €19.9 million for the 6-month period ended June 30, 2016 to €17.8 million for the 6-month period ended June 30, 2017.

9.2.7 Operating income

Operating income increased by 34.0%, from €41.3 million for the 6-month period ended June 30, 2016 to €55.3 million for the 6-month period ended June 30, 2017.

9.2.8 EBITDA

For the 6-month period ended June 30, 2016, EBITDA amounted to €61.1 million compared with €73.1 million for 6-month period ended June 30, 2017, representing an increase of 19.5%.

The EBITDA margin also rose, from 16.2% for the 6-month period ended June 30, 2016 to 16.7% for the 6-month period ended June 30, 2017. This increase is due primarily to the Group's ongoing development in the APAC region and digital, which constitute respectively the Group's most profitable area and sales channel. This allowed the Groupe to improve its retail margin.

The table below sets out the Group's EBITDA and EBITDA margin by brand for the 6-month period ended June 30, 2017 and the 6-month period ended June 30, 2016.

(In thousands of euros except percentages)	***Brands***				**Total**
	Sandro	*Maje*	*Claudie Pierlot*	*Other and Holdings*	
6-month period ended June 30, 2016 *pro forma* SMCP S.A.S.					
EBITDA	28,568	27,398	5,571	(389)	**61,147**
EBITDA margin	16.1%	17.9%	12.0%	-	**16.2%**
6-month period ended June 30, 2017 SMCP S.A.S.					
EBITDA	38,721	29,059	6,256	(955)	**73,081**
EBITDA margin	17.8%	17.3%	11.6%	-	**16.7%**

Sandro

EBITDA for the Sandro brand increased by 35.5%, from €28.6 million for the 6-month period ended June 30, 2016 to €38.7 million for the 6-month period ended June 30, 2017.

The brand's EBITDA margin went from 16.1% for the 6-month period ended June 30, 2016 to 17.8% for the 6-month period ended June 30, 2017. The strong increase of the net sales allowed the Sandro brand to better absorb fixed costs, in particular the personnel costs or the rental costs. The increase of EBITDA margin also reflects the strong growth of the online sales, which positively impacted the brand's retail margin (at the end of 2016, the contribution of digital sales to the Sandro brand's net sales was the lowest of the three brands).

Maje

EBITDA for the Maje brand increased by 6.1%, from €27.4 million for the 6-month period ended June 30, 2016 to €29.1 million for the 6-month period ended June 30, 2017.

The brand's EBITDA margin decreased slightly, from 17.9% for the 6-month period ended June 30, 2016 to 17.3% for the 6-month period ending June 30, 2017. The slight decrease of EBITDA margin reflects primarly the increase of rental costs of Maje brand due to the oepning of new free-standing stores in prestigious locations such as the via Frattina in Roma or the Champs Elysées in Paris.

Claudie Pierlot

EBITDA for the Claudie Pierlot brand increased by 12.3%, from €5.6 million for the 6-month period ended June 30, 2016 to €6.3 million for the 6-month period ended June 30, 2017.

The brand's EBITDA margin went from 12.0%, for the 6-month period ended June 30, 2016 to 11.6% for the 6-month period ended June 30, 2017. The slight decrease of the brand's profitability is mostly due to the growth of marketing expenses in order to develop the brand's awareness abroad.

9.2.9 Other income and expenses

Other income and expenses moved from a net expense of €25.5 million for the 6-month period ended June 30, 2016 to a net expense of €13.0 million for the 6-month period ended June 30, 2017, representing a decrease of €12.5 million. For the 6-month period ended June 30, 2017 other income and expenses comprised costs linked to free shares, issued exceptionally by the Group for the benefit of certain senior executive managers for an amount of €7.2 million as well as expenses related to the initial public offering project. For the six-month period ended June 30, 2016, the other income and expenses mainly include the expenses related to the acquisition of the Group by Shandong Ruyi for a total amount of €24.0 million.

On an adjusted basis to exclude non-recurring expenses related to the acquisition of the Group by Shandong Ruyi and its concurrent refinancing, the Group's other income and expenses moved from a net expense of €1.6 million for the 6-month period ended June 30, 2016 to a net expense of €13.0 million for the 6-month period ended June 30, 2017, representing an increase of €11.5 million.

9.2.10 Net financial expense

The Group's financial result represents a net financial expense of €30.4 million for the 6-month period ended June 30, 2017 compared to a net charge of €49.0 million for the 6-month period ended June 30, 2016, representing a decrease of €18.6 million. For the six-month period ended June 30, 2016, the financial result includes the expenses related to the acquisition by Shandong Ruyi, which includes the payment of a redemption premium related to the previous bonds issue and the effect of the accelerated amortization of the issue expenses of the previous loans for a total amount of €21.6 million.

On an adjustated basis (excluding non-recurring expenses related to the acquisition of the Group by Shandong Ruyi and its concurrent refinancing), the financial result represents a net charge of €27.4 million for the six-month period ended June 30, 2016, compared to a net charge of €30.4 million for the six-month period ended June 30, 2017, representing an increase of €3.1 million. This increase is related primarily to foreign exchange gains and losses. Indeed, for the 6-month period ended June 30, 2016, the Group reported a net foreign exchange gain of €0.9 million, while on the 6-month period ended June 30, 2017, the Group recorded a net foreing exchange loss of €(0.6) million. Lastly, the increase of financial expenses also reflects non recurrent costs related to the repayment of part of 2023 Bonds that happened in April 2017.

Financial interest expenses, including the interest expense for the Facilities Agreement and the high-yield bonds, and corrected of the impact of early repayment of part of 2023 Bonds in April 2017, decreased from €14.4 million for the 6-month period ended June 30, 2016 to €13.9 million for the 6-month period ended June 30, 2017. As a percentage of net sales, this expense fell from 3.8% of net sales for the 6-month period ended June 30, 2016 to 3.2% of net sales for the 6-month period ended June 30, 2017.

9.2.11 Profit (loss) before tax

Income before tax increased by €45.1 million, from a net loss of €33.2 million for 6-month period ended June 30, 2016 to a profit of €11.9 million for the 6-month period ended June 30, 2017. The Group's income tax represented a net profit of €7.0 million for the 6-month period ended June 30, 2016 compared to a net expense of €10.7 million for the 6-month period ended June 30, 2017.

On an adjusted basis (excluding non-recurring expenses related to the acquisition of the Group by Shandong Ruyi and its concurrent refinancing), the Group's profit (loss) before tax decreased by €0.5 million, from a profit of €12.4 million for the 6-month period ended June 30, 2016 to a profit of €11.9 million for the 6-month period ended June 30, 2017. The Group's income tax expense increased from €7.6 million for the 6-month period ended June 30 2016 to €10.7 million for the 6-month period ended June 30, 2017.

9.2.12 Net profit (loss) - Group share

As a result of the factors described above, the Group's net profit increased from a net loss of €26.2 million for the 6-month period ended June 30, 2016 to a net profit of €1.1 million for the 6-month period ended June 30, 2017.

On an adjusted basis (excluding non-recurring expenses related to the acquisition of the Group by Shandong Ruyi and its concurrent refinancing), the Group's net profit decreased from €4.8 million for the 6-month period ended June 30, 2016 to €1.1 million for the 6-month period ended June 30, 2017.

9.3 Analysis of results of operations for the 12-month period ended December 31, 2016 *pro forma* and the financial year ended December 31, 2015

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	12-month period ended December 31, 2016 *pro forma*[71] SMCP S.A.S.	Financial year ended December 31, 2015 SMCP Holding S.A.S.
Net sales	786.3	675.4
Commissions	(105.2)	(94.3)
Net sales after commissions	**681.1**	**581.1**
Cost of sales	(185.7)	(160.3)
Gross margin[72]	**495.4**	**420.8**
Other operating income	4.3	2.1
Personnel costs	(166.9)	(147.3)
Other operating expenses	(203.2)	(169.1)
Depreciation, amortization and provisions	(37.9)	(38.1)
Operating income	**91.7**	**68.5**
Other income	9.4	4.6
Other expenses	(40.7)	(15.6)
Operating profit	**60.3**	**57.5**
Financial income	0.5	25.9
Cost of financial debt	(77.7)	(41.3)
Other financial expenses	(0.8)	(20.8)
Net financial expense	**(78.1)**	**(36.2)**
Profit (loss) before tax	**(17.7)**	**21.3**
Income tax expense	39.9	(13.4)
Net profit (loss) for the period	**22.2**	**7.9**
Attributable to the Company shareholders	22.2	7.9
Attributable to non-controlling interests	-	-
Net profit (loss) - Group share	**22.2**	**7.9**

Selected adjusted *pro forma*[73] financial information

(In millions of euros)	Operating income	Net financial expense	Profit (loss) before tax	Net profit (loss) for the period
Period of 12-month financial year ended December 31, 2016 adjusted *pro forma* SMCP S.A.S.	85.2	(56.4)	28.7	53.7

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

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

73 *Pro forma* data adjusted to exclude expenses which should not have a prolonged effect on the Company's financial statement 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 this registration document).

9.3.1 Net sales after commissions

Net sales after commissions increased by 17.2%, from €581.1 million for the financial year ended December 31, 2015 to €681.1 million for the 12-month period ended December 31, 2016 *pro forma*. This increase reflects, in particular, the success of the Group's collections, as well as the opening of 105 points of sale for the 12-month period ending December 31, 2016 *pro forma*.

The table below sets out the Group's net sales after commissions for the 12-month period ended December 31, 2016 *pro forma* and the financial year ended December 31, 2015 by brand and by geographical area.

(In thousands of euros)	**12-month period ended December 31, 2016 *pro forma* SMCP S.A.S.**	**Financial year ended December 31, 2015 SMCP Holding S.A.S.**
Brand		
Sandro	327,027	283,588
Maje	271,813	235,218
Claudie Pierlot	82,260	62,307
Other and Holdings	0	0
Geographical area		
France	309,237	281,774
EMEA	187,481	156,534
APAC	103,507	71,775
Americas	80,875	71,030

9.3.1.1 Net sales after commissions by brand

Sandro

Net sales after commissions for the Sandro brand increased by 15.3%, from €283.6 million for the financial year ended December 31, 2015 to €327.0 million for the 12-month period ended December 31, 2016 *pro forma*. This increase reflects the success of the brand's collections for both men and women. The brand was deployed in all geographical areas and particularly in the Group's strategic markets. During the financial year ended December 31, 2016, the Group opened 37 new points of sale for the Sandro brand.

Maje

Net sales after commissions for the Maje brand increased by 15.6%, from €235.2 million for the financial year ended December 31, 2015 to €271.8 million for the 12-month period ended December 31, 2016 *pro forma*. This increase was partly driven by the opening of 31 new points of sale during the period, the buoyancy of online sales and the success of the brand's apparel and accessory collections, with the successful launch of the "M" bag on all its main markets.

Claudie Pierlot

Net sales after commissions for the Claudie Pierlot brand increased by 32.0%, from €62.3 million for the financial year ended December 31, 2015 to €82.3 million for the 12-month period ended December 31, 2016 *pro forma*.

This increase shows the growing importance of the Group's most recent brand, thanks to the development of brand awareness, the attractiveness of its collections and the strong performance of its sales forces, especially in the EMEA region, driven by the Group's strategic markets. During the financial year ended December 31, 2016, the Claudie Pierlot brand opened 25 points of sale.

9.3.1.2 Net sales after commissions by geographical area

France

Net sales after commissions for the France segment increased by 9.7%, from €281.8 million for the financial year ended December 31, 2015 to €309.2 million for the 12-month period ended December 31, 2016 *pro forma*. Despite a stagnant economic environment, the Group posted a strong performance, which confirms the awareness of its collections on its main market. This growth is also driven by the increase in e-commerce and accessory sales, as well as by the expansion of surface areas and renovation of certain strategic points of sale.

EMEA

Net sales after commissions for the EMEA segment increased by 19.8%, from €156.5 million for the financial year ended December 31, 2015 to €187.5 million for the 12-month period ended December 31, 2016 *pro forma*. This growth was boosted in particular by the Group's strategic markets. However, the performance of the UK market was negatively impacted by the devaluation of the pound sterling. This devaluation, linked to the *Brexit* vote, nonetheless had a positive effect on international tourism in the UK, and thus on traffic and volumes sold in the Group's London stores.

For the 12-month period ended December 31, 2016 *pro forma*, the Group opened 42 new points of sale (13 in Germany, 13 in Spain and 5 in Saudi Arabia). At the same time, the Group opened its first six points of sales in Portugal, in the form of corners in El Corte Inglés department stores.

APAC

Net sales after commissions for the APAC segment increased by 44.2%, from €71.8 million for the financial year ended December 31, 2015 to €103.5 million for the 12-month period ended December 31, 2016 *pro forma*. This growth shows the brands' increasing appeal in this region, particularly to the Chinese middle class. For the 12-month period ended December 31, 2016 *pro forma*, the Group opened 42 points of sale (22 in mainland China, 7 in Hong Kong, 7 in South Korea and 7 in Australia).

Americas

Net sales after commissions for the Americas segment increased by 13.9%, from €71 million for the financial year ended December 31, 2015 to €80.9 million for the 12-month period ended

December 31, 2016 *pro forma*. This increase illustrates the success of the Group's strategy of focusing on the development of its two brands, Sandro and Maje, which are in high demand there, and is also due to increased online sales. The Group confirmed its commitment to establish itself firmly on this key market by opening six new points of sale in the 12-month period ended December 31, 2016 *pro forma*, including its first two free-standing stores in Canada.

9.3.2 Cost of sales

Cost of sales increased by 15.9%, from €160.3 million for the financial year ended December 31, 2015 to €185.7 million for the 12-month period ended December 31, 2016 *pro forma*. Cost of sales as a percentage of net sales remained stable, at 23.7% for the financial year ended December 31, 2015 and 23.6% for the 12-month period ended December 31, 2016 *pro forma*.

9.3.3 Gross margin[74]

Gross margin increased by 17.7%, from €420.8 million for the financial year ended December 31, 2015 to €495.4 million for the 12-month period ended December 31, 2016 *pro forma*. As a proportion of sales net of commissions, the Group's gross margin increased slightly, to 72.7% for the 12-month period ended December 31, 2016 *pro forma*, compared with 72.4 % for the financial year ended December 31, 2015, reflecting the drop in cost of sales as a percentage of sales net of commissions.

9.3.4 Personnel costs

Personnel costs increased by 13.3%, from €147.3 million for the financial year ended December 31, 2015 to €166.9 million for the 12-month period ended December 31, 2016 *pro forma*. This increase was lower than the increase in sales, reflecting the effectiveness of the Group's hiring policy.

9.3.5 Other operating expenses

Other operating expenses increased by 19.8%, from €169.1 million for the financial year ended December 31, 2015 to €203.2 million for the 12-month period ended December 31, 2016 *pro forma*. This increase reflects the increase in variable costs, in line with the Group's growth, as well as marketing expenses incurred to promote brand development.

9.3.6 Depreciation, amortization and provisions

Depreciation, amortization and provisions remained stable, at €38.1 million for the financial year ended December 31, 2015 and €37.9 million for the 12-month period ended December 31, 2016 *pro forma*.

9.3.7 Operating income

Operating income increased by 33.9%, from €68.5 million for the financial year ended December 31, 2015 to €91.7 million for the 12-month period ended December 31, 2016 *pro forma*.

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

9.3.8 EBITDA

For the 12-month period ended December 31, 2016 *pro forma*, EBITDA amounted to €129.6 million compared with €106.5 million for the financial year ended December 31, 2015, an increase of 21.7%.

The EBITDA margin also rose, from 15.8% for the financial year ended December 31, 2015 to 16.5% for the 12-month period ended December 31, 2016 *pro forma*. This increase is due primarily to the Group's international development, especially in Asia, as well as the development of the digital segment, which led to a sharp increase in like-for-like sales (7.1%) allowing better absorption of the store costs and, thus, an improved retail margin.

The table below sets out the Group's EBITDA and EBITDA margin by brand for the 12-month period ended December 31, 2016 *pro forma* and the financial year ended December 31, 2015.

(In thousands of euros except percentages)	***Brands***				**Total**
	Sandro	*Maje*	*Claudie Pierlot*	*Other and Holdings*	
Financial year ended December 31, 2015 SMCP Holding S.A.S.					
EBITDA	54,523	45,062	7,964	-1,031	**106,518**
EBITDA margin	16.6%	16.6%	10.6%	-	**15.8%**
12-month period ended December 31, 2016 *pro forma* SMCP S.A.S.					
EBITDA	59,721	58,023	11,871	-23	**129,592**
EBITDA margin	15.9%	18.5%	12.2%	-	**16.5%**

Sandro

EBITDA for the Sandro brand increased by 9.5%, from €54.5 million for the financial year ended December 31, 2015 to €59.7 million for the 12-month period ended December 31, 2016 *pro forma*.

The brand's EBITDA margin went from 16.6% for the financial year ended December 31, 2015 to 15.9% for the 12-month period ended December 31, 2016 *pro forma*. This is primarily due to investments in the structure to support growth, including the change in the brand's headquarters in Paris, and to the strengthening of Sandro Homme team.

Maje

EBITDA for the Maje brand increased by 28.8%, from €45.1 million for the financial year ended December 31, 2015 to €58 million for the 12-month period ended December 31, 2016 *pro forma*.

The brand's EBITDA margin also increased, from 16.6% for the financial year ended December 31, 2015 to 18.5% for the 12-month period ending December 2016 *pro forma*, benefiting from the positive development of sales and, more particularly, of the very strong development of the brand in Asia and digital (being the most profitable region and channel of the Group).

Claudie Pierlot

EBITDA for the Claudie Pierlot brand increased by 49.1%, from €8.0 million for the financial year ended December 31, 2015 to €11.9 million for the 12-month period ended December 31, 2016 *pro forma*.

The brand's EBITDA margin also rose, from 10.6%, for the financial year ended December 31, 2015 to 12.2% for the 12-month period ended December 31, 2016 *pro forma*. Although it is the Group's most recent brand, Claudie Pierlot succeeded in improving its productivity on its main markets and grew on the international market.

9.3.9 Other income and expenses

Other income and expenses moved from a net expense of €11.0 million for the financial year ended December 31, 2015 to a net expense of €31.3 million for the 12-month period ended December 31, 2016 *pro forma*, representing an increase of €20.4 million. For the 12-month period ended December 31, 2016 *pro forma*, other income and expenses primarily comprised €24.8 million of expenses related to the acquisition of the Group by Shandong Ruyi.

On an adjusted basis to exclude non-recurring expenses related to the acquisition of the Group by Shandong Ruyi and its concurrent refinancing, the Group's other income and expenses moved from a net expense of €11.0 million for the financial year ended December 31, 2015 to a net expense of €6.5 million for the 12-month period ended December 31, 2016 *pro forma*, representing a decrease of €4.4 million.

9.3.10 Net financial expense

The Group’s financial result represents a net financial expense of €78.1 million for the 12-month period ended December 31, 2016 *pro forma*, compared to €36.2 million for the financial year ended December 31, 2015, an increase of €41.9 million. This sharp increase is related primarily to the refinancing of the Group in connection with its acquisition by Shandong Ruyi and the early repayment, in October 2016, of its existing high-yield bonds, amounting to €290 million, which included the payment of a redemption premium of €12.9 million, as well as the recording of a charge of €8.3 million related to the accelerated amortization of the issuance costs remaining due in connection with the high-yield bonds.

On an adjusted basis (excluding non-recurring expenses related to the acquisition of the Group by Shandong Ruyi and its concurrent refinancing), the financial result constitutes a net financial expense of €56.4 million for the 12-month period ended December 31, 2016 *pro forma* and does not include the expenses connected with the early repayments of high-yield bonds, representing an increase of €20.2 million compared with the financial year ended December 31, 2015. This increase is related primarily to the establishment of a new PIK Shareholder Loan for an initial principal amount of €300 million bearing interest per annum of 7.875% (see Section 10.2.2.3 of this registration document).

Financial interest expense, including the interest expense for the Facilities Agreement and the high-yield bonds, increased from €26.7 million for the financial year ended December 31, 2015 to €28.9 million for the 12-month period ended December 31, 2016 *pro forma*. As a percentage of net sales, this expense fell from 4.0% of net sales for the 12-month period ended December 31, 2015 to 3.7% of net sales for the 12-month period ended December 31, 2016 *pro forma*.

9.3.11 Profit (loss) before tax

Income before tax fell by €39 million, from a profit of €21.3 million for the financial year ended December 31, 2015 to a loss of €17.7 million for the 12-month period ended December 31, 2016 *pro forma*. The Group's income tax represented a net expense of €13.4 million for the financial year ended December 31, 2015 compared to a net gain of €39.9 million for the 12-month period ended December 31, 2016 *pro forma*. The deferred tax liability fell from €1.6 million for the financial year ended December 31, 2015 to a deferred tax asset of €50.9 million for the 12-month period ended December 31, 2016 *pro forma*. This positive effect resulted from a review of deferred taxes in order to account for the reduction of the taxation rate to 28.92% starting in 2020, in accordance with the French 2017 Finance Act approved on December 30, 2016. This review resulted in the recognition of a gain of €35.7 million recorded in the Group's income statement as at the end of December 2016.

On an adjusted basis (excluding non-recurring expenses related to the acquisition of the Group by Shandong Ruyi and its concurrent refinancing), the Group's income before tax increased by €7.4 million, from a profit of €21.3 million for the financial year ended December 31, 2015 to a profit of €28.7 million for the 12-month period ended December 31, 2016 *pro forma*. The Group's income tax expense fell from €13.4 million for the financial year ended December 31, 2015 to a tax credit of €25.0 million for the 12-month period ended December 31, 2016 *pro forma*. The deferred tax expenses fell from €1.6 million for the financial year ended December 31, 2015 to a deferred tax income of €50.9 million for the 12-month period ended December 31, 2016 *pro forma*, favorably impacted by the 2017 Finance Act.

9.3.12 Net profit (loss) - Group share

As a result of the factors described above, the Group's net result rose from a net profit of €7.9 million for the financial year ended December 31, 2015 to a net profit of €22.2 million for the 12-month period ended December 31, 2016 *pro forma*.

On an adjusted basis (excluding non-recurring expenses related to the acquisition of the Group by Shandong Ruyi and its concurrent refinancing), the Group's net profit increased from €7.9 million for the financial year ended December 31, 2015 to €53.7 million for the 12-month period ended December 31, 2016 *pro forma*.

9.4 Analysis of results for the financial year ended December 31, 2015 and the 12-month period ended December 31, 2014

INCOME STATEMENT *(in millions of euros)*	**Financial year ended December 31, 2015 SMCP Holding S.A.S.**	**12-month period ended December 31, 2014 SMCP Holding S.A.S.**
Net sales	675.4	508.6
Commissions	(94.3)	(74.6)
Net sales after commissions	**581.1**	**434.1**
Cost of sales	(160.3)	(117.7)
Gross margin[75]	**420.8**	**316.4**
Other operating income	2.1	7.1
Personnel costs	(147.3)	(118.3)
Other operating expenses	(169.1)	(131.4)
Depreciation, amortization and provisions	(38.1)	(26.8)
Operating income	**68.5**	**47.0**
Other income	4.6	5.0
Other expenses	(15.6)	(13.5)
Operating profit	**57.5**	**38.5**
Financial income	25.9	12.4
Cost of financial debt	(41.3)	(40.4)
Other financial expenses	(20.8)	(6.0)
Net financial expense	**(36.2)**	**(34.0)**
Profit (loss) before tax	**21.3**	**4.5**
Income tax expense	(13.4)	(11.8)
Net profit (loss) for the period	**7.9**	**(7.3)**
Attributable to the Company shareholders	7.9	(7.3)
Attributable to non-controlling interests	-	-
Net profit (loss) - Group share	**7.9**	**(7.3)**

9.4.1 Net sales after commissions

Net sales after commissions increased by 33.9%, from €434.1 million for the 12-month period ended December 31, 2014 to €581.1 million for the financial year ended December 31, 2015. The growth of net sales after commissions was particularly due to the contribution of new stores opened in all of the markets in which the Group operates, notably in Asia, North America and Europe, in accordance with its growth strategy. In addition to the contribution of the new stores that were opened, the increase in net sales after commissions was supported by the strong appeal of the collections of the Group’s brands combined with a positive currency effect.

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

The table below sets out the Group's net sales after commissions for the financial year ended December 31, 2015 and the 12-month period ended December 31, 2014, by brand and geographical area.

(In thousands of euros)	**Financial year ended December 31, 2015 SMCP Holding S.A.S.**	**12-month period ended December 31, 2014 SMCP Holding S.A.S.**
Brand		
Sandro	283,588	224,694
Maje	235,218	160,171
Claudie Pierlot	62,307	48,993
Other and Holdings	0	198
Geographical area		
France	281,774	249,940
EMEA	156,534	108,511
APAC	71,775	29,513
Americas	71,030	46,092

9.4.1.1 Net sales after commissions by brand

Sandro

Net sales after commissions for the Sandro brand increased by 26.2%, from €224.7 million for the 12-month period ended December 31, 2014 to €283.6 million for financial year ended December 31, 2015, due to the success of the brand's collections and the net opening of 55 new Sandro points of sale during the financial year ended December 31, 2015, four of which were located in mainland China, compared to 43 new points of sale opened during the 12-month period ended December 31, 2014. As at December 31, 2015, 52.4% of Sandro's net sales were generated abroad.

Maje

Net sales after commissions for the Maje brand increased by 46.9%, from €160.2 million for the 12-month period ended December 31, 2014 to €235.2 million for the financial year ended December 31, 2015, particularly due to the net opening of 45 new points of sale during the financial year ended December 31, 2015, eight of which were in mainland China, combined with an increase in sales volumes in most of the Group's geographic markets. As at December 31, 2015, 54.8% of Maje's net sales were generated abroad.

Claudie Pierlot

Net sales after commissions for the Claudie Pierlot brand increased by 27.2%, from €49.0 million for the 12-month period ended December 31, 2014 to €62.3 million for the financial year ended December 31, 2015, due to the growing reputation of the Group's most recent brand, higher volumes, and the net opening of 32 new points of sale during the financial year ended December 31, 2015, 15 of which were in France. As at December 31, 2015, 26% of Claudie Pierlot's net sales were generated abroad.

9.4.1.2 Net sales after commissions by geographical area

France

Net sales after commissions for the France segment increased by 12.7%, from €249.9 million for the 12-month period ended December 31, 2014 to €281.8 million for the financial year ended December 31, 2015, mainly due to the success of the Group's collections in the Group's primary market and to the opening of 27 new points of sale in this geographical area during the period. This solid performance demonstrated the strength of the Group's retail model in a sluggish economic context marred by the terrorist attacks that struck Paris in 2015. In addition, the accelerated growth in Internet sales contributed significantly to this performance.

EMEA

Net sales after commissions for the EMEA segment increased by 44.3%, from €108.5 million for the 12-month period ended December 31, 2014 to €156.5 million for the financial year ended December 31, 2015. This increase was primarily a result of the net opening of 64 new points of sale, particularly in Spain, the United Kingdom and Italy, as well as the strong reputation of the Group's brands in this geographical area. The quality of the Group's products was reflected in sustained growth in all countries where the Group is present, particularly Italy, Spain and Germany.

APAC

Net sales after commissions for the APAC segment increased by 143.2%, from €29.5 million for the 12-month period ended December 31, 2014 to €71.8 million for the financial year ended December 31, 2015. This strong growth was primarily a result of the growth of the Group's business in mainland China and Hong Kong/Macao during the financial year ended December 31, 2015, together with the net opening in this geographical area of 39 new points of sale, 12 of which were in mainland China. The annual growth confirmed the attractiveness of the Group's brands in the Chinese market.

Americas

Net sales after commissions for the Americas segment increased by 54.1%, from €46.1 million for the 12-month period ended December 31, 2014 to €71.0 million for the financial year ended December 31, 2015. At constant exchange rates, growth in net sales between the 12-month period ended December 31, 2014 and the financial year ended December 31, 2015 amounted to 29% (this growth amounted to 27% for the United States). This strong growth is primarily due to the success of the Group's collections. The Group continued to make selective investments in this geographical area, with five new points of sale for Sandro and four for Maje.

9.4.2 Cost of sales

Cost of sales increased by 36.2%, from €117.7 million for the 12-month period ended December 31, 2014 to €160.3 million for the financial year ended December 31, 2015. The increase of cost of sales as a percentage of net sales, from 23.1% for the 12-month period ended December 31, 2014 to 23.7% for the financial year ended December 31, 2015, was mainly explained by the slight increase in the Group's average purchase prices, related to an unfavorable foreign currency effect during the financial year ended December 31, 2015 and, to a lesser extent, by a change to the conditions governing relations with the Group's retail partners in South Korea.

9.4.3 Gross margin[76]

Gross margin increased by 33.0%, from €316.4 million for the 12-month period ended December 31, 2014 to €420.8 million for the financial year ended December 31, 2015, in line with the increase in net sales after commissions. As a percentage of net sales after commissions, the Group's gross margin decreased slightly to 72.4% for the financial year ended December 31, 2015 from 72.9% for the 12-month period ended December 31, 2014, primarily reflecting the negative currency impact on the Group's average purchase prices during the financial year ended December 31, 2015, as discussed in Section 9.4.2 of this registration document.

9.4.4 Personnel costs

Personnel costs increased by 24.5%, from €118.3 million for the 12-month period ended December 31, 2014 to €147.3 million for the financial year ended December 31, 2015. This increase primarily resulted from the growth of points of sale, which required increasing the size of the Group's sales teams. However, the increase in personnel costs was slightly lower than the increase in net sales for the same period, reflecting the substantial investments made by SMCP Holding S.A.S. in additional resources at the corporate and brand levels that had already been made in 2014 in order to support the future growth of the Group.

9.4.5 Other operating expenses

Other operating expenses increased by 28.8%, from €131.4 million for the 12-month period ended December 31, 2014 to €169.1 million for the financial year ended December 31, 2015. This increase was mainly driven by the impact of the growth of net sales on variable costs and by the ongoing efforts made to structure the Group's central and local operations. The decrease in other operating expenses as a percentage of sales reflected its better absorption of fixed costs.

9.4.6 Depreciation, amortization and provisions

Depreciation, amortization and provisions increased by 42.1%, from €26.8 million for the 12-month period ended December 31, 2014 to €38.1 million for the financial year ended December 31, 2015, reflecting the expansion of the Group's point-of-sale network.

9.4.7 Operating income

Operating income increased by 45.7%, from €47.0 million for the 12-month period ended December 31, 2014 to €68.5 million for the financial year ended December 31, 2015, mainly driven by the additional gross margin contribution, partially offset by higher other operating expenses due to the Group's investments to strengthen its central and local teams to support its net sale growth strategy.

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

9.4.8 EBITDA

EBITDA for the financial year ended December 31, 2015 amounted to €106.5 million compared with €73.8 million for the 12-month period ended December 31, 2014, an increase of 44.4%.

The EBITDA margin increased from 14.5% for the 12-month period ended December 31, 2014 to 15.8% for the financial year ended December 31, 2015. This increase was primarily due to an increase in the Group's sales, particularly in retail, as well as a better absorption of operating expenses during the period.

The table below sets out the Group's EBITDA and EBITDA margin for financial year ended December 31, 2015 and the 12-month period ended December 31, 2014, by brand.

(In thousands of euros, except percentages)	***Brands***				**Total**
	Sandro	*Maje*	*Claudie Pierlot*	*Other and Holdings*	
12-month period ended December 31, 2014 SMCP Holding S.A.S.					
EBITDA	41,093	23,879	5,805	2,997	**73,774**
EBITDA margin	15.6%	12.8%	9.9%	-	**14.5%**
Financial year ended December 31, 2015 SMCP Holding S.A.S.					
EBITDA	54,523	45,062	7,964	(1,031)	**106,518**
EBITDA margin	16.6%	16.6%	10.6%	-	**15.8%**

Sandro

EBITDA for the Sandro brand increased by 32.7%, from €41.1 million for the 12-month period ended December 31, 2014 to €54.5 million for the financial year ended December 31, 2015.

The brand's EBITDA margin also increased from 15.6% for the 12-month period ended December 31, 2014 to 16.6% for the financial year ended December 31, 2015, benefiting from the increase in retail sales and the good performance of the 55 new points of sale that were opened during the period, particularly internationally. This growth of EBITDA margin was offset slightly, by a negative foreign exchange impact, a larger proportion of concessions in the activity, and cost increases at certain stores in Switzerland and the United Kingdom.

Maje

EBITDA for the Maje brand increased by 88.7%, from €23.9 million for the 12-month period ended December 31, 2014 to €45.1 million for the financial year ended December 31, 2015.

The brand's EBITDA margin also increased from 12.8% for the 12-month period ended December 31, 2014 to 16.6% for the financial year ended December 31, 2015 as a result of higher retail sales boosted by the brand's increasingly desirable collections and the performance of the 45 new points of sales opened during the period, particularly internationally. This improvement was amplified by the very strong growth of digital and improved absorption of fixed costs related to investments made by the Group during the 12-month period ended December 31, 2014.

Claudie Pierlot

EBITDA for the Claudie Pierlot brand increased by 37.2%, from €5.8 million for the 12-month period ended December 31, 2014 to €8.0 million for the financial year ended December 31, 2015.

The EBITDA margin for the brand also increased, from 9.9% for the 12-month period ended December 31, 2014 to 10.6% for the financial year ended December 31, 2015, reflecting the favorable effect of the contribution of higher retail net sales, combined with the good performance of the 32 new points of sale opened during the period (which allowed a better absorption of fixed costs).

9.4.9 Other income and expenses

Other income and expenses increased by 29.6%, from a net expense of €8.5 million for the 12-month period ended December 31, 2014 to a net expense of €11.0 million for the financial year ended December 31, 2015. For the financial year ended December 31, 2015, other income and expenses primarily included restructuring expenses for €4.5 million (compared to €5.5 million for the 12-month period ended December 31, 2014), reflecting the costs to implement the new operational management structure, including the establishment of a new warehouse for managing the products of the Group's collections within the Paris region, and €4.4 million of expenses related to the planned sale by the shareholders of the Group. The 12-month period ended December 31, 2014 also included an impairment charge for €2.9 million reflecting the closure of a number of points of sale in the United States.

9.4.10 Net financial expense

The Group's financial result represented a net financial expense of €34.0 million for the 12-month period ended December 31, 2014, compared to €36.2 million for the financial year ended December 31, 2015, and primarily consisted of interest due in respect of the Group's bonds. The Group's debt structure, which was mainly composed of the 2020 Bonds with a nominal value of €290 million and a fixed interest rate of 8.875% and the 2023 Convertible Bonds with a nominal value of €125 million and a fixed interest rate of 8.0%, remained stable during the period. The improvement of net debt was primarily due to the decrease of the Group's short-term debt (see section 10.2.2, including the table showing the net debt/EBITDA ratio of the Group, of this registration document).

9.4.11 Profit (loss) before tax

Profit before tax increased by €16.8 million, from €4.5 million for the 12-month period ended December 31, 2014 to €21.3 million for the financial year ended December 31, 2015. The Group's income tax expense increased from €11.8 million for the 12-month period ended December 31, 2014 to €13.4 million for the financial year ended December 31, 2015; its deferred tax expense decreased from €7.3 million for the 12-month period ended December 31, 2014 to €1.6 million for the financial year ended December 31, 2015. The Group's real effective tax rate (excluding CVAE) for the financial year ended December 31, 2015 was 46.5%, compared to 200.9% for the 12-month period ended December 31, 2014.

9.4.12 Net profit (loss) - Group share

As a result of the factors described above, the Group's net income went from a net loss of €7.3 for the 12-month period ended December 31, 2014 to a net profit of €7.9 million for the financial year ended December 31, 2015.

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 (in particular 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 2016, at the same time as its acquisition by Shandong Ruyi, by issuing two series of bonds, one at a variable rate maturing in 2022 and the other at a fixed rate maturing in 2023, and concluding the Facilities Agreement and a shareholder loan.

At the time of its initial public offering, the Group plans to refinance a portion of its debt, effective as at the date of the settlement/delivery of the Company's shares offered in connection with their admission to trading on the regulated market of Euronext Paris, by (i) extinguishing the entirety of the PIK Shareholder Loan in connection with the Reorganization by merger (for more information on the Reorganization, see Section 7.1.2 of this registration document), (ii) redeeming the 2022 Bonds in full, as well as redeeming a portion of the 2023 Bonds, (iii) repaying in full and canceling the Facilities Agreement, and (iv) establishing and drawing a portion of the New Facilities Agreement (see Section 10.3 of this registration document) (the "**Refinancing**").

As was the case for the financial years ended December 31, 2016, 2015 and 2014, the Group considers that for the 2017 financial year, its financing requirements will include mainly capital expenditure, interest payments and repayments of borrowings. On the basis of its updated cash flow forecasts, the Group's management considers that it will be able to finance its liquidity requirements for the 12-month period following the date of this registration document, and to make interest payments and financial debt repayments during that period.

Readers are invited to read the information below on the Group's cash flows, together with the consolidated financial statements for the 12-month period ended December 31, 2016 for SMCP S.A.S, for the financial year ended December 31, 2015 for SMCP Holding S.A.S[77], and the 12-month period ended December 31, 2014 for SMCP Holding S.A.S, which were prepared in accordance with IFRS standards as adopted by the European Union and presented in section 20.1 of this registration document.

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[77] SMCP Holding S.A.S was the parent company of the Group until October 2016, the date on which the Group was acquired by Shandong Ruyi. Since the Company has consolidated financial statements only for eight months of 2016 (which includes three months of business), given that it was created in connection with the aforementioned acquisition, the presentation of its cash flow statement cannot be used to compare the Group's cash flows for the three previous financial years; the discussion of the cash flows in this chapter is therefore based on the cash flow statements of SMCP Holding S.A.S during the financial years 2014, 2015 and 2016.

The consolidated financial statements for the 12-month period ended December 31, 2016 for SMCP S.A.S, for the financial year ended December 31, 2015 for SMCP Holding S.A.S and for the 12-month period ended December 31, 2014 for SMCP Holding S.A.S were audited. The Statutory Auditors' audit reports on these consolidated financial statements are provided in sections 20.1.5.2, 20.1.6.2 and 20.1.7.2 of this registration document.

The Group's consolidated financial statements for the half-year ended June 30, 2017 were subject to a limited review. The Statutory Auditor's limited review report on these consolidated financial statements is provided in section 20.1.1.2 of this registration document.

10.2 Financial resources and financial liabilities

10.2.1 Overview

In the past, the Group mainly relied on the following sources to finance its activities:

- Net cash flow from operating activities[78], which totaled €15.3 million, €99.5 million and €108.1 million and €55.6 million, respectively, for the financial years ended December 31, 2014, 2015, 2016, and the six-month period ended June 30, 2017.
- Net change in cash. The net change in cash as at December 31, 2014, 2015, 2016 and June 30, 2017 was €(3.4) million, €9.5 million, €41.7 million, €(19.5) million.
- Indebtedness, which consists essentially of the 2022 Bonds and the 2023 Bonds (see section 10.2.2.2 of this registration document), the PIK Shareholder Loan (see section 10.2.2.3 of this registration document), the Facilities 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 €508.6 million, €494.1 million and €759.9 million, respectively, as at December 31, 2014, 2015, 2016 and €738.0 million as at June 30, 2017.

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

(In thousands of euros)	**June 30, 2017** ***pro forma*** **SMCP S.A.S.**	**December 31, 2016** ***pro forma*** **SMCP S.A.S.**	**December 31, 2015 SMCP Holding S.A.S.**	**December 31, 2014 SMCP Holding S.A.S.**
Borrowings	**736,694**	**758,588**	**443,484**	**430,456**

78 For the financial year ended December 31, 2016, the financial statements of SMCP Holding S.A.S do not include certain costs connected with the Group's general management in an amount of €3.9 million, of which only €0.3 million was actually paid out as at December 31, 2016 due to the attachment of the general management. Because the general management was transferred within the Company on October 10, 2016, the associated costs were not charged back to SMCP Holding S.A.S To enable a better understanding and comparison of the Group's financial situation, the net cash flows connected with operations activities for the financial year ended December 31, 2016 should be revised to an amount of €0.3 million (see note 4.2.2 of the consolidated financial statements of SMCP Holding S.A.S for the 12-month period ended December 31, 2016, included in section 20.1.5 of this registration document). Restated from this amount, the net cash flow from operating activities reaches €107.8 million for the financial year ended December 31, 2016.

(In thousands of euros)	**June 30, 2017 *pro forma* SMCP S.A.S.**	**December 31, 2016 *pro forma* SMCP S.A.S.**	**December 31, 2015 SMCP Holding S.A.S.**	**December 31, 2014 SMCP Holding S.A.S.**
Bonds	419,369	453,141	291,485	289,716
Shareholder loan	-	-	151,999	140,740
PIK Shareholder loan	317,325	305,447	-	-
Bank overdrafts and short-term financial debt	**1,275**	**1,224**	**14,560**	**12,608**
Other loans and financial debt	**14**	**90**	**36,014**	**65,578**
Short-term financial debt	-	-	32,500	63,750
Other loans and long term financial debt	14	90	3,514	1,828
Financial liabilities	**737,983**	**759,903**	**494,059**	**508,642**

The table below sets out the Group's adjusted net debt/EBITDA ratio at the close of the twelve-month period of the Group ended June 30, 2017, December 31, 2016, December 31, 2015 and December 31, 2014.

(In thousands of euros, except ratios)	**June 30, 2017 *pro forma* SMCP S.A.S.**	**December 31, 2016 *pro forma* SMCP S.A.S.**	**December 31, 2015 SMCP Holding S.A.S.**	**December 31, 2014 SMCP Holding S.A.S.**
EBITDA	141,526[1]	129,592	106,518	73,774
Financial liabilities	**737,983**	**759,903**	**494,059**	**508,642**
Cash and cash equivalents	37,135	57,326	27,149	16,140
Net financial debt	**700,848**	**702,577**	**466,910**	**492,501**
Shareholder Loan	-	-	151,999	140,740
PIK Shareholder Loan	317,325	305,447	-	-
Adjusted net financial debt	**383,523**	**397,129**	**314,911**	**351,761**
Adjusted net financial debt / EBITDA[1]	**2.7x**	**3.1x**	**3.0x**	**4.8 x**

[1] The amount of EBITDA for the last twelve months ending at June 2017 is equal to €141,526 millions and corresponds to the sum of the EBITDA of SMCP S.A.S. for the six-month period ended June 30, 2017 (€73,081 millions) and the EBITDA of SMCP S.A.S. for the twelve-month period ended December 31, 2016 (€129,592 millions), minus the EBITDA of SMCP S.A.S. for the six-month period ended June 30, 2016 (€61,147 millions).

As at June 30, 2017, the Group's ratio of adjusted net debt including the rent multiplier[79] to EBITDAR[80] of the last twelve months amounted to 3.6x.

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[79] 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. Rents and rental expenses of the Group amounted to €93.4 thousand for the twelve-month period ended June 30, 2017.

[80] EBITDAR corresponds to EBITDA after deducting "rent and rental expenses" for the reference period. The EBITDAR for the twelve-month period ended December 31, 2016 *pro forma* amounted to €213.4 million and to €235.0 million for the twelve-month period ended June 30, 2017.

As at December 31, 2016, the Group's ratio adjusted net debt including the rent multiplier[81] to EBITDAR amounted 3.8x, and was also 3.8x as at December 31, 2015.

As mentioned above, the Group intends to carry out the Refinancing as part of the admission of the Company's shares to trading on the regulated market of Euronext Paris (see section 10.1 of this registration document). As at June 30, 2017, the Group's ratio of adjusted net debt to EBITDA would have amounted to 2.1x after realization of the aforementioned Refinancing.

The table below sets out the changes in the breakdown of the Group's financial liabilities as at June 30, 2017, before and after the Group's Refinancing in connection with its Initial Public Offering:

(In thousands of euros)	**Total as at June 30, 2017 (prior to Refinancing)**	**Reduction**	**Increase**			**Total as at June 30, 2017 (post Refinancing)**
			Addtional drawdown**	**Redemption premium*****	**Unamortized costs******	
Loans	**732,016**	**(559,092)**	**-**	**8,207**	**10,586**	**191,717**
Fixed-rate bonds (*2023 Bonds*)	319,528	(140,767)		7,207	5,748	191,717
Variable-rate bonds (*2022 Bonds*)	95,163	(101,000)		1,000	4,837	0
PIK Shareholder Loan	317,325	(317,325)		0	0	0
Bank overdrafts	**1,275**	**0**	**0**	**0**	**0**	**1,275**
Other loans and financial debt	**4,691**	**(2,541)**	**123,928**	**-**	**-**	**126,078**
Interest accrued on fixed-rate bonds loans	3,560	(1,424)		0	0	2,136
Interest accrued on variable-rate bonds loans	1,116	(1,116)		0	0	-
Other loans and long term financial debt	14	0	123,928	0	0	123,942
Financial liabilities	**737,983**	**561,633**	123,928	**8,207**	**10,586**	**319,070**
Adjusted financial debt*	**420,658**	**244,308**	123,928	**8,207**	**10,586**	**319,070**

** Group's "adjusted" financial debt corresponds to the Group's financial debt adjusted for the Shareholder Loan PIK*

*** The additional drawdown corresponds to the drawdown on the available credit lines as part of the New Credit Facility in order to reimburse the 2022 Bonds.*

**** The redemption premium of the 2023 Bonds was determined on the basis of a principal amount €111.3 million to be reimbursed with a 5.875 per cent interest and a principal amount of €22.3 million to be reimbursed with a 3.000 per cent interest..*

81 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. Rents and rental expenses of the Group amounted to €83,833 thousand for the twelve-month period ended December 31, 2016 *pro forma* and €69,485 thousand for the financial year ended December 31, 2015 and €51,025 thousand for the twelve-month period ended December 31, 2016 December 31, 2014.

***** Issue costs of the 2023 Bonds are included in income according to the effective interest rate method; due to the partial repayment, the unamortized cost at December 31, 2016, corresponding to the repaid portion of the loan, were immediately recorded in debt.*

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

10.2.2.1 Revolving Credit Facility

SMCP Group S.A.S., a subsidiary of the Company, entered into a Revolving Credit Facility dated May 18, 2016 with J.P. Morgan Limited as Mandated Lead Arranger, J.P. Morgan Europe Limited as Facility Agent, and Wilmington Trust (London) Limited as Security Agent that provides a credit line totaling €70 million (the "Facilities Agreement"). The Company intends to repay in full and cancel the Facilities Agreement in connection with the admission to trading of its shares on the regulated market of Euronext Paris.

10.2.2.2 2022 Bonds and 2023 Bonds

On May 18, 2016, SMCP Group S.A.S. issued two series of senior bonds, the first for €100 million in principal amount, redeemable at maturity on November 1, 2022 (the "**2022 Bonds**"), and the second for €371 million in principal amount, redeemable at maturity on May 1, 2023 (the "**2023 Bonds**" and together with the 2022 Bonds, the "**2022 and 2023 Bonds**"). The 2022 Bonds are remunerated at a 3-month EURIBOR variable interest rate, plus a 6% margin, payable quarterly, on February 1, May 1, August 1, and November 1 of each year. The 2023 Bonds are remunerated at a fixed interest rate of 5⅞%, payable half-yearly, on May 1 and November 1 of each year. The 2022 and 2023 Bonds are admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange. The proceeds from the issuance of the 2022 and 2023 Bonds have been lended to different entities of the Group in the form of intra group loans.

2022 Bonds

In connection with and subject to its initial public offering, the Group intends to redeem in full the 2022 Bonds (of which the principal amount outstanding as of the date of this registration document amounted to €100 million), effective as of the settlement/delivery date of the of the Company's shares offered in connection with their admission to trading on the regulated market of Euronext Paris.

In accordance with the terms and conditions of the 2022 Bonds, if the redemption occurs prior to May 1, 2018, it will be at a redemption price of 101% of the principal amount plus accrued interest to the date set for redemption.

The redemption of the 2022 Bonds in full will be made from (i) a portion of the proceeds of the Company's share capital increase, to be carried out at the time of the initial public offering of the Company's shares on the regulated market of Euronext Paris, and to be distributed to SCMP Group S.A.S., as the issuer of the 2022 Bonds, through an intra group loan and/or a capital increase of the said company, and/or (ii) drawings by SMCP Group S.A.S. under credit lines made available in connection with the New Facilities Agreement.

2023 Bonds

In connection with and subject to its initial public offering, the Group intends to redeem a portion of the 2023 Bonds (of which the principal amount outstanding as of the date of this registration document amounted to €333.9 million), effective as of the settlement/delivery date of the Company's shares on the regulated market of Euronext Paris.

In accordance with the terms and conditions of the 2023 Bonds, the Group intends to redeem a portion of the 2023 Bonds with the proceeds of the share capital increase, to be carried out at the time of the initial public offering of the Company's shares on the regulated market of Euronext Paris, and to be distributed to SMCP Group S.A.S., as the issuer of the 2022 Bonds, through an intra group loan and/or a capital increase of the said company. This redemption will be made at price of 105.875% of the principal amount plus accrued interest to the date set for redemption.

In addition, simultaneously or shortly after the settlement/delivery date of the Company's shares offered in connection with their admission to trading on the regulated market of Euronext Paris, the Group plans to redeem an additional portion of the 2023 Bonds, equal to 10% of the principal amount of the then-outstanding 2023 Bonds. In accordance with the terms and conditions of the 2023 Bonds, this additional redemption will be at the price of 103.0% of the principal amount plus accrued interest to the date set for redemption.

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 indenture, using, for all or a portion of these redemptions, drawings under credit lines made available in connection with the New Facilities Agreement.

The terms of the indenture of the 2023 Bonds provides that until May $1^{st,}$ 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^{st} 2019 and April 30^{th}, 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^{st} 2020 and April 30^{th}, 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^{St} 2021, the 2023 Bonds may be redeemed at their nominal value plus accrued interest until the redemption date.

10.2.2.3 PIK Shareholder Loan

The Company received an intragroup loan constituted in the form of *payment in kind loan* (PIK Loan) from its principal shareholder, European MidSoho Sàrl, on October 10, 2016, for an initial principal amount of €300 million (the "**PIK Shareholder Loan**").

The PIK Shareholder Loan bears annual capitalized interest at a rate of 7.875%, and its maturity is October 9, 2025. The amounts available under the PIK Shareholder Loan were the subject of intragroup loans allowing SMCP Group S.A.S. to acquire and refinance the Group as part of its acquisition by Shandong Ruyi.

In the context of the Reorganization, the PIK Shareholder Loan will be absorbed pursuant to the merger of European MidSoho Sàrl into the Company (for more information on the Reorganization, see section 7.1.2 of this registration document.

10.2.2.4 Intercreditor Agreement

On May 18, 2016, the Company, as subordinated creditor, entered into an intercreditor agreement with Wilmington Trust, National Association as Trustee of the Senior Bonds, SMCP Group S.A.S. as issuer of the Senior Bonds and borrower under the Facilities Agreement, and Wilmington Trust (London) Limited as Security Agent (hereinafter, as amended, the "**Intercreditor Agreement**"). The Intercreditor Agreement is governed by English law.

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.

Upon the redemption and cancellation of the Facilities Agreement and the conclusion of the New Facilities Agreement, the rights of lenders under the New Facilities Agreement, and the rights and obligations of the Company, SMCP Group S.A.S. and its subsidiaries that are party to the New Facilities Agreement will also be governed by the Intercreditor Agreement.

The Intercreditor Agreement governs the following:

- the ranking of indebtedness of borrowers (including SMCP Group S.A.S. and its subsidiaries) under the New Facilities Agreement and the 2023 Bonds with respect to their lenders;

- the relative ranking of certain security interests granted by various members of the Group under the 2023 Bonds and the New Facilities Agreement;

- the conditions and periods in which various payments can be made under the various debts and payment obligations of the members of the Group, specifically under the New Facilities Agreement and 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 New Facilities 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 financial backers. The Intercreditor Agreement shall be terminated upon the full redemption of the 2023 Bonds.

10.3 New Facilities Agreement

At the time of its initial public offering, the Group intends to repay in full the drawn amounts in connection with the Facilities Agreement, with effect from the date of the settlement-delivery of the Company's shares offered for admission to trading on the Euronext Paris. The Group also intends to cancel the Facilities Agreement and, enter into a new senior facilities agreement, with a syndicate of international banks (the "**Lenders**"), for the benefit of the SMCP Group S.A.S. and as the case may be, the Group's subsidiaries entering in this agreement as borrowers ("**the New Facilities Agreement**"). The New Facilities Agreement will be constituted by a revolving credit of €250 million (with the possibility to draw amounts under certain conditions of the Additional New Facilities).

At the date of this registration document, the Company has received letters of commitment from all of the Lenders to provide the credit line under the New Facilities Agreement, subject to certain customary conditions, on the occasion of and subject to the Company's initial public offering.

10.3.1 Credit Facility

The New Facilities 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 "**New Facility**"). The New Facility will be available in euros, pounds sterling, U.S. dollars, or any other readily available currency that is freely convertible to euros. The New Facility will be available for a term of 60 months from the date of first use of the New Facility, 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 on which the New Facilities Agreement is entered into, SMCP Group S.A.S. shall be the sole borrower, it being 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 approved by all relevant lenders.

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

10.3.2 Interest and fees

The loans contracted under the New Facilities Agreement will incur interest at a variable rate indexed to EURIBOR for advances in euros, and to 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 a New Additional Facility will be set out in an agreement between the Group and the lenders of such New Additional Facility, provided that for any New Additional Facility drawn during the first 12 months following the first utilization of the Facility, the average weighted rate 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.

10.3.3 Guarantees and securities

Initially, the Company and SMCP Holding S.A.S. will be guarantors under the New Facilities Agreement. Any member of the Group becoming borrower under the New Facilities Agreement must be guarantor for the other borrowers' obligations, subject to the applicable rules on limitation of guarantees. Moreover, within 60 days of the Company's initial public offering (corresponding to the date of first use of the New Facilities), any company that is a "**Material Company**", as defined in the New Facilities Agreement, shall accede as guarantor. As from that same date, any other company that is a member of the Group shall accede to the extent required, such that the consolidated EBITDA of all of the guarantors taken together makes up at least 80% of the Group's consolidated EBITDA (as specified in the New Facilities 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 the majority of Lenders (except for Mainland China in all cases).

Consequently, SMCP Holding, Sandro Andy, Maje, Claudie Pierlot, SMCP UK Ltd, SMCP Asia Ltd and SMCP USA Inc. will become guarantors under the New Facilities Agreement within the 60 days following the settlement-delivery date of the Company's shares offered in connection with their admission to trading on the regulated market of Euronext Paris.

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

As of the settlement-delivery date of the Company's shares offered in connection with their admission to trading on the regulated market of Euronext Paris, the New Facilities Agreement will benefit in particular from the following security interests: (1) the Company will grant a pledge over the shares of SMCP Group SAS, a pledge over its bank accounts, and a pledge over receivables held by SMCP Group SAS; and (2) SMCP Group SAS will grant a pledge over the shares of SMCP Holding S.A.S., a pledge over 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.

Within the 60 days after the above mentioned date, the main additional security interests will be as follows: (1) SMCP Holding S.A.S. will grant a pledge over the shares of Sandro Andy, Maje and Claudie Pierlot, a pledge over its bank accounts, a pledge over the shares of SMCP Asia Ltd, and a pledge over the shares of SMCP USA Inc.; (2) SMCP UK Ltd will grant a security interest over its assets; (3) SMCP Asia Ltd will grant a security interest over its assets; and (4) SMCP USA Inc. will grant a security interest over its assets.

The Group's trademarks will not be pledged as collateral under the New Facilities Agreement.

As from the date of the redemption in full of the 2023 Bonds, all of the above security interests will be released. The guarantees agreed 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 New Facilities Agreement, will also be released.

10.3.4 Undertakings and covenants

The New Facilities 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 New Facilities Agreement will also impose 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 on	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 2.25:1 or less, or if the credit rating of the Company or any affiliate by Moody's, Standard & Poor's, or Fitch is Baa3 or BBB- (as the case may be) or better, the covenants in the New Facilities Agreement restricting mergers and the incurrence of additional financial indebtedness by the Group shall not apply.

10.3.5 Voluntary early repayment

The New Facilities Agreement will authorize voluntary early repayments, 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.

10.3.6 Mandatory early repayment

The New Facilities Agreement will provide for early repayment 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 following receipt by the facility agent of the Company's notification informing the facility agent of the occurrence of a mandatory early repayment event.

10.3.7 Acceleration events

The New Facilities Agreement will provide 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.

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

10.4.1 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 expenditure for the financial years ended December 31, 2014, 2015, and 2016 and for the six-month period ended June 30, 2017 was €38.6 million (including €7.7 million renovating exiting points of sale, €6.5 million for infrastructure and other, and €24.4 million opening new points of sale), €36.8 million (including €2.6 million renovating existing points of sale, €14.0 million for infrastructure and other, and €20.2 million opening new points of sale), and €39.1 million (including €8.5 million renovating existing points of sale, €10.0

million for infrastructure and other, and €20.7 million opening new points of sale), and was €21.2 million (including €3.2 million renovating exiting points of sale, €5.1 million for infrastructure and other, and €12.9 million opening new points of sale) respectively. For more information on the Group's historic, current and future capital expenditure, see section 5.2 of this registration document.

10.4.2 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 in the amount of €31.1 million, €28.2 million, and €78.3 million, respectively, during the financial years ended on December 31, 2014, 2015, and 2016, and €15.4 million for the six-month period ended June 30, 2017. In addition, it repaid borrowings in the amounts of €0.4 million, €31.7 million, and €327.8 million during the financial years ended December 31, 2014, 2015, and 2016, respectively, and €37.2 million for the six-month period ended June 30, 2017.

10.4.3 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 was € (28.9) million at December 31, 2014, € (17.6) million at December 31, 2015, € (16.3) million at December 31, 2016, and €(10.5) million at June 30, 2017. The Group's change in working capital requirement over each of the periods had a negative impact on its ability to generate cash flow and reflects the constant increase of the working capital requirement due to the Group's development. The change in working capital requirement for the financial year ended on December 31, 2016 was impacted in the amount of €5.9 million by the planned sale of the shares SMCP Holding S.A.S. Adjusted for these items, the change in working capital requirement amounted to €(10.4) million at December 31, 2016.

As percentage of the Group's net sales generated over the last twelve months, the working capital requirement (corresponding to the operating working capital requirement increased by the remaining receivables and decreased by the other remaining debt) excluding depreciation of current asset represented 15.9% as at December 31, 2014, compared to 9.2% as at December 31, 2015 and 5.6% as at December 31, 2016.

As percentage of the Group's net sales generated over the last twelve months, the change in operating working capital (corresponding to the value of inventories plus customer receivables minus supplier payables) excluding depreciation of current assets represented 15.7% as at December 31, 2014 (representing 57 days of the net sales of the last twelve months), compared to 12.8% as at December 31, 2015 (representing 47 days of the net sales of the last twelve months), and 12.5% as at December 31, 2016 (representing 46 days of the net sales of the last twelve months).

10.5 Consolidated cash flow

SMCP Holding S.A.S. was the parent company of the Group until October 2016, the date on which the Group was acquired by Shandong Ruyi. Since the Company has consolidated financial statements only for eight months of 2016 (which includes three months of business), given that it was created in connection with the aforementioned acquisition, the presentation of its cash flow statement cannot be used to compare the Group's cash flows for the three previous financial years; the discussion of the cash flows in this chapter is therefore based on the cash flow statements of SMCP Holding S.A.S. during the financial years 2014, 2015 and 2016.

10.5.1 Group cash flow for the six-month period ended June 30, 2017

The table below summarizes the Group's cash flow for the six-month period ended June 30, 2017:

(In thousands of euros)	**Six-month period ended June 30, 2017** **SMCP S.A.S.**
Net cash flow from operating activities	55,594
Net cash flow used in investing activities	(21,200)
Net cash flow from financing activities	(53,844)
Change in cash and cash equivalents	(19,450)
Net foreign exchange differences	(793)
Cash and cash equivalents at the beginning of the period	57,326
Cash and cash equivalents at the end of the period	37,135

Free cash flow statement

The Group's free cash flow[82] amounted to 41.4 million euros for the six-month period ended June 30, 2017.

[82] The free cash flow is defined as EBITDA after taking account of changes in working capital requirements and net cash flow used in investing activities.

10.5.1.1 Net cash flow from operating activities

The following table sets out the Group's net cash flow from operating activities for six-month period ended June 30, 2017:

(In thousands of euros)	**Six-month period ended June 30, 2017** **SMCP S.A.S.**
Profit (loss) before tax	11,871
EBITDA	73,081
Change in working capital requirement[83]	(10,486)
Income tax paid	(7,001)
Net cash flow from operating activities[51]	**55,594**

Cash flow from operating activities amounted to €55.6 million for the six-month period ended June 30, 2017, reflecting the Group's ability to generate cash flow in order to pay off its debts.

The change in working capital requirement had an impact of (€10.5) million on the ability to generate cash flow for the six-month period ended June 30, 2017. This change can be explained by the following events:

- An increase in customer receivables of €0.9 million;
- an increase in inventory of €1.5 million, in line with the Group's growth and particularly with its international expansion; and affected by the one-week delay of the 2017 summer sales scheduled period.
- a decrease in supplier payables of €8.2 million for the six-month period ended June 30, 2017.

Income tax paid for the six-month period ended June 30, 2017 corresponds to a net disbursement of €7.0 million.

83 Includes other income and expenses impacting the cash position amounting to (€2,133) thousand for the six-month period ended June 30, 2017.

10.5.1.2 Net cash flow used in investing activities

The following table sets out the Group's net cash flow used in investing activities for the six-month period ended June 30, 2017.

(In thousands of euros)	**Six-month period ended June 30, 2017** **SMCP S.A.S.**
Purchases of property, plant and equipment	(11,820)
Proceeds from sales of property, plant and equipment	-
Purchases of financial instruments	(1,740)
Proceeds from sales of financial instruments	450
Purchases of intangible assets	(7,971)
Proceeds from sales of intangible assets	(119)
Purchases of subsidiaries net of cash acquired	-
Net cash flow used in investing activities	**(21,200)**

Net cash flow used in investing activities was (€21.2) million for the six-month period ended June 30, 2017.

Purchases of property, plant and equipment amounted to (€11.8) million for the six-month period ended June 30, 2017, reflecting the Group's expansion strategy with the opening of 24 new directly operated points of sale during the period.

Cash flow from the purchase and disposal of financial instruments includes the use of hedging instruments for purchases and sales of the collections to mitigate the risk of exchange rate fluctuations. Purchases of financial instruments amounted to (€1.7) million for the six-month period ended June 30, 2017.

Cash outflow for purchases of intangible assets, corresponding primarily to the acquisition of concessions and leasing rights, was (€8.0) million for the six-month period ended June 30, 2017.

10.5.1.3 Net cash flow from financing activities

The following table sets out the Group's net cash flow from financing activities during the six-month period ended June 30, 2017.

(In thousands of euros)	**Six-month period ended June 30, 2017** **SMCP S.A.S.**
Capital increases	-
Bonds issuance	-
Bonds redemption	(37,100)
Change in long-term borrowings and debt	226
Change in short-term borrowings and debt	(76)
Other financial income and expenses	(1,489)
Interest paid	(15,405)
Net cash flow from financing activities	**(53,844)**

Net cash from financing activities amounted to a net disbursement of €53.8 million for the six-month period ended June 30, 2017.

This change is mainly due to the early redemption of 10% of the principal of the 2023 Bonds in April 2017, for a total amount of €37.1 million and of the payment of financial interests for €15.4 million (the interests paid for the 2022 Bonds represented €3.0 million, the interests paid for the 2023 Bonds represented €10.7 million, the remainder being constituted by a redemption premium of €1.1 million as part of the partial early redemption of the 2023 Bonds in April 2017).

10.5.2 Group cash flow for the financial years ended December 31, 2015 and 2016

As the Company was incorporated on April 19, 2016 and therefore has, for 2016, only consolidated financial statements covering a period of eight months (including three months of business activity), the presentation of its cash flow statement would not allow a useful comparison of the Group's cash flow over the last two financial years; the discussion of cash flow during the course of the 2015 and 2016 financial years is therefore based on the cash flow statements of SMCP Holding S.A.S., the Group's parent company until October 2016, at which time the Group was acquired by Shandong Ruyi.

The table below summarizes the Group’s cash flow for the financial years ended December 31, 2015 and 2016:

	Financial year ended December 31	
(In thousands of euros)	**2016 SMCP S.A.S.**	**2015 SMCP S.A.S.**
Net cash flow from operating activities[84]	108,097	99,479
Net cash flow used in investing activities	(39,090)	(36,799)
Net cash flow from financing activities	(27,341)	(53,199)
Change in cash and cash equivalents	41,665	9,482
Net foreign exchange differences	(18)	(427)
Cash and cash equivalents at the beginning of the period	12,589	3,533
Cash and cash equivalents at the end of the period	54,237	12,588

Evolution of free cash flow

The free cash flow[85] of the Group amounted to €52.1 million for the financial year ended December 31, 2015 and €78.7 million for the financial year ended December 31, 2016. Corrected for the costs linked to general management amounting to €3.9 million and not borne by SMCP Holding S.A.S. following their transfer within the Company on October 10, 2016 (for a total amount of €3,9 million, of which only €0,3 was disbursed as of December 31, 2016), and the costs linked to the transfert plan of SMCP Holding S.A.S. shares representing a disburse of

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84 For the financial year ended December 31, 2016, the accounts of SMCP Holding S.A.S do not include certain costs related to general management of the Group amounting to €3.9 million, of which only €0.3 million were effectively disbursed as at December 31, 2016. This can be explained by the attribution of the general management to the Company from October 10th, 2016 (which was previously attached to SMCP Holding S.A.S.) and its related costs. These costs have not been re-invoiced to SMCP Holding S.A.S. For a better understanding and comparability of the Group's financial position, net cash flow from operating activities for the twelve-month period ended December 31, 2016 should therefore be reduced by up to €0.3 million (see note 4.2.2 of the consolidated financial statements of SMCP Holding S.A.S for the twelve-month period ended December 31, 2016, included in section 20.1.5 of this registration document). Restated from this amount, the net cash flow from operating activities reaches €107.8 million for the twelve month period ended December 31, 2016.

85 Free cash flow is defined as EBITDA after taking account of changes in working capital requirements and net cash flow used in investing activities.

€5,9 million, the free cash flow of the Group amounted to €84.3[86] million for the financial year ended December 31, 2016.

10.5.2.1 Net cash flow from operating activities

The following table sets out the Group's net cash flow from operating activities for the financial years ended December 31, 2015 and 2016:

	Financial year ended December 31,	
(In thousands of euros)	**2016 SMCP Holding S.A.S.**	**2015 SMCP Holding S.A.S.**
Profit (loss) before tax	27,784	21,304
EBITDA[87]	134,114	106,518
Change in working capital requirement[88]	(16,323)	(17,620)
Income tax paid	(9,695)	10,582
Net cash flow from operating activities[51]	**108,097**	**99,479**

Cash flow from operating activities amounted to €99.5 million for the financial year ended December 31, 2015 and €108.1 million for the twelve-month period ended December 31, 2016. This change can be explained mainly by the increase in EBITDA, which rose from €106.5 million for the financial year ended December 31, 2015 to €134.1 million for the twelve-month period ended December 31, 2016 (see section 9.3.9 of this registration document for a more detailed explanation of the changes in EBITDA), partly canceled out by the higher income tax paid.

The change in working capital requirement had an impact of (€16.3) million on the ability to generate cash flow for the twelve-month period ended December 31, 2016, compared with (€17.6) million for the financial year ended December 31, 2015. This change can be explained by the following events:

86 For the financial year ended December 31, 2016, the amount is equal to the EBITDA of €129.6 million after taking account of changes in working capital requirements of (€6.2) million and net cash flow used in investing activities of (€39.1) million.

87 For the financial year ended December 31, 2016, the accounts of SMCP Holding S.A.S do not include certain costs related to general management of the Group amounting to €3.9 million, of which only €0.3 million were effectively disbursed as at December 31, 2016. This can be explained by the attribution of the general management to the Company from October 10th, 2016 (which was previously attached to SMCP Holding S.A.S.) and its related costs. These costs have not been re-invoiced to SMCP Holding S.A.S. For a better understanding and comparability of the Group's financial position, net cash flow from operating activities for the twelve-month period ended December 31, 2016 should therefore be reduced by up to €0.3 million (see note 4.2.2 of the consolidated financial statements of SMCP Holding S.A.S for the financial year ended December 31, 2016, included in section 20.1.5 of this registration document). Restated from this amount, the net cash flow from operating activities reaches €107.8 million for the financial year ended December 31, 2016.

88 Includes other income and expenses impacting the cash position amounting to (€6,752) thousand, including (€5,922) thousand linked to the proposed sale of SMCP Holding S.A.S. shares, at December 31, 2016 and (€7,169) thousand at December 31, 2015.

– a decrease in customer receivables of €3.4 million for the financial year ended December 31, 2016, compared with an increase of €11.2 million for the twelve-month period ended December 31, 2015;

– an increase in inventory of €24.7 million for the financial year ended December 31, 2016, compared with an increase of €26.5 million for the twelve-month period ended December 31, 2015, in line with the Group's growth and particularly with its international expansion; and

– an increase in supplier payables of €5.0 million for the financial year ended December 31, 2016, less than that seen for the twelve-month period ended December 31, 2015, which was €20.1 million.

Income tax paid for the twelve-month period ended December 31, 2016 corresponds to a net disbursement of €9.7 million, compared with a net inflow of €10.6 million for the twelve-month period ended December 31, 2015, reflecting the reimbursement of a tax credit under the Group's French tax integration of €18.7 million.

10.5.2.2 Net cash flow used in investing activities

The following table sets out the Group’s net cash flow used in investing activities for the financial years ended December 31, 2015 and 2016.

	Financial year ended December 31	
(In thousands of euros)	**2016 SMCP Holding S.A.S.**	**2015 SMCP Holding S.A.S.**
Purchases of property, plant and equipment	(28,477)	(34,565)
Proceeds from sales of property, plant and equipment	353	401
Purchases of financial instruments	(4,027)	(2,035)
Proceeds from sales of financial instruments	1,615	729
Purchases of intangible assets	(10,305)	(3,774)
Proceeds from sales of intangible assets	1,750	2,445
Purchases of subsidiaries net of cash acquired	-	-
Net cash flow used in investing activities	**(39,090)**	**(36,799)**

Net cash flow used in investing activities was (€39.1) million for the twelve-month period ended December 31, 2016 and (€36.8) million for the financial year ended December 31, 2015.

Purchases of property, plant and equipment amounted to (€28.5) million for the twelve-month period ended December 31, 2016, reflecting the Group's expansion strategy with the opening of 92 new directly operated points of sale during the period.

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 (€4.0) million for the twelve-month period ended December 31, 2016, compared with (€2.0) million for the financial year ended December 31, 2015.

Cash outflow for purchases of intangible assets, corresponding primarily to the acquisition of concessions and leasing rights, was (€10.3) million for the twelve-month period ended December 31, 2016, compared with (€3.8) million for the financial year ended December 31, 2015.

The Group also disposed of intangible assets for €1.8 million for the twelve-month period ended December 31, 2016, compared with €2.4 million for the financial year ended December 31, 2015.

10.5.2.3 Net cash flow from financing activities

The following table sets out the Group's net cash flow from financing activities during the financial years ended December 31, 2015 and 2016.

	Financial year ended December 31	
(In thousands of euros)	**2016 SMCP Holding S.A.S.**	**2015 SMCP Holding S.A.S.**
Capital increases	30,109	-
Effects of consolidation scope changes	-	-
Bonuses paid to shareholders	(1,043)	-
Change in long-term borrowings and debt	54,028	1,670
Change in short-term borrowings and debt	(32,500)	(31,250)
Other financial income and expenses	346	4,618
Interest paid	(78,282)	(28,236)
Net cash flow from financing activities	**(27,341)**	**(53,199)**

Net cash from financing activities amounted to a net disbursement of €27.3 million during the twelve-month period ended December 31, 2016, compared with a net disbursement of €53.2 million during the financial year ended December 31, 2015.

The change in long-term financial debt of €54.0 million during the twelve-month period ended December 31, 2016, compared with €1.7 million during the financial year ended December 31, 2015, mainly reflects the redemption of senior bonds for an amount of €290 million following the acquisition of the Group by Shandong Ruyi, and the conclusion of an RPL (Refinancing Proceed Loan) between SMCP Group S.A.S., the issuer of the 2022 and 2023 Bonds, and SMCP Holding S.A.S., for an amount of €341.0 million in order for SMCP Holding S.A.S. to redeem the senior bonds, and to establish an intra-group loan between SMCP Group S.A.S. and SMCP Holding S.A.S. for an amount of €8.0 million.

The increase in interest paid, which rose from (€28.2) million for the financial year ended December 31, 2015 to (€78.3) million for the twelve-month period ended December 31, 2016, is explained mainly by the payment of €51.1 million in additional interest linked to the refinancing of the Group in the context of its acquisition by Shandong Ruyi. This amount breaks down as follows:

- €30.6 million in interest linked to the shareholder loan of €125 million concluded between SMCP Holding S.A.S. and KKR repaid on April 21, 2016;

- €12.9 million representing the cost of early redemption of the convertible bonds;

- €4.9 million representing the payment of interest accrued on the convertible bonds from August 1, 2016 until the early redemption of those bonds on October 10, 2016; and

- €2.7 million reflecting the payment of interest linked to the RPL concluded at the time of the refinancing between SMCP Holding S.A.S. and SMCP Group S.A.S.

The Group also carried out a capital increase of €30.1 million during the financial year ended December 31, 2016, by a partial off-setting between the receivables and the interest amounts from the above shareholder loan.

10.5.3 Group cash flow for the financial years ended December 31, 2014 and 2015

The table below summarizes the Group's cash flow for the financial years ended December 31, 2014 and 2015:

(In thousands of euros)	**Financial years ended December 31**	
	2015 SMCP Holding S.A.S.	**2014 SMCP Holding S.A.S.**
Net cash flow from operating activities	99,479	15,250
Net cash flow used in investing activities	(36,799)	(43,206)
Net cash flow from financing activities	(53,199)	24,520
Change in cash and cash equivalents	9,482	(3,436)
Net foreign exchange differences	(427)	822
Cash and cash equivalents at the beginning of the period	3,533	6,148
Cash and cash equivalents at the end of the period	12,588	3,533

Evolution of free cash flow

The free cash flow[89] of the Group amounted to €6.3 million for the twelve-month period ended December 31, 2014 and €52 million for the financial year ended December 31, 2015.

The amount of free cash flow before capital expenditures amounted to €31 million for the twelve-month period ended December 31, 2014 and €72 million for the financial year ended December 31, 2015.

10.5.3.1 Net cash flow from operating activities

The following table sets out the Group's net cash flow from operating activities for the financial years ended December 31, 2014 and 2015:

(In thousands of euros)	**Financial years ended December 31**	
	2015 SMCP Holding S.A.S.	**2014 SMCP Holding S.A.S.**
Profit (loss) before tax	21,304	4,504
EBITDA	106,518	73,774
Change in working capital	(17,620)	(28,945)
Income tax paid	10,582	(29,580)
Net cash flow from operating activities	**99,479**	**15,250**

Net cash flow from operating activities was €15.3 million for the twelve-month period ended December 31, 2014 and €99.5 million for the financial year ended December 31, 2015. This variation can be attributed notably to an increase in EBITDA from €73.8 million for the twelve-month period ended December 31, 2014 to €106.5 million for the financial year ended

89 Free cash flow is defined as EBITDA after taking account of changes in working capital requirements and net cash flow used in investing activities.

December 31, 2015 (see section 9.4.9 of this registration document for a more detailed explanation of changes in EBITDA).

The change in working capital has an impact of (€17.6) million on the generation of cash flow for the financial year ended December 31, 2015, compared with (€28.9) million for the twelve-month period ended December 31, 2014. This change can be explained by the following events:

- an increase in customer receivables of €11.2 million for the financial year ended December 31, 2015, compared with an increase of €16.8 million for the twelve-month period ended December 31, 2014, given an increase in sales through distribution channels such as affiliates, partners, and concessions in department stores, without any change in payment deadlines;

- an increase in inventory of €26.5 million for the financial year ended December 31, 2015, compared with an increase of €20.0 million for the twelve-month period ended December 31, 2014. This can be attributed to continued growth of the business in 2015, notably in North America and Asia, and significant restocking during the season to meet customer demand and to support this demand in the stores;

- an increase in supplier payables of €20.1 million for the financial year ended December 31, 2015, exceeding the amount for the twelve-month period ended December 31, 2014 which was €7.9 million. This significant difference results from strong business during the financial year ended December 31, 2015 which did not result in any significant change in supplier payment deadlines.

The amount of income tax for the financial year ended December 31, 2015 equals a net cash position of €10.6 million including the refund from a tax credit under the Group's French tax integration of €18.7 million, compared with a disbursement of €29.6 million for the same period in 2014, primarily reflecting the disbursement, during the twelve-month period ended December 31, 2014, of tax due for the financial year ended December 31, 2013.

10.5.3.2 Net cash flow used in investing activities

The following table sets out the Group's net cash flow used in investing activities for the financial years ended December 31 2014 and 2015.

	Financial years ended December 31	
(In thousands of euros)	**2015 SMCP Holding S.A.S.**	**2014 SMCP Holding S.A.S.**
Purchases of property, plant and equipment	(34,565)	(33,230)
Proceeds from sales of property, plant and equipment	401	1,338
Purchases of financial instruments	(2,035)	(2,097)
Proceeds from sales of financial instruments	729	1161
Purchases of intangible assets	(3,774)	(9,682)
Proceeds from sales of intangible assets	2,445	4,130
Purchases of subsidiaries net of cash acquired	-	(4,626)
Net cash flow used in investing activities	**(36,799)**	**(43,206)**

Net cash flow used in investing activities was (€43.2) million for the twelve-month period ended December 31, 2014 and (€36.8) million for the financial year ended December 31, 2015.

Purchases of property, plant and equipment amounted to (€34.6) million for the financial year ended December 31, 2015, reflecting the opening of 101 new directly operated points of sale, illustrating the ongoing expansion of the Group's commercial network.

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 €2.0 million during the financial year ended December 31, 2015.

Cash outflow for purchases of intangible assets, corresponding primarily to the acquisition of concessions and leasing rights, was (€3.8) million for the financial year ended December 31, 2015, compared with (€9.7) million for the twelve-month period ended December 31, 2014.

The Group also disposed of intangible assets for €4.1 million for the twelve-month period ended December 31, 2014 compared with €2.4 million for the financial year ended December 31, 2015.

Finally, purchases of subsidiaries net of cash acquired for the financial year ended December 31, 2014 represented an outflow of (€4.6) million and related to the acquisition of AZ Retail in April 2014.

10.5.3.3 Net cash flow from financing activities

The following table sets out the Group's net cash flow from financing activities during the financial years ended December 31, 2014 and 2015.

	Financial years ended December 31	
(In thousands of euros)	**2015 SMCP Holding S.A.S.**	**2014 SMCP Holding S.A.S.**
Capital increases	-	1,951
Effects of consolidation scope changes	-	41
Change in long-term borrowings and debt	1,670	1,240
Change in short-term borrowings and debt	(31,250)	52,668
Other financial income and expenses	4,618	(306)
Interest paid	(28,236)	(31,074)
Net cash flow from financing activities	**(53,199)**	**24,520**

Net cash from financing activities amounted to a net inflow of €24.5 million during the financial year ended December 31, 2014, compared with a net outflow of €53.2 million during the financial year ended December 31, 2015.

The change in short-term financial debt of (€31.3) million for the financial year ended December 31, 2015, compared with €52.7 million during the financial year ended December 31, 2014, corresponds to an adjustment in the level of cash resulting from draw-downs and repayments under the Senior Facilities Agreement.

The reduction in interest paid, from (€31) million for the financial year ended December 31, 2014 to (€28.2) million for the financial year ended December 31, 2015, can be attributed principally to the change in average debt over the two compared periods. The Group also carried out a capital increase of €2.0 million during the financial year ended December 31, 2014.

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, 2016 and for the six-month interim period ended June 30, 2017 is provided in Chapter 9 "Review of the financial position and results of the Group" of this registration document.

12.2 Medium term outlook

The objectives and trends presented below are based on data, assumptions and estimates that the Group considers to be reasonable as of the date of registration of this registration document in light of future economic prospects.

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 things, changes related to the economic, financial, competitive, legal, regulatory, accounting and tax environment, as well as 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 actually occur, they could have a material adverse effect on the Group's business, financial situation, market situation, results of operations 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

These assumptions do not include the effect of the implementation of new long-term management incentive programs described in paragraph 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);

On the 2018-2020 period, the Group is aiming to open 80 to 90 new points of sales (excluding partners) per year. Moreover, the Group is targeting total net sales growth stabilized at a CAGR of around 11-13% over the 2018-2020 period.

The Group is also aiming to improve its EBITDA margin rate by 100 basis points by 2020, due to the favorable impact of the planned international development and online sales, as well as enhancing operational efficiency in administrative and sale expenses, which will however be partially offset by increased marketing expenditure 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 approximatively 4.5 to 5.0% of net sales, including approximately 2.0% to 2.5% related to renovating existing points of sale and infrastructure.

A detailed presentation of the principal developments expected on the ready-to-wear and accessories market for the coming years, as well as the prospects for this market in terms of net sales growth in the key regions where the Group operates, are contained in section 6.4 of this registration document.

13. PROFIT FORECASTS

Forecasts for the twelve-month period ended December 31, 2017 presented below are based on data, assumptions and estimates that Group management considers to be reasonable as at the date of this registration document. These data and assumptions may evolve or change as a result of uncertainties related in particular to the economic, financial, accounting, competitive, tax or regulatory environment or as a result of other factors that are unforeseeable as of the date of this registration document. The occurrence of one or more of the risks described in Chapter 4 "Risk Factors" of this registration document could also affect the business, financial condition, results of operations and prospects of the Group and thus affect its ability to achieve these forecasts. No assurance can be given that the Group's actual results will be in line with the forecasts below.

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 established its forecasts for the twelve-month period ended December 31, 2017 in accordance with accounting policies applied in the Company's consolidated financial statements for the interim eight-month period ended December 31, 2016.

These forecasts rely mainly on the following assumptions for twelve-month period ended December 31, 2017:

- market developments in France and internationally in line with the trends presented section paragraph 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 semester (see section 5.2 of this registration document);

- the further 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;

- the absence of any significant change in the regulatory and tax environment existing at the date of this registration document; and

- the repayment in full of the 2022 Bonds (for a total amount of €100 million) to be incurred in connection with the initial public offering of the Company's shares on the regulated market of Euronext Paris from (i) the proceeds of a capital increase of approximatively €120 million which will be transferred down to SMCP Group S.A.S., as the issuer of the 2022 and 2023 Bonds, through an intra group loan and/or a capital increase of the said company, and/or by drawdown funds from the New Facilities Agreement and the partial repayment of the 2023 Bonds, for an amount of €111.3 million (principal and accrued interest due at the redemption date).

13.2 Group forecasts for the twelve-month period ended December 31, 2017

On the basis of the assumptions set forth above, the Group expects, for the twelve-month period ended December 31, 2017, to generate consolidated net sales of approximatively €900 million and an EBITDA margin in line with the twelve-month period ended December 31, 2016 *pro forma* (which was 16.5%).

These assumptions do not include the effect of the implementation of new long-term management incentive programs described in paragraph 15.1.4 of this registration document.

The Group intends to expand its network to approximately 1,080 points of sale (excluding partnerships) by December 31, 2017. In addition, it has planned a total amount of capital expenditure of between €50 million and €53 million, of which approximately €20 million will be related to renovating existing points of sale and infrastructure.

Finally, the Group expects to achieve a net leverage ratio of less than 2.25x EBITDA following the admission of the Company's shares to trading on the regulated market of Euronext Paris.

13.3 Statutory auditor's report on EBITDA margin forecasts

This is a free translation into English of the statutory auditors' report issued in French language and is provided solely for the convenience of English-speaking readers.

This report should be read in conjunction with, and is construed in accordance with, French law and professional standards applicable in France.

To the President,

In our capacity as Statutory Auditor of your company and in accordance with Commission Regulation (EC) no.809/2004, we hereby report to you on the profit forecasts (resulting from the combination of the consolidated net sales and EBITDA margin ratio) of SMCP S.A.S. (ex TopSoho S.A.S) set out in section 13 – "Profit forecasts" of the shelf-registration document (document de base).

It is your responsibility to compile the profit forecasts, together with the material assumptions upon which they are based, in accordance with the requirements of Commission Regulation (EC) n°809/2004 and ESMA's recommendations on profit forecasts.

It is our responsibility to express an opinion, based on our work, in accordance with Annex I, item 13.2 of Commission Regulation (EC) n°809/2004, as to the proper compilation of these forecasts.

We performed the work that we deemed necessary according to the professional guidance issued by the French Institute of statutory auditors (Compagnie nationale des commissaires aux comptes - CNCC) for this type of engagements. Our work included an assessment of the procedures undertaken by management to compile the profit forecasts as well as the implementation of procedures to ensure that the accounting policies used are consistent with the policies applied by SMCP S.A.S. (ex TopSoho S.A.S) for the preparation of the historical financial information. Our work also included gathering information and explanations that we deemed necessary in order to obtain reasonable assurance that the profit forecasts have been properly compiled on the basis stated.

Since profit forecasts, by nature, are uncertain and may differ significantly from actual results, we do not express an opinion as to whether the actual results reported will correspond to those shown in the profit forecasts.

In our opinion:

a) *the profit forecasts have been properly compiled on the basis stated; and*

b) *the basis of accounting used for the profit forecasts is consistent with the accounting policies of SMCP S.A.S. (ex TopSoho S.A.S).*

This report has been issued solely for the purpose of:

- *registering the shelf-registration document (document de base) with the AMF;*
- *the admission to trading on a regulated market, and/or a public offer, of shares or debt securities with a denomination of less than €100,000 of SMCP S.A.S. (ex TopSoho S.A.S) in France and in other EU member states in which the prospectus approved by the AMF is notified;*

and cannot be used for any other purpose.

Paris - La Défense, on September 15, 2017

The Statutory Auditor(s)

French original signed by

The statutory auditor

French original signed by Valéry Foussé

14. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES, AND SENIOR MANAGEMENT

As at the date of registration of this registration document, the Company is incorporated in the form of a French simplified joint stock company (*société par actions simplifiée*). A Shareholders' general meeting will be held prior to approval by the AMF of the prospectus for admission of the Company's shares to trading on the regulated market of Euronext Paris, to adopt a resolution converting the Company to a public limited company with a board of directors, with effect at the latest from the date of approval by the AMF.

Moreover, the shareholders' general meeting will resolve to adopt new Articles of Association subject to the condition precedent of the settlement date of the Company's shares for their admission to trading on the regulated market of Paris Euronext. A summary description of the main provisions of these Articles of Association relating to the Board of Directors, in particular, its operating procedures and its powers, and a summary description of the main provisions of the internal rules for the Board of Directors which the Company intends to introduce subject to such condition precedent, is set out in chapter 16, "Operating procedures of the administrative and management bodies", and in section 21.2.2 of this registration document.

14.1 Composition and Functioning of the Company's Management and Supervisory Bodies

(a) Board of Directors

From the settlement date of the Company's shares in connection with their admission to trading on the regulated market of Euronext Paris, the Company's Board of Directors will be composed of twelve members, including four independent members pursuant to the AFEP-MEDEF Code.

The following table sets out the proposed composition of the Board of Directors on the settlement date of the Company's shares in connection with their admission to trading on the regulated market of Euronext Paris, and the main offices and positions held by members of the Company's Board of Directors over the last five years. In addition to the members presented below, four additional, independent members shall be appointed, pursuant to the AFEP-MEDEF Code, by the shareholders' general meeting prior the date of the AMF's visa on the prospectus relating to the admission of the Company's shares to trading on the regulated market of Euronext Paris.

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 held to approve the financial statements for the financial year ending on December 31, 2020	Chairman of the Board of Directors	Positions and offices held as of the date of this Registration Document *Within the Group:* SMCP S.A.S. – Chairman of the supervisory board*Outside of the Group:* Chairman of the Shandong

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**
				Ruyi Group Positions and offices held during the past five years that are no longer held: Within the Group: None. Outside of the Group: None.
Daniel Lalonde	Canadian	Shareholders' meeting held to approve the financial statements for the financial year ending on December 31, 2020	Chief Executive Officer and Director	Positions and offices held as of the date of this Registration Document *Within the Group:* SMCP SAS – Chairman and Chairman of the Management Board SMCP Holding S.A.S. – Chairman Claudie Pierlot SAS - Chairman 341 SMCP SAS - Chairman SMCP Logistique SAS - Chairman SMCP Deutschland GmbH – Managing Director SMS (Suisse) – Chairman, Member of the Board of Directors 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

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
				SMCP Asia Ltd. (HK) – Director SMCP Hong Kong Limited - Director SMCP Shanghai Trading Co. Ltd. – Director SMCP Retail East Coast Inc., Director SMCP Retail West Coast Inc., Director AZ Retail, Director SMCP Portugal, Managing Director *Outside of the Group:* None. Positions and offices held during the past five years that are no longer held: *Within the Group:* None. *Outside of the Group:* None.
Evelyne Chétrite	French	Shareholders' Meeting held to approve the financial statements for the financial year ending on December 31, 2020	Deputy Chief Executive Officer and Director	Positions and offices held as of the date of this Registration Document *Within the Group:* Sandro Andy SAS - Chairman, Evelyne Chétrite SASU - represented by Evelyne Chétrite *Outside of the Group:* Eve Art - Chairman EDID – Manager Evelyne Chetrite SAS – Chairman Grand Chene - Manager Petite Princesse - Manager Hessed – Manager Sagesse – Manager Kemisi – 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
				Kismi – 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 UK 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 of the Group:* None.
Judith Milgrom	French	Shareholders' Meeting held to approve the financial statements for the financial year ending on December 31, 2020	Deputy Chief Executive Officer and Director	Positions and offices held as of the date of this Registration Document *Within the Group:* Maje SAS - Judith Milgrom SAS – Chairman, represented by Judith Milgrom

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
				Outside of the Group: SC SAVA – Manager SC AMJM - Co-manager SC SHMIL - Manager SC AVANA: Co-manager SCI MAJ - Co-manager SCI MAIL – Manager; SCI A&J - Co-manager 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 of the Group:* None.
Weiying Sun(1)	Chinese	Shareholders' Meeting held to approve the financial statements for the financial	Director	Positions and offices held as of the date of this Registration Document *Within the Group:*

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
		year ending on December 31, 2020		None. *Outside of 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 of the Group:* None.
Chenran Qiu(1)	Chinese	Shareholders' Meeting held to approve the financial statements for the financial year ending on December 31, 2020	Director	Positions and offices held as of the date of this Registration Document *Within the Group:* SMCP S.A.S. – Member of the supervisory board *Outside of the Group:* Shandong Ruyi Technology Group – Executive President Positions and offices held during the past five years that are no longer held: *Within the Group:* None. *Outside of the Group:* None.
Xiao Su(1)	Chinese	Shareholders' Meeting held to approve the financial statements for the financial year ending on December 31, 2020	Director	Positions and offices held as of the date of this Registration Document *Within the Group:* SMCP S.A.S. – Member of the supervisory board *Outside of the Group:* Shandong Ruyi Technology Group – Chairman Positions and offices held during the past five years that are no longer held: *Within the Group:* None. *Outside of the Group:*

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
				None.
Francis Srun(1)	French	Shareholders' Meeting held to approve the financial statements for the financial year ending on December 31, 2020	Director	Positions and offices held as of the date of this Registration Document *Within the Group:* None. *Outside of the Group:* Executive President of Ruyi International Group Positions and offices held during the past five years that are no longer held: *Within the Group:* None. *Outside of the Group:* Managing Director APAC, Boucheron (Kering Group)

(1) Director designated by Shandong Ruyi.

All Company directors will be appointed subject to the condition precedent of the settlement date of the Company's shares for their admission to trading on the regulated market of Paris Euronext, by resolution of a Shareholders' Meeting convened prior to approval of the prospectus for such admission by the AMF.

Biographical Information about the Members of the Board of Directors

Yafu Qiu, 59, holds an EMBA from the University of Tsinghua (China), a master in textile industry management from the University of Donghua and a bachelor in textile industry from the University of Donghua (China). Mr. Qiu is also a researcher of Engineering Technology Application and expert awarded 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 of 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. Following the admission of the shares to trading on the regulated market of Euronext Paris, Mr. Lalonde will become Chief Executive Officer and a Director of the Company.

Evelyne Chétrite, 59, 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 functions, Ms. Chétrite, who was for many years the chairman of the Group, is currently a member of the Management Board, a member of the Supervisory Board, and Deputy Chief Executive Officer. Following the admission of shares to trading on the regulated market of Euronext Paris, Ms. Chétrite will be a Director of the Company and Deputy Chief Executive Officer of the Company, responsible primarily for the development of policy and marketing strategy for Sandro and Claudie Pierlot.

Judith Milgrom, 52 years, worked for many years in creation and design, passionate about fashion and styling. 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 functions, Ms. Milgrom is currently a member of the Management Board, a member of the Supervisory Board and Deputy Chief Executive Officer of the Company. Following the admission of shares to trading on the regulated market of Euronext Paris, Judith Milgrom will be a Director of the Company and Deputy Chief Executive Officer of the Company, responsible primarily for the development of policy and the marketing strategy of Maje and Claudie Pierlot.

Weiying Sun, 46, 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 is currently the Vice Chairman and the Chief Executive Officer of Shandong Ruyi Technology Group Co., Ltd. She is also a member of the board of each of Renown Japan, Cubbie Station and Hung Kong Forever Winner International Development Limited.

Chenran Qiu, 36 years, holds a Master Degree from the University of Manchester (United Kingdom) and a Bachelor from the University of Suzhou in China. Ms. Qiu is currently Executive President of Shandong Ruyi Technology Group. 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, 41 years, holds a Master 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 and is in charge of the business operations and of the development of investments of the Group.

Francis Srun, 51, 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 Chief Executive Officer of RUYI Brands Management Hong Kong.

Independent members of the Board of Directors

Four members of the Board of Directors will be independent pursuant to the AFEP-MEDEF Code. They shall be appointed by the shareholders general meeting prior to the date of the AMFs' visa on the prospectus relating to the admission of the Company's shares to trading on the regulated market of Euronext Paris.

Non-voting director

Mr. Ylane Chétrite will be appointed observer within the Company's Board of Directors, subject to the pricing of the shares as part of their admission to trading on the regulated market of Euronext Paris.

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 currently a member of the Management Board, a member of the Supervisory Board and Deputy Chief Executive Officer of the Company.

(b) Chief Executive Officer

The position of Chairman of the Board of Directors and Chief Executive Officer will be 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 position of Deputy Chief Executive Officer in the Company will be assumed respectively by Ms. Evelyne Chétrite, Ms. Judith Milgrom and Mr. Ylane Chétrite. Each Deputy Chief Executive Officer will be responsible for the development of policy, design, artistic direction and marketing strategy of the brand(s) within his or her fields of competence, namely:

- Sandro and Claudie Pierlot for Ms. Evelyne Chétrite;

- Maje and Claudie Pierlot for Ms. Judith Milgrom; and

- Sandro Homme for Mr. Ylane Chétrite.

14.2 Declarations concerning the administrative bodies

Ms. Evelyne Chétrite, director and Deputy Chief Executive Officer, is the sister of Ms. Judith Milgrom, who is also director and Deputy Chief Executive Officer; Ms. Evelyne Chétrite is furthermore the mother of Mr. Ylane Chétrite, a non-voting director and Deputy Chief Executive Officer. Ms. Chenran Qiu, director, is the daughter of Mr. 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, as at the date of registration hereof, there are no potential conflicts of interest between the corporate obligations of the members of the 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 simplified joint stock company (*société anonyme*) with a supervisory board and a management board. At the time of admission of the Company's shares to trading on the regulated market of Euronext Paris, the Company will be transformed into a joint-stock company (*société anonyme*) with a Board of Directors.

15.1.1 Compensation of members of the supervisory board

The table below details the amount of attendance fees paid to members of the supervisory board by the Company or by any other Group company during the financial years ended December 31, 2014, 2015 and 2016:

Table 3 (AMF nomenclature)

Table for attendance fees and other remuneration received by members of the supervisory board			
Members of the supervisory board	**Amounts paid during the 2014 financial year**	**Amounts paid during the 2015 financial year**	**Amounts paid during the 2016 financial year**
Nil			

15.1.2 Compensation of executive officers

The tables below detail the remuneration paid to Mr Daniel Lalonde, Mrs. Evelyne Chétrite, Mrs. Judith Milgrom et Mr. Ylane Chétrite by the Company and by any other Group company during the financial years ended December 31, 2014, 2015 and 2016:

Table 1 (AMF nomenclature)

Summary table of compensation and options allocated to each executive officer			
(amounts paid in euros)	**2014 financial year**	**2015 financial year**	**2016 financial year**
Daniel Lalonde, Chief Executive Officer[90] Compensation due for the year (*detailed in Table 2*)	€733,471[(a)]	€1,837,490	€2,247,676
Valuation of multi-year variable compensation paid during the year	0	0	0
Valuation of the options awarded during the year (*detailed in Table 4*)	Nil	Nil	Nil
Valuation of bonus shares allotted (*detailed in Table 6*)	Nil	Nil	Nil
Total	**€733,471**	**€1,837,490**	**€2,247,676**

(a) Partial year, Mr. Daniel Lalonde joined the Group in April 2014. Part of this remuneration was received in the United States.

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90 Mr. Daniel Lalonde will be appointed Chief Executive Officer of the Company as from the date on which the price of the Company's shares is determined in connection with their admission to trading on the regulated market of Euronext Paris.

Summary table of compensation and options allocated to each executive officer			
(amounts paid in euros)	**2014 financial year**	**2015 financial year**	**2016 financial year**
Evelyne Chetrite, Deputy Chief Operating Officer[91] Compensation due for the year (*detailed in Table 2*)	€752,980[(a)]	€1,187,258[(b)]	€1,965,675[(c)]
Valuation of multi-year variable compensation paid during the year	0	0	0
Valuation of the options awarded during the year (*detailed in Table 4*)	Nil	Nil	Nil
Valuation of bonus shares allotted (*detailed in Table 6*)	Nil	Nil	Nil
Total	**€752,980**	**€1,187,258**	**€1,965,675**

(a) This amount includes €515,400 in fees (excluding tax) paid to Evelyne Chetrite SASU under the management functions and services provided in companies of the Group.

(b) This amount includes €878,398 in fees (excluding tax) paid to Evelyne Chetrite SASU under the management functions and services provided in companies of the Group.

(c) This amount includes €1,535,127 in fees (excluding tax) paid to Evelyne Chetrite SASU under 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)	**2014 financial year**	**2015 financial year**	**2016 financial year**
Judith Milgrom, Deputy Chief Operating Officer[92] Compensation due for the year (*detailed in Table 2*)	€698,960[(a)]	€1,835,000[(b)]	€2,028,366[(c)]
Valuation of multi-year variable compensation paid during the year	0	0	0
Valuation of the options awarded during the year (*detailed in Table 4*)	Nil	Nil	Nil
Valuation of bonus shares alloted (*detailed in Table 6*)	Nil	Nil	Nil
Total	**€698,960**	**€1,835,000**	**€2,028,366**

(a) This amount includes €485,800 in fees (excluding tax) paid to Judith Milgrom SASU under the management functions and services provided in companies of the Group.

(b) This amount includes €1,371,796 in fees (excluding tax) paid to Judith Milgrom SASU under the management functions and services provided in companies of the Group.

(c) This amount includes €1,580,026 in fees (excluding tax) paid to Judith Milgrom SASU under the management functions and services provided in companies of the Group.

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91 Mrs. Evelyne Chétrite will be appointed Deputy Chief Operating Officer from the date on which the Company's shares are priced in connection with their admission to trading on the regulated market of Euronext Paris.

92 Mrs. Judith Milgrom will be appointed Deputy Chief Operating Officer from the date on which the Company's shares are priced in connection with their admission to trading on the regulated market of Euronext Paris.

Summary table of compensation and options allocated to each executive officer			
(amounts paid in euros)	**2014 financial year**	**2015 financial year**	**2016 financial year**
Ylane Chétrite, Deputy Chief Operating Officer[93] Compensation due for the year (*detailed in Table 2*)	€296,120	€568,750	€1,023,675
Valuation of multi-year variable compensation paid during the year	0	0	0
Valuation of the options awarded during the year (*detailed in Table 4*)	Nil	Nil	Nil
Valuation of bonus shares alloted (*detailed in Table 6*)	Nil	Nil	Nil
Total	**€296,120**	**€568,750**	**€1,023,675**

Table 2 (AMF nomenclature)

Summary table of compensation paid to each executive officer						
(amounts paid in euros)	**2014 financial year**		**2015 financial year**		**2016 financial year**	
	Amounts due	**Amounts paid**	**Amounts due**	**Amounts paid**	**Amounts due**	**Amounts paid**
Daniel Lalonde, Chief Executive Officer						
Fixed compensation	€448,949	€448,949	€606,240	€606,240	€632,961	€632,961
Annual variable compensation(1)	€284,522(2)	0 (3)	€1,231,250	€284,522	€1,094,715	€1,231,250
Multi-year variable compensation	0	0	0	0	0	0
Exceptional compensation(4)	0	0	0	0	€520,000	€520,000
In-kind benefits (5)	€85,083	€85,083	€89,838	€74,849	€91,685	€92,231
Total	**€818,554**	**€534,032**	**€1,927,328**	**€965,611**	**€2,339,361**	**€2,476,442**

(1) The annual variable compensation of Mr. Daniel Lalonde represented a gross amount of €625,000 until October 10, 2016 and increased to a gross amount of €675,000 as at this date, for a full 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 proportionaly and can be doubled. The variable compensation for the year is paid in March of year N+1.

(2) Mr. Daniel Lalonde joined the Group in April 2014, the total amount of his variable compensation for the year 2014, if objectives are met, represented a gross amount of €458,167, corresponding to the pro rata amount of his presence within the Group during the year.

(3) Mr. Daniel Lalonde joined the Group in April 2014 and therefore did not receive any variable compensation for 2013.

(4) Mr. Daniel Lalonde exceptional compensation is paid with regard to his specific contribution and work in order to lead with success the sale of SMCP Group to Shandong Ruyi, as well as his works in connection with the initial public offering project.

(5) These amounts include in particular products of the Group's brands and a company car.

93 Mr. Ylane Chétrite will be appointed Deputy Chief Operating Officer from the date on which the price of the Company's shares is determined in connection with their admission to trading on the regulated market of Euronext Paris.

Summary table of compensation paid to each executive officer						
(amounts paid in euros)	2014 financial year		2015 financial year		2016 financial year	
	Amounts due	Amounts paid	Amounts due	Amounts paid	Amounts due	Amounts paid
Evelyne Chétrite, Deputy Chief Operating Officer						
Fixed compensation	€515,000	€515,000	€515,000	€515,000	€843,547	€843,547
Annual variable compensation(1)	€237,980	€292,000	€672,258	€237,980	€1,122,128	€672,258
Multi-year variable compensation						
Exceptional compensation	0	0	0	0	0	0
In-kind benefits(2)	€6,137	€6,137	€6,137	€6,137	€6,137	€6,137
Total	**€759,117**	**€813,137**	**€1,193,395**	**€759,117**	**€1,971,812**	**€1,521,942**

(1) The annual variable compensation of Mrs. Evelyne Chétrite represented a gross amount of €292,000 for a full calendar year until April 1, 2016 and increased to a gross amount of €869,729 as at this date, if the objectives are met. 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 (as such has been done for the financial years 2015 and 2016). The variable compensation for the year is paid in March of year N+1.
(2) This amount includes a company car.

Summary table of compensation paid to each executive officer						
(amounts paid in euros)	2014 financial year		2015 financial year		2016 financial year	
	Amounts due	Amounts paid	Amounts due	Amounts paid	Amounts due	Amounts paid
Judith Milgrom, Deputy Chief Operating Officer						
Fixed compensation	€515,000	€515,000	€515,000	€515,000	€843,547	€843,547
Annual variable compensation (1)	€183,960	€292,000	€1,320,000	€183,960	€1,184,819	€1,320,000
Multi-year variable compensation	0	0	0	0	0	0
Exceptional compensation	0	0	0	0	0	0
In-kind benefits	0	0	0	0	0	0
Total	**€698,960**	**€807,000**	**€1,835,000**	**€698,960**	**€2,028,366**	**€2,163,547**

(1) The annual variable compensation of Ms Judith Milgrom represented a gross amount of €292,000 for a full calendar year until April 1, 2016 and increased to a gross amount of €869,729 as at this date, if the objectives are met. Approximately 30% of the objectives relate to achievement of the EBITDA of Maje 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 (as such has been done for the financial years 2015 and 2016). The variable compensation for the year is paid in March of year N+1.

Summary table of compensation paid to each executive officer						
(amounts paid in euros)	2014 financial year		2015 financial year		2016 financial year	
	Amounts due	Amounts paid	Amounts due	Amounts paid	Amounts due	Amounts paid
Ylane Chétrite, Deputy Chief Operating Officer						
Fixed compensation	€220,000	€220,000	€268,750	€268,750	€412,500	€412,500
Annual variable compensation(1)	€76,120	€59,000	€300,000	€76,120	€611,175	€300,000
Multi-year variable compensation	0	0	0	0	0	0
Exceptional compensation	0	0	0	0	0	0
In-kind benefits	0	0	0	0	0	0
Total	**€296,120**	**€279,000**	**€568,750**	**€344,870**	**€1,023,675**	**€712,500**

(1) The annual variable compensation of Mr Ylane Chétrite has evolved since 2013 and represented a gross amount of €120,000 for a full calendar year until April 1, 2016 and increased to a gross amount of €450,000 for a full year as at this date if the objectives are met. Approximately 30% of the objectives relate to achievement of the EBITDA of Sandro Man brand 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 (as such has been done for the financial years 2015 and 2016). The variable compensation for the year is paid in March of year N+1.

Mrs. Evelyne Chétrite and Mrs. Judith Milgrom received, through companies they control, compensation under services agreements entered into with several Group's companies (see Section 16.2 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
Daniel Lalonde, Chief Executive Officer		X		X	X		X	
Evelyne Chétrite, Deputy Chief Operating Officer		X		X	X		X	
Judith Milgrom, Deputy Chief Operating Officer		X		X	X		X	
Ylane Chétrite, Deputy Chief Operating Officer	X		X		X		X	

The elements of compensation and indemnity of the Chief Executive Officer and Deputy Chief Operating Officers will be reviewed as part of the initial public offering process and will be the subject of detailed information in the securities note relating to the admission of the Company's shares to trading on the regulated market of Euronext Paris.

15.1.3 Allocation of stock options or share purchase options

Table 4 (AMF nomenclature)

Stock options or share purchase options allocated during the financial year to each executive officer by the issuer and any Group company						
Name of executive officer	**No. and date of plan**	**Nature of options (purchase or subscription)**	**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**
Daniel Lalonde, Chief Executive Officer	Nil					
Evelyne Chétrite, Deputy Chief Operating Officer	Nil					
Judith Milgrom, Deputy Chief Operating Officer	Nil					
Ylane Chétrite, Deputy Chief Operating Officer	Nil					

Table 5 (AMF nomenclature)

Stock options or share purchase options exercised during the financial year by each executive officer			
Name of executive officer	**No. and date of plan**	**Number of options exercised during the financial year**	**Exercise price**
Daniel Lalonde, Chief Executive Officer	Nil		
Evelyne Chétrite, Deputy Chief Operating Officer	Nil		
Judith Milgrom, Deputy Chief Operating Officer	Nil		
Ylane Chétrite, Deputy Chief Operating Officer	Nil		

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	Nil			
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				
Expiry 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 or share purchase options allocated to the top ten employees who are non-executive officers and options exercised by the latter	**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)	Nil			
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
Daniel Lalonde, Chief Executive Officer	Plan n°1 10/10/16	1,605,000	2,102,079	10/10/17	10/10/18	Conversion into ordinary shares based on the IPO price (see chapter 7 of this registration document)
Evelyne Chétrite, Deputy Chief Operating Officer	Plan n°1 10/10/16	1,750,000	2,291,987	10/10/17	10/10/18	Conversion into ordinary shares based on the IPO price (see chapter 7 of this registration document)
Judith Milgrom, Deputy Chief Operating Officer	Plan n°1 10/10/16	1,750,000	2,291,987	10/10/17	10/10/18	Conversion into ordinary shares based on the IPO price (see chapter 7 of this registration document)
Ylane Chétrite, Deputy Chief Operating Officer	Plan n°1 10/10/16	1,750,000	2,291,987	10/10/17	10/10/18	Conversion into ordinary shares based on the IPO price (see chapter 7 of this registration document)

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
Daniel Lalonde, Chief Executive Officer	Nil		
Evelyne Chétrite, Deputy Chief Operating Officer	Nil		
Judith Milgrom, Deputy Chief Operating Officer	Nil		
Ylane Chétrite, Deputy Chief Operating Officer	Nil		

Table 10 (AMF nomenclature)

History of allocation of bonus shares			
Information on allocated bonus shares			
Free allocation plan	Plan no. 1	Plan no. 2	Plan no. 3
Date of Shareholders' Meeting	10/10/16	10/10/16	10/10/16
Date of Chairman's decision	10/10/16	14/12/16	27/02/17
Total number of bonus shares allocated, which number allocated to:	12,768,753	1,520,100	393,000
Executive officers :	6,855,000	Nil	Nil
Daniel Lalonde, Chief Executive Officer	1,605,000	Nil	Nil
Evelyne Chétrite, Deputy Chief Operating Officer	1,750,000	Nil	Nil
Judith Milgrom, Deputy Chief Operating Officer	1,750,000	Nil	Nil
Ylane Chétrite Deputy Chief Operating Officer	1,750,000	Nil	Nil
Date of acquisition of shares	10/10/17	14/12/17	27/02/18
Date of end of holding period	10/10/18	14/12/18	27/02/19
Number of shares subscribed	Nil	Nil	Nil
Cumulative number of shares cancelled or expired	307,178	150,600	0
Bonus shares remaining at the end of the financial year	12,461,575	1,369,500	393,000

On September 13, 2017, the shareholders general meeting of the Company authorized the Board of Directors to grant, in accordance with the provisions of Articles L. 225-197-1 and following of the French Commercial Code, in one or several steps, free existing or new shares of the Company, to corporate officers and employees of the Company and/or any companies related to it within the meaning of the article L. 225-197-2 of the French Commercial Code within the limit of 3% of the Company's share capital (on a fully diluted basis) at the date of the Board of Directors' decision using the aforementioned delegation.

In this context, it is envisaged to set up, prior to the admission of the Company's shares to trading on the regulated market of Euronext Paris, a plan for the allocation of free shares to approximately 150 executives and employees of the Company and the companies linked to it in the meaning of Article L. 225-197-2 of the French Commercial Code, including the chief executive officer and the deputy chief executive officers of the Company. The free shares allocated in the context of this plan would be allocated (a) in consideration of a performance criterias linked (i) to a Total Shareholder Return ("**TSR**") of the Company's shares compared to the median TSR of the companies included in the SBF 120 and (ii) to the Group's consolidated EBITDA (b) provided the executive or employee in question is still working within the Group. The vesting period would be of 2 years for a third of the allocated shares, of 3 years for another third of the allocated shares and 4 years for the last third of the allocated shares.

15.2 Amount of the provisions made or recorded by the Company or its subsidiaries for the payment of pension, retirement or other benefits

For Mr Ylane Chétrite pension scheme, the total amount recorded is €137,595for the twelve-month period ended December 31, 2016.

16. OPERATIONS OF ADMINISTRATIVE AND MANAGEMENT BODIES

16.1 Terms of office of the Members of the Company's Administrative and Management Bodies

Information concerning the expiry date of the terms of office of members of the Board of Directors and senior management is provided 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 Chetrite SASU and Judith Milgrom SASU, wholly-owned by Ms. Evelyne Chétrite and Ms. Judith Milgrom, respectively, concluded in 2016 contracts for the provision of services with four companies of the Group (SMCP USA Inc., SMCP Asia Ltd., Claudie Pierlot et 341SMPC), for the supply of services relating to commercial strategy and marketing of the Sandro, Maje and Claudie Pierlot brands and products (see chapter 19 of this registration document). 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.

These contracts had been amended on January 1st, 2017, but the total amound to be perceived were not affected (€375,000 without tax per year, at most). 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.

In the twelve-month period ended December 31, 2016 *pro forma*, the total remuneration paid to Ms. Evelyne Chétrite and Ms. Judith Milgrom through the aforementioned companies under these contracts amounted to €343,750 (excluding taxes) and €343,750 (excluding taxes), respectively.

16.3 Committees of the Board of Directors

As at the date of registration of this registration document, the Company is incorporated as a simplified joint stock company (*société par actions simplifiée*) with a management board and a supervisory board.

The Company will be converted to a public limited company with a board of directors, with a concurrent amendment to its Articles of Association, effective at the latest as of the date of approval by the AMF of the prospectus for the admission of the Company's shares to trading on the regulated market of Euronext Paris. As part of this conversion, the Company will establish the following committees of the Board of Directors: an Audit Committee and a Nominating and Compensation Committee effective at the settlement date of the Company's shares for their admission to trading on the regulated market of Euronext Paris.

The internal rules of these committees, the main provisions of which are set out below, will also be adopted with effect at the settlement date of the Company's shares for their admission to trading on the regulated market of Euronext Paris.

– **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 terms of office of members of the Audit Committee correspond to their terms of office as members of the Board of Directors and may be renewed at the same time as the latter.

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.

The composition of the Audit Committee will be determined by a decision of the Board of Directors which will took place at the latest on the date of settlement and delivery of the Company's shares that will be offered in connection with their admission to trading on the regulated market of Euronext Paris. The composition of the Audit Committeee will be detailled in the securities note related to the admission of the Company's shares to trading on the regulated market of Euronext Paris.

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;

– following up on the statutory audit of the Company's financial statements and the consolidated financial statements by the Statutory 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 terms of office of members of the Nominating and Compensation Committee correspond to their terms of office as members of the Board of Directors and may be renewed at the same time as the latter. The Nominating and Compensation Committee is chaired by an independent member of the Board of Directors.

Ms. Evelyne Chétrite will be a member of the Nominating and Compensation Committee. Three additional members will be appointed by a decision of the Board of Directors which will took place at the latest on the date of settlement and delivery of the Company's shares that will be offered in connection with their admission to trading on the regulated market of Euronext Paris. The composition of the Nominating and Compensation Committee will be detailled in the securities note related to the admission of the Company's shares to trading on the regulated market of Euronext Paris.

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

With effect from admission of its shares to trading on the regulated market of Euronext Paris, the Company intends to refer to the recommendations of the Corporate Governance Code for listed companies of the *Association Française des Entreprises Privées* (AFEP) and the *Mouvement des Entreprises de France* (MEDEF) (the "**AFEP-MEDEF Code**"), particularly in preparing the report of the Chairman of the Board of Directors pursuant to Article L. 225-37 of the French Commercial Code on the composition of the Board of Directors and application of the principles of gender balance, the conditions for preparing and organizing the work of the Board and the internal control and risk management procedures put in place by the Company.

The AFEP-MEDEF Code on which the Company intends to rely may be consulted on 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.

For aspects of corporate governance known as at the date of registration of this registration document, the Company will comply with the recommendations of the AFEP-MEDEF Code, excluding the points below:

- the Nominating and Compensation Committee will be composed of four members, including two independent members of the Board of Directors, a representative of Shandong Ruyi and Ms. Evelyne Chétrite. The composition of this committee will not comply with the recommendation 8 of the AFEP-MEDEF Code, which require a majority of independent directors and the absence of executive directors among its members; Given the importance of the executives' appointment and compensation for the development of the Group, it has been decided to appoint as members of this committee a representative of the majority shareholder, as all as on of the founders of the Group; and

- the terms of the members of the Board of Directors of the Company will all expire at the shareholders general meeting which will approve the financial statements for the financial year ended December 31, 2020. Consequently, the staggering of Board members' terms will not meet the recommendation 13 of the AFEP-MEDEF Code, which recommends avoiding a group renewal of all terms of office of the members of the Board of Directors, all members being designated simultaneously at the initial public offering.

16.5 Internal control

The internal control system implemented within the Group is described in detail in section 4.6.2 of this registration document.

Since 2014, the Group has reviewed the design and implementation of its internal control procedures. To cover the main risks identified in relation to financial and accounting operations and the preparation of financial statements, the Group has implemented more than 30 key controls. These key controls, defined within each of the departments (accounts, treasury, inventory, production, logistics, information technology and the store network), are performed throughout the year.

Given that on the date of registration of this registration document, no financial securities of the Company have been admitted to trading on a regulated market, the Chairman of the Company is not obliged to prepare a report on the composition of the Board of Directors and the application of the principle of gender balance, the conditions for preparing and organizing the work of the Board or the internal control and risk management systems put in place by the Company.

With effect from the financial year ending on December 31, 2017, and provided that the Company's shares are admitted to trading on the regulated market of Euronext Paris, (i) the Chairman of the Company's Board of Directors must prepare this report according to the provisions of Article L. 225-37 of the French Commercial Code and (ii) the management report that the Company's Board of Directors submits to the Shareholders' Meeting will also include information on how the Company takes account of the social and environmental consequences of its business, as well as its corporate commitments to sustainable development and to combating discrimination and promoting diversity, pursuant to Article L. 225-102-1 of the Commercial Code.

17. EMPLOYEES

17.1 PRESENTATION

17.1.1 Number and breakdown of employees

(a) General presentation of the work force

As at December 31, 2016 *pro forma*, the Group employed a total of 4,449 employees, of whom approximately 43% were employed for the Sandro brand, approximately 33% for the Maje brand and approximately 14% for the Claudie Pierlot brand.

For twelve-months period ended December 31, 2016, Group payroll represented €166.9 million, compared with €147.3 million for the financial year ended December 31, 2015 and €118.3 million for the twelve-month period ended December 31, 2014. 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 as at December 31, 2014, 2015 and 2016:

Country	**December 31, 2014**	**December 31, 2015**	**December 31, 2016**
France	1,924	2,107	2,260
United Kingdom	282	309	301
Germany	104	100	136
Ireland	55	49	59
Belgium	63	58	52
Italy	41	69	97
Luxembourg	3	7	10
Spain	123	180	238
Netherlands	30	45	52
Portugal			19
Norway	17	14	16
Sweden	-	7	10
Switzerland	118	118	134
United States	416	429	501
Asia	221	384	564
Total	**3,397**	**3,876**	**4,449**

The table below shows the breakdown of Group employees at the main subsidiaries as at December 31, 2014, 2015and 2016:

Subsidiaries	December 31, 2014	December 31, 2015	December 31, 2016
SMCP S.A.S.	0	0	4
SMCP GROUP SAS	0	0	154
SMCP HOLDING S.A.S.	134	146	0
SMCP LOGISTIQUE SAS	80	83	130
SANDRO ANDY(2)	154	862	850
SANDRO France(2)	634	0	0
MAJE SAS(3)	90	591	619
MAJE BOUTIQUE(3)	463	0	0
CLAUDIE PIERLOT SAS	321	376	444
341 SMCP SAS	48	49	59
SMCP ASIA Ltd.	221	384	564
SMCP USA Inc. & SMCP CANADA Inc.	416	429	501

(1) Between October and November 2016, the employees of SMCP HOLDING S.A.S. were transferred to SMCP S.A.S and SMCP Group S.A.S companies.

(2) On October 1, 2015 SANDRO France merged with SANDRO ANDY.
(3) On October 1, 2015 MAJE BOUTIQUE merged with MAJE SAS.

The table below shows the breakdown of Group employees by function as at December 31, 2014, 2015 and 2016:

Categories	December 31, 2014	December 31, 2015	December 31, 2016
Head Offices	505	565	660
Sales Networks	2,812	3,228	3,659
Logistics	80	83	130
Total	**3,397**	**3,876**	**4,449**

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) as at December 31, 2014, 2015 and 2016:

Proportion of women	December 31, 2014	December 31, 2015	December 31, 2016
Proportion of women in the workforce	81%	80%	78%
Proportion of women managers	76%	78%	78%
Proportion of women supervisors	84%	83%	83%
Proportion of non-managerial women employees	80%	80%	76%

The table below shows the breakdown of Group employees by type of contract as at December 31, 2014, 2015 and 2016:

Employees per type of contract	December 31, 2014	December 31, 2015	December 31, 2016
Permanent contracts	3,110	3,462	3,938
Others[(1)]	287	414	511

(1) Fixed term contracts, apprenticeships and temporary employees

The table below shows the age pyramid for Group employees in France as at December 31, 2014, 2015 and 2016:

Age pyramid	December 31, 2014	December 31, 2015	December 31, 2016
< 25 years old	685	701	706
25 – 40 years old	1,033	1,178	1,263
41 – 55 years old	180	194	249
56 – 60 years old	20	28	27
> 60 years old	6	6	15

17.1.2 Employment and working conditions

The table below shows the change in employment within the Group in France as at December 31, 2014, 2015 and 2016:

Employment	December 31, 2014	December 31, 2015	December 31, 2016
Turnover - permanent employees	87.3%	78.0%	63.5%
Voluntary turnover - permanent employees	71.3%	63.6%	50.1%
Recruitment rate - permanent employees	90.8%	79.5%	69.0%

The table below shows the trends in absenteeism and overtime working in France as at December 31, 2014, 2015 and 2016:

Working conditions	December 31, 2014	December 31, 2015	December 31, 2016
Short-term absenteeism rate[(1)]	1.4%	1.5%	1.5%
Overtime	3,759	3,139	2,237
Overtime and supplementary working	61,621	53,501	60,509

(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, 2014	December 31, 2015	December 31, 2016
Number of fatal occupational accidents	None	None	None
Number of employees having taken sick leave (following an occupational accident or accident when travelling to/from work)	77	88	68

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	2014 (France)	2014 (Europe)	2015 (France)	2015 (Europe)	2016 (France)	2016 (Europe)
Total training expenses (in euros)	357,385	536,190	439,383	589,383	607,072	307,500
Employees having received training	782	953	761	943	577	156
Total number of training hours	1,554	1,855	4,626	5,054	10,292.5	2,914.5

For the twelve-month period ended December 31, 2016 *pro forma*, an amount equivalent to 1.9% 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 financial years ended December 31, 2014, 2015 and 2016 is as follows:

(In thousands of euros)	December 31, 2014	December 31, 2015	December 31, 2016
Gross remuneration	86,681	109,714	122,465

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.

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 concluded a pre-electoral memorandum of understanding acknowledging the existence of an economic and social unit (*unité économique et sociale*, or 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 at 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 senior management

17.2.1 Incentives for members of the Board of Directors and senior management

Mr. Daniel Lalonde, future Chief Executive Officer and director of the Company, is a shareholder of the Company (see section 18.1 of this registration document).

Ms. Evelyne Chétrite, director and future Deputy Chief Executive Officer of the Company and Ms. Judith Milgrom, director and future Deputy Chief Executive Officer of the Company, are indirect shareholders of European Midsoho Sàrl, main shareholder of the Company at the date of this registration document (see section 18.1 of this registration document), Mr. Ylane

Chétrite, future 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)

17.2.2 Options for subscription or purchase of shares and allocation of bonus shares

In 2016 and 2017, the Group allocated 14,681,853 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.

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 2014, the amount was approximately 0.78 months of gross salary (before CSG/CRDS) for an employee present throughout the year.

In 2015, the amount was approximately 1.1 months of gross salary (before CSG/CRDS) for an employee present throughout the year.

In 2016, the amount was approximately 1.2 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 shareholdings

Certain senior executives and employees of the Group are shareholders of the Company (see section 18.1 of this Registration Document).

18. PRINCIPAL SHAREHOLDERS

18.1 Shareholders

As at the date of registration of this registration document, the Company was incorporated as a French simplified joint stock company (*société par actions simplifiée*), with Shandong Ruyi as its indirect majority shareholder.

The table below shows the breakdown of the Company's share capital as at the date of registration of this registration document:

Shareholders		**Number of shares**	**% of capital**	**Share classes**	**Number of voting rights**	**% of voting rights**
European Midsoho Sàrl[(1)]		565,471,878	97.21%	565,085,330 ordinary shares 386,548 class 1 preference shares	565,471,878	97.21%
Mr. Ylan Chétrite		3,492,032	0.60%	2,280,022 ordinary shares 1,212,010 class 1 preference shares	3,492,032	0.60%
Managers	*Of which Mr. Daniel Lalonde*	2,565,646	0.44%	1,675,242 ordinary shares 890,404 class 1 preference shares	2,565,646	0.44%
	Of which other managers	10,155,251	1.75%	6,631,008 ordinary shares 3,524,243 class 1 preference shares	10,155,251	1.75%
TOTAL		581,684,807	100%	575,671,602 ordinary shares 6,013,205 class 1 preference shares	581,684,807	100%

(1) Company held indirectly at 83.81% by Ruyi International Fashion Ltd (which is held at 51.8% by Shandong Ruyi Technology Group and 48.2% by Yinchuan WeiXin Industry Funds Ltd Partership), 9.85% by KKR, 3.33% by Sivan (company held by Ms. Evelyne Chétrite) and 3.02% by Judor (company held by Ms. Judith Milgrom). Yinchuan WeiXin Industry Funds Ltd Partnership is indirectly and majority-owned by investment funds of the Popular Republic of China.

The class 1 preference shares will be converted into ordinary shares issued by the Company at the f settlement-delivery date for the Company's shares in connection with their admission to trading on the regulated market of Euronext Paris (see chapter 7 of this registration document).

The Company also allocated 14,681,853 class G preference shares, including 12,768,753 shares in October 2016, 1,520,100 shares in December 2016 and 393,000 shares in February 2017 (the conditions of such shares are described in section 21.2.3.2 of this registration document). As at the date of registration of this registration document, all of the class G preference shares in the process of being acquired. The class G preference shares will not be admitted to trading on the regulated market of Euronext Paris.

As part of the Reorganization described in section 7.1.2 of this registration document, the composition of the shareholder base will be changed as a consequence of (i) the various mergers to be implemented; and (ii) the conversion of the class 1 preference shares to ordinary shares of the Company.

In connection with the secondary sale to be conducted as part of the initial public offering of the Company's shares on the regulated market of Euronext Paris, European TopSoho Sàrl (the direct shareholder of the Company following the merger of European MidSoho Sàrl in the

Company) intends to sell a number of shares in the Company with the effect that immediately following the initial public offering, European TopSoho Sàrl will hold approximately 51%[94] of the share capital and the voting rights of the Company. Following the completion of the initial public offering, Shandong Ruyi intends to purchase all or part of the shares in Yinchuan Ruyi owned by Yinchuan WeiXin[95], the vehicle formed by the minority shareholders who invested in the Group together with Shandong Ruyi (see section 7.1.1 of this registration document). This acquisition will be financed by the proceeds of the secondary sale in the initial public offering, as well as cash on hand at the Yinchuan Ruyi level. As a consequence, Shandong Ruyi does not intent to ultimately benefit from any of the proceeds generated from the sale of shares by European TopSoho in connection with the initial public offering. This acquisition, which will reinforce Shandong Ruyi's controlling position in the Company, will be undertaken with reference to the Initial Public Offering Price.

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, 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

As at the date of this registration document, Ms. Evelyne Chétrite, founder of Sandro, and Ms. Judith Milgrom, founder of Maje, are indirect shareholders of the Company; the first through the Sivan company and the second through the Judor company. The Sivan company and the Judor company respectively hold 3.2% and 2.9% of the share capital of Europe MidSoho Sàrl, a major shareholder of the Company.

Mr. Ylane Chétrite, founder of Sandro Homme, is a shareholder of the Company. He directly holds 0.60% of the Company's share capital and voting rights.

Shareholding managers

Certain managers, current executives and key employees, i.e., 88 people to date, have become shareholders of the Company in the context of the acquisition of the Group by Shandong Ruyi.

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[94] After the dilution resulting from the management incentive programs described in Chapter 15 of this registration document.

[95] Yinchuan WeiXin Industry Funds Ltd Partnership is indirectly and majority-owned by investment funds of the Popular Republic of China.

As at the date of this registration document, they hold together 2.19% of the share capital and 2.19% of the voting rights of the Company.

18.2 Declaration concerning control of the Company

As at the date of registration of this registration document, all shareholders of the Company are party to a shareholders’ agreement concluded on October 10, 2016. This shareholders’ agreement will be cancelled automatically on the date of admission of the Company's shares to trading on the regulated market of Euronext Paris.

18.3 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.

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.

Numerical 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, 2016 *pro forma*, presented in section 20.1.5.1 of this registration document.

19.2 Special reports of the auditors on related-party agreements for fiscal years 2015 and 2014

19.2.1 Special report of the auditors of SMCP Holding S.A.S. on related-party agreements for the twelve-month period ended December 31, 2015

This is a free translation into English of a report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction and construed in accordance with French law and the relevant professional auditing standards applicable in France.

"To the shareholders,

In our capacity as Statutory Auditors of your company, we hereby present our report on the regulated agreements.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements indicated to us or those that we could have found in the course of our engagement. We are not required to comment as to whether they are beneficial or appropriate neither to ascertain whether any other agreements exist. It is your responsibility to evaluate the benefits resulting from these agreements prior to their approval.

We performed the procedures we considered necessary in accordance with French professional guidance issued by the "Compagnie Nationale des Commissaires aux Comptes" (National Association of Statutory Auditors), relating to this engagement. Our work consisted in verifying that the information provided to us is in agreement with the underlying documentation from which it was extracted.

Agreements to be approved by the General Meeting of shareholders

<u>Agreements implemented during the current accounting period</u>

Your auditors were duly informed of the following agreements as described by article L 227-10 of the French Commercial code which have been implemented during the current accounting period.

With Hedko and Elie Kouby SAS, companies managed by one of the Executive directors of your company

Nature and objective

Gentlemen's Agreement in respect of the termination of the contract of Mr. Elie Kouby mandate as Executive Director and Service level agreement for the services provided by Elie Kouby SAS.

Terms and Conditions

The gentlemen's agreement organizes a termination before March 31, 2016 of the mandate of Mr. Elie Kouby as Executive Director of your company and of the Service level agreement for the services rendered by Elie Kouby SAS. The total amount of expenses booked during the 2015 accounting period is k€ 375.

Agreements implemented in prior years and not approved by past General Meeting of shareholders.

We have been informed of the following agreements implemented in 2014 and which have not been submitted to the approval of the 2014 Annual General Meeting of shareholders.

1. With Mr. Elie Kouby, Executive Director of your company

Nature and objective

Employment contract as Member of the Board of Directors.

Terms and conditions

Further to this agreement, Mr. Elie Kouby benefits from a fixed and a variable salary. The latter is based on quantitative thresholds which are based on the targeted annual Group EBITDA and qualitative objectives decided by the Supervisory Board. The total amount of expenses booked respectively during the 2015 and the 2014 accounting period is k€ 200 and k€ 333.

2.With Ms. Evelyne Chétrite, Executive Director of your company

Nature and objective

Employment contract as President and then General manager of the company and as Member of the Board of Directors.

Terms and conditions

Further to this agreement, Ms. Evelyne Chétrite benefits from a fixed and a variable salary. The latter is based on quantitative thresholds which are based for 50% on the targeted annual Sandro EBITDA and for 50% on the targeted annual Group EBITDA. The total amount of expenses booked respectively during the 2015 and the 2014 accounting period is k€ 400 and k€ 466.

3. With Ms. Judith Milgrom, Executive Director of your company

Nature and objective

Employment contract as General manager of the company and as Member of the Board of Directors.

Terms and conditions

Further to this agreement, Ms. Judith Milgrom benefits from a fixed and a variable salary. The latter is based on quantitative thresholds which are based for 50% on the targeted annual Maje EBITDA and for 50% on the targeted annual Group EBITDA. The total amount of expenses booked respectively during the 2015 and the 2014 accounting period is k€ 394 and k€ 459.

4. With Mr. Daniel Lalonde, Executive Director of your company

Nature and objective

Employment contract as President and as Chairman of the Board of Directors.

Terms and conditions

Further to this agreement, Mr. Daniel Lalonde benefits from a fixed and a variable salary. The latter is based on quantitative thresholds which are based on the targeted annual Group EBITDA and qualitative objectives decided by the Supervisory Board. The total amount of expenses booked respectively during the 2015 and the 2014 accounting period is k€ 1,931 and k€ 1,005.

Paris La Défense, the 3rd of March 2016,

The Statutory Auditors

KPMG Audit *Département de KPMG SA*	*ERNST & YOUNG et Autres*
Valéry Foussé	*Jean-Philippe Bertin"*

19.2.2 Special report of the auditors of SMCP Holding S.A.S. on related-party agreements for the twelve-month period ended December 31, 2014

This is a free translation into English of a report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction and construed in accordance with French law and the relevant professional auditing standards applicable in France.

"*To the Shareholders,*

In our capacity as statutory auditor of your company, we hereby present our report on certain related party agreements.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements indicated to us, or that we could have found in performance of our engagement. We are not required to comment as to whether they are beneficial or appropriate to ascertain the existence of any such agreements. It is your responsibility to evaluate the benefits resulting from these agreements prior to their approval.

*We performed the procedures which we considered necessary to comply with professional guidance issued by the national auditing body (*Compagnie nationale des commissaires aux comptes*), relating to this type of engagement. These procedures consisted in verifying that the information provided to us is consistent with the documentation from which it has been extracted.*

Agreements submitted for approval by the general meeting of shareholders

<u>Agreements authorized during the year</u>

In accordance with Article 227-10 of the French commercial code (Code de Commerce), we have been advised of certain related party agreements concluded during the year.

I. With Maje S.A.S., Sandro Andy, Claudie Pierlot S.A.S., Groupe SMCP S.A.S., 341SMCP and SMCP Logistique, 100% subsidiaries held directly or indirectly by your company

Nature and purpose

Your company provided to the named above entities assistance and advice on a regular basis in the following areas:

1. *Strategy: strategic advisory and definition of the strategy and the politics of the entities.*
2. *Operational services management:*

- *assistance in production, organization, supply and inventory management;*
- *assistance in human resources management;*
- *assistance in business retail development;*
- *assistance in finance;*
- *assistance in artistic direction (look, communication and style).*

3. Management services:

- *commercial and marketing services;*
- *legal;*
- *accounting;*
- *IT;*
- *supply chain;*
- *financial controlling.*

Conditions

According to this agreement, a 10% mark-up is applied to the rebilling of direct or indirect costs incurred by your company.
The total amount of revenue booked during the 2014 accounting period is K€ 23,657 and breaks down as follows:

03	*SMCP Logistique*	*39*
06	*Sandro Andy*	*11,017*
17	*Maje*	*7,858*
27	*Claudie Pierlot*	*2,608*
29	*341 SMCP*	*675*
30	*SMCP USA*	*1,460*
Total		***23,657***

II. With Elie Kouby S.A.S., company managed by one of the executive directors of your company

Nature and purpose

Service agreement implemented since April 1, 2014 and continued until December 31, 2014, to facilitate the integration of the new president of the group.

Conditions

The total amount of expenses booked during the 2014 accounting period is K€ 526.

III. With Frederic Biousse S.A.S., company managed by one of the executive directors of your company

Nature and purpose

Service agreement implemented since April 1, 2014 and continued until December 31, 2014, to facilitate the integration of the new chairman of the group.

Conditions

The total amount of expenses booked during the 2014 accounting period is K€ 372. This agreement terminated on the initiative of your company with effect from September 30, 2014 and a K€ 1,312 compensation has been paid by your company.

IV. With KKR, shareholder with over 10% of your company

Nature and purpose

Service agreement of annual management fees.

Conditions

The total amount of expenses booked during the 2014 accounting period is K€ 765.

V. With KKR Capstone, entity controlling a shareholder company holdings a fraction of the voting rights greater than 10%

Nature and purpose

Service agreement.

Conditions

The total amount of expenses booked during the 2014 accounting period is K€ 1,172.

***Agreements* authorized after closing**

We have been advised of certain related party agreements which were concluded after closing.

VI. With Ms. Evelyne Chétrite and Ms. Judith Milgrom, Mr. Frederic Biousse and Mr. Elie Kouby, executive directors of your company

Nature and purpose

Service agreement implemented in April 10, 2015.

Paris-La Défense, April 20, 2015

The statutory auditor

ERNST & YOUNG et Autres

Jean-Philippe Bertin"

20. FINANCIAL INFORMATION CONCERNING THE GROUP'S ASSETS, FINANCIAL POSITION AND EARNINGS

20.1 The Group's consolidated financial statements

20.1.1 The Company's[96] consolidated financial statements for the fourteen-month and the six-month periods ended June 30, 2017 and the corresponding limited review report of the Statutory Auditor

20.1.1.1 The Company's consolidated financial statements for the fourteen-month and the six-month periods ended June 30, 2017

Table of contents

[96] Until September 13, 2017, the Company's name was TopSoho S.A.S.

1. INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1.1. Interim 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.

1.1.1. Assets

	Notes	June 30, 2017 *€k*
Goodwill	6.1.1	631,007
Trademarks	6.1.2	600,000
Other intangible assets	6.1.2	125,020
Property, plant and equipment		58,643
Non-current financial assets		15,899
Other non-current assets		2,285
Deferred tax assets		37,995
Non-current assets		**1,470,849**
Inventories		146,427
Accounts receivable		42,004
Other receivables		26,648
Cash and cash equivalents		37,135
Current assets		**252,214**
Total Assets		**1,723,063**

1.1.2. Equity and liabilities

	Notes	June 30, 2017 *€k*
Share capital		58,168
Share premium		523,515
Reserves and retained earnings		11,124
Total comprehensive income for the period		29,383
Equity attributable to the holders of the company	1.5	**622,190**
Non-controlling interests		-
Total Equity		**622,190**
Bonds		414,691
Non-current loan (PIK loan)		300,000
Other non-current liabilities		17,587
Non-current provisions	6.4	357
Deferred revenue		124
Employee defined benefit liabilities		2,745
Other non-current liabilities		3
Deferred tax liabilities		189,403
Non-current liabilities		**924,910**
Interest-bearing loans (current part)		4,678
Trade and other payables		95,183
Bank overdrafts and short-term financial liability		1,275
Short-term provisions	6.4	2,681
Other liabilities		72,146
Current liabilities		**175,963**
Total Equity and Liabilities		**1,723,063**

1.2. Consolidated income statement

	Notes	*6 months to* **June 30, 2017** *€k*	*8 months to* **Dec. 31, 2016 *** *€k*	*14 months to* **June 30, 2017 **** *€k*
Net sales		438,871	224,119	662,990
Commissions		(55,796)	(31,056)	(86,852)
Net sales after commissions	5.1	**383,075**	**193,063**	**576,138**
Cost of sales		(104,088)	(46,490)	(150,578)
Gross Margin		**278,987**	**146,573**	**425,560**
Other operating income		975	1,151	2,126
Personnel costs		(91,398)	(45,734)	(137,132)
Other operating expenses		(115,483)	(58,935)	(174,418)
Depreciation and amortization expense		(17,765)	(7,519)	(25,284)
Current operating income		**55,316**	**35,536**	**90,852**
Other income	5.2	2,341	4,487	6,828
Other expenses	5.2	(15,367)	(25,591)	(40,958)
Operating profit		**42,290**	**14,432**	**56,722**
Financial Income		195	547	742
Cost of net debt		(29,882)	(25,602)	(55,484)
Other financial expenses		(732)	(555)	(1,287)
Financial profit/(loss)		**(30,419)**	**(25,610)**	**(56,029)**
Profit/(loss) before tax from continuing operations		**11,871**	**(11,177)**	**693**
Income tax expense		(10,735)	41,792	31,057
Net income (Loss) for the period		**1,137**	**30,613**	**31,750**
Attributable to owners of the Company		1,137	30,613	31,750
Attributable to non-controlling interests		-	-	-
Net profit/(loss) - attribuate to owners of the company		**1,137**	**30,613**	**31,750**
Basic earnings per share attributable to the owners of the company (€)		**0.002**	**0.158**	**0.160**
Diluted earnings per share - attributable to the owners of the company (€)		**0.002**	**0.156**	**0.158**

* 3 months of operating activity - see 3.1 Basis of preparation

** 9 months of operating activity - see 3.1 Basis of preparation

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 3.2.2 – Rates applicable at June 30)

1.3. Consolidated statement of comprehensive income

	6 months to **June 30, 2017** *€k*	*8 months to* **Dec. 31, 2016*** *€k*	*14 months to* **June 30, 2017**** *€k*
Net profit/(loss) - Group share	**1,137**	**30,613**	**31,750**
Actuarial gains/(losses) on defined benefit plans	-	(77)	(77)
Income tax effect	-	12	12
Total other comprehensive income/(loss) that may not be reclassified to profit and loss	**-**	**(65)**	**(65)**
Gains/(Losses) on derivative financial instruments (cash flow hedges)	383	178	561
Income tax effect	(132)	(61)	(193)
Gains/(Losses) on exchange differences on translation of foreign operations	54	(2,724)	(2,670)
Total other comprehensive income/(loss) that may be reclassified to profit and loss	**305**	**(2,607)**	**(2,302)**
Total other comprehensive income/(loss)	**305**	**(2,672)**	**(2,367)**
Total comprehensive income for the period	**1,442**	**27,941**	**29,383**

* 3 months of operating activity - see 3.1 Basis of preparation

** 9 months of operating activity - see 3.1 Basis of preparation

1.4. Consolidated statement of cash flows

	6 months to June 30, 2017 *€k*	*8 months to* Dec. 31, 2016* *€k*	*14 months to* June 30, 2017** *€k*
Profit/(Loss) before tax	**11,871**	**(11,177)**	**693**
Amortization and impairment of property, plant and equipement	14,509	8,064	22,573
Depreciation and impairment of intangible assets	2,254	329	2,583
Other depreciations/reversals	1,002	(873)	128
Other income	(2,341)	(4,487)	(6,828)
Other expenses	15,367	25,591	40,958
Finance income	(195)	(547)	(742)
Cost of net debt	29,882	25,602	55,484
Other financial expenses	732	555	1,287
Sub total (1)	**73,081**	**43,055**	**116,136**
(Increase)/Decrease in accounts receivable, other receivables and prepayments	(860)	(15,702)	(16,562)
(Increase)/Decrease in inventories	(1,457)	106	(1,351)
Increase/(Decrease) in trade and other payables	(8,169)	(12,616)	(20,785)
Change in working capital (2)	**(10,486)**	**(28,211)**	**(38,698)**
Income tax refunded /(paid)	(7,001)	(7,055)	(14,056)
Net cash flow from Operating activities	**55,594**	**7,789**	**63,382**
Purchase of property, plant and equipment	(11,820)	(10,321)	(22,141)
Proceeds from sales of property, plant and equipment	-	353	353
Purchase of financial instruments	(1,740)	(1,272)	(3,012)
Proceeds from sales of financial instruments	450	209	659
Purchase of intangible assets	(7,971)	(8,030)	(16,001)
Proceeds from sales of intangible assets	(119)	31	(88)
Acquisition of a subsidiary, net of cash acquired (3)	-	(939,988)	(939,988)
Net cash flow used in Investing activities	**(21,200)**	**(959,017)**	**(980,218)**
Capital increases	-	581,683	581,683
Issuance of bonds	-	446,804	446,804
Redemption of bonds	(37,100)	-	(37,100)
Issuance of long term financial borrowings	-	300,000	300,000
Reimbursement of short term financial borrowings	(76)	(290,513)	(290,589)
Issuance of short term financial borrowings	226	-	226
Other financial income and expenses	(1,489)	(204)	(1,693)
Interests paid (4)	(15,405)	(31,056)	(46,461)
Net cash flow from/(used in) Financing activities	**(53,844)**	**1,006,714**	**952,870**
Change in net cash and cash equivalents	**(19 450)**	**55 485**	**36 034**
Net foreign exchange difference	(793)	617	(176)
Cash and cash equivalents at the beginning of the period	57,326	-	-
Bank credit balance 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	37,135	57,326	37,135
Bank credit balance at the end of the period	(1,275)	(1,224)	(1,275)
Net cash and cash equivalents at the end of the period	**35,860**	**56,102**	**35,860**

* 3 months of operating activity - see 3.1 Basis of preparation
** 9 months of operating activity - see 3.1 Basis of preparation
(1) Recurring operating income before other income and expenses and before depreciation, amortization and impairment.
(2) Including other income and expenses with a cash impact of €-2,133k for the 6 month period ended June 30, 2017 and € -23,348k for the 8 month period ended Dec. 31, 2016, representing a total of €25,481k for the 14 month period ended June 30, 2017.
(3) In 2016, this caption relates to the acquisition of SMCP S.A.S and its subsidiaries.
(4) Interests paid include in 2017 €1,113k of early payment penalties related to the €371m Bonds 2023 and in 2016 €12,870k of early payment penalties related to the €290m Bonds 2020 issued in 2013 by SMCP S.A.S.

1.5. Consolidated statement of changes in equity

								Equity		
€k	**Share capital**	**Share premium**	**Reserves and retained earnings**	**Revaluation of defined benefit liabilities**	**Translation differences**	**Future cash flow hedges**	**Attribuable net profit (loss)**	**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 1st, 2016	**-**	**-**	**-**	**-**	**-**	**-**	**(10)**	**(10)**	**-**	**(10)**
14 month period to June 30, 2017										
Net income at June 30, 2017 (14 months)	-	-	-	-	-	-	31,750	31,750	-	**31,750**
Cumulative actuarial gains/(losses) on defined benefit plans, net of tax	-	-	-	(65)	-	-	-	(65)	-	**(65)**
Gains/(losses) on exchange differences on translation of foreign operations	-	-	-	-	(2,670)	-	-	(2,670)	-	**(2,670)**
Other comprehensive income	-	-	-	-	-	368	-	368	-	**368**
Total comprehensive Income/(loss) for the year	**-**	**-**	**-**	**(65)**	**(2,670)**	**368**	**31,750**	**29,383**	**-**	**29,383**
Previous period Income allocation	-	-	(10)	-	-	-	10	-	-	**-**
Capital increase	58,168	523,515	-	-	-	-	-	581,683	-	**581,683**
Free shares allocation plan	-	-	11,134	-	-	-	-	11,134	-	**11,134**
Transactions with owners	**58,168**	**523,515**	**11,124**	**-**	**-**	**-**	**10**	**592,817**	**-**	**592,817**
Balance at June 30, 2017	**58,168**	**523,515**	**11,124**	**(65)**	**(2,670)**	**368**	**31,750**	**622,190**	**-**	**622,190**

2. GENERAL INFORMATION

2.1. Presentation of the Group

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 Étienne Marcel, 75001 Paris. Its first fiscal year ended end of April 2016.

The consolidated group ("the Group") includes TopSoho S.A.S. and its subsidiaries.

TopSoho S.A.S. 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 subsidiaries in Luxembourg (European MidSoho S.à.r.l. & European TopSoho S.à.r.l.), which holds 81.46% of TopSoho S.A.S. shares. Ruyi International Fashion (China) Limited is a holding owned by the industrial Chinese group Shandong Ruyi and Yinchuan WeiXin Industry Funds Limited Partnership.

On October 10, 2016, TopSoho S.A.S. acquired the entire share capital of SMCP S.A.S. through its subsidiary SMCP Group S.A.S. (formely BiSoho S.A.S.). With three distinct French brands, Sandro, Maje and Claudie Pierlot, SMCP S.A.S. is a global actor in the ready-to-wear and accessories sector.

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.

As of June 30, 2017, the Group operated 1,267 stores, of which 1,022 were directly operated and 245 were operated through partnerships. Its brands were present in 37 countries.

2.2. Significant events

On May 18, 2016, the Group issued a high yield bond for a nominal of €471 million via its subsidiary BiSoho S.A.S. (renamed "SMCP Group S.A.S." since October 10, 2016), to finance the acquisition of SMCP S.A.S. The acquisition occurred on the 10th of October 2016.

Based on the latest SMCP S.A.S. consolidated financial statement available (September 30, 2016), TopSoho S.A.S. allocated the acquisition price and started consolidating its subsidiaries.

During the first semester of 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 point of sales worldwide (notably in Asia and Europe).

2.2.1. Change in the tax rate for the calculation of deferred taxes

As a consequence of the reduction of the tax rate in France voted in the Finance Law at December 20, 2016, which brings this rate from 34.43% to 28.92%, starting from 2020, taxes Long-term deferrals, mainly related to trademarks and key money, have been revalued at the applicable rate from 2020.

2.2.2. Project of listing Topsoho shares on the Paris Stock Exchange

The company announced throughout a press release on June 21, 2017 that it is considering a listing on Euronext Paris, with the strategic support by Shandong Ruyi Technology Group, its majority shareholder.

2.2.3. Preparation of the interim consolidated financial statements as at December 31, 2016 and June 30, 2017

As part of its intention to list TopSoho shares on Euronext Paris, the Group decided to prepare interim consolidated financial statements in accordance with the IFRS for the interim 8 month period ended 31 December 2016.

The interim condensed consolidated financial statements for the 14 month and 6 month periods ended June 30, 2017 have been prepared in accordance with IAS 34 "Interim Financial Reporting".

2.2.4. Accounting implications of the intended redemption of the Senior Secured Notes if the IPO is successfully completed (See Note 6.3 – Net financial debt)

Should the Group decide to partially redeem the Bonds 2022 and 2023 following the Initial Public Offering (“IPO”), it would entail certain accounting consequences as a result of the early redemption premiums contractually stipulated in the initial loan agreement.

Different early redemption scenarios are possible according to the terms of the contracts for the Senior Bonds 2022 and 2023.

In the event of an IPO, the Group could redeem a portion of the nominal value of its Bonds 2023 so that the nominal value remaining after redemption is at least equal to 60% of the initial nominal value, thus €222.6 million. This redemption should be entirely financed by the proceeds of the capital increase and would give rise to an early redemption penalty. The Group should then pay 105.875% of the nominal amount redeemed and the accrued interest calculated on the portion redeemed.

Moreover, the contract for the Bonds 2023 stipulated that, since the issuance of these Bonds on May 18, 2016 and for each 12-month period, the Group may redeem 10% of the remaining nominal amount at a cost of 103.000%. The Group thus used the first window to redeem €37.1 million of its nominal value at the beginning of April 2017. The outstanding nominal value on the Bonds 2023 is currently €333.9 million. Until May 18, 2018, the Group has the possibility to redeem 10% of the outstanding nominal value on its Bonds 2023.

If the Group does not redeem the additional 10% of its nominal value before its IPO, it could redeem €111.3 million at a cost of 105.875%, representing a penalty of early redemption of €6.5 million.

These redemption penalties are accounted for in accordance with IAS 39.AG8, that requires an adjustment of the debt value recognised in the financial result on the date when the redemption becomes probable.

This redemption is subject to (i) of the completion of the IPO and (ii) a fund raising sufficient to finance the repayment. The Group considered that, as at June 30, 2017, it does not have sufficient certainty on the actual realization of the IPO to recalculate the bonds cashflows, both of these conditions being dependent on market conditions at the date of the future transaction.

Since May 1, 2017, the Group can redeem all or part of the nominal value of the Bonds 2022. In the context of an IPO and/or refinancing, the Group could therefore redeem its Bonds 2022 in full. Should the repayment occurred before May 1, 2018, the Group would have to pay a penalty equal to 1.000% of the nominal amount redeemed.

3. ACCOUNTING PRINCIPLES AND METHODS

3.1. Basis of preparation

The condensed consolidated interim financial statements of the Group cover a 14 month and a 6 month period, respectively from May 1, 2016 to June 30, 2017 and from January 1 to June 30, 2017.

They must be read in conjunction with the Group's interim consolidated financial statements prepared for the interim period of 8 months ended 31 December 2016, for which a complete set of financial statements was published.

The consolidated financial statements are stated in thousands of euros unless otherwise indicated.

The Group's scope of consolidation at June 30, 2017 is identical to the scope of consolidation as at December 31, 2016.

3.2. Accounting principles and methods

The condensed consolidated interim financial statements for the 14 month and the 6 month periods ended June 30, 2017 have been prepared in accordance with IAS 34 "Interim Financial Reporting".

The condensed consolidated interim financial statements have been prepared in accordance with the same accounting principles as at December 31, 2016, subject to the following clarifications:

- **New standards or interpretations applicable on January 1, 2017**

On January 1, 2017, the Group applied the following standards, amendments or interpretations which had no significant impacts on the financial statements for the periods presented:

New standards, amendments or interpretations
Amendment to IAS 7 - Disclosure initiative
Amendment to IAS 12 - Recognition of deferred tax assets for unrealised losses
Amendments resulting from the annual procedure for improving IFRS standards (cycle 2014-2016)

- **Seasonality of sales and changes in inventories**

The Group's business is sensitive to seasonal effects that have an impact on:

- its stock levels :

- o the Group presents two annual collections, the "Fall/Winter" and the "Spring/Summer" collection, which are available from June and December/January respectively, leading to a generally higher level of inventory volume in April and in October/November due to the receipt of products before the merchandising in stores of these two collections;

- income and margin levels:
  - o the Group's sales volume is higher in the first weeks of the January and June/July sale periods, although they have a lower margin due to discounts;
  - o the volume of sales is also lower in the first quarter (February is a month with fewer days) and in the third quarter (August is a month of holidays);
  - o the Christmas and fourth quarter margins are historically stronger given lower discounts over this period.

- **Calculation of tax at the end of the interim period**

At the end of each interim period, income tax expense or income is determined according to the principles defined in IAS 34. The tax is calculated on the basis of the best estimate for each taxable entity, of the expected average annual tax rate for the full year, reprocessed for the tax effects generated by the non-recurring items recorded in the period in which they occurred.

- **Valuation of non-current assets at the end of the interim period**

In the presence of indicators of impairment of non-current assets, the Group carries out an assessment to determine whether the recoverable amount is sufficient.

The Group tests the carrying value of non-current assets with indefinite useful life annually. At the end of each interim period, when indicators of impairment have been identified (significant deterioration in the legal or economic environment, significant decline in asset performance, etc.), the Group proceeds to the evaluation of such non-current assets.

3.2.1. New standards, amendments or 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 or 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 potentials impacts of the application of IFRS 15 on the recognition of the net sales from January 1st, 2018 are currently being reviewed by the Group. They should be insignificant, given the nature of the Group's activities.

The effects of the application of IFRS 9 on financial instruments, as of January 1st, 2019, are currently being analyzed. These will mainly be related to the change in the accounting method for ineffective portions of derivatives.

The effects of the application of IFRS 16 on leases, applicable from January 1st, 2019 (subject to adoption by the European Union), can be assessed through the amount of lease commitments at 31 December 2016, which is €253 million (see Note 7.2 of the interim consolidated financial statements at December 31, 2016). The identification of the contracts and the collection of data in order to accurately estimate the impact on the balance sheet of the first-time adoption of IFRS 16 is in progress.

3.2.2. Rates applicable in the periods

Expenses, revenues 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.

The rates used to translate foreign currency transactions into euros are indicated below:

		June 30, 2017		**Dec. 31, 2016**
		Closing	**Average**	**Average**
			Jan.-June	*Oct.-Déc.*
SWISS FRANC	EUR/CHF	1.0930	1.0764	1.0798
EURO	EUR/EUR	1.0000	1.0000	1.0000
POUND STERLING	EUR/GBP	0.8793	0.8601	0.8691
US DOLLAR	EUR/USD	1.1412	1.0825	1.0789
CANADIAN DOLLAR	EUR/CAD	1.4790	1.4445	1.4394
CHINESE RENMINBI	EUR/CNY	7.7373	7.4251	7.3803
HONG-KONG DOLLAR	EUR/HKD	8.9068	8.4159	8.3698
SINGAPORE DOLLAR	EUR/SGD	1.5710	1.5200	1.5208
DANISH KRONE	EUR/DKK	7.4366	7.4368	7.4390
NORWEGIAN KRONE	EUR/NOK	9.5710	9.1750	9.0356
SWEDISH KRONA	EUR/SEK	9.6400	9.5954	9.7559
PATACA	EUR/MOP	9.2000	8.6688	8.6234

4. BUSINESS COMBINATIONS

Business combinations in which the Group obtains the control of one or more entities are accounted for using the acquisition method, as described in the Group's consolidated financial statements for the year ended 31 December 2016.

The Group did not acquire the control of any entities over the period from January 1st to June 30, 2017.

4.1. Segment information

4.1.1. 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 body is TopSoho's Supervisory Board which reviews on a monthly basis each brand's business activities and performance.

4.1.2. Financial information by operating segment

The table below set out financial information by operating segment at June 30, 2017 (periods of 6 and 14 months) and at 31 December, 2016 (period of 8 months):

					6 months to
	Sandro	**Maje**	**Claudie Pierlot**	**Other & holding cos.**	**June 30, 2017**
	€k	*€k*	*€k*	*€k*	*€k*
Retail sales (including VAT)	234,891	180,262	61,577	-	476,730
VAT on retail sales	31,872	24,803	9,948	-	66,623
Net sales *	217,062	167,914	53,895	-	438,871
Commissions	(26,986)	(20,762)	(8,049)	-	(55,796)
Net sales after commisions	**190,076**	**147,152**	**45,846**	**-**	**383,074**
EBITDA	38,721	29,059	6,256	(955)	73,081
Recurring operating income	**29,308**	**21,995**	**4,736**	**(723)**	**55,316**
Goodwill **	336,537	237,679	56,791	-	631,007
Key money	59,264	40,716	14,958	-	114,937
Other intangible assets	320,296	226,489	54,567	8,731	610,083
Property, plant and equipment	23,737	19,605	7,236	8,065	58,643
Capital expenditure ***	9,660	4,571	1,926	4,042	20,199

* Net sales includes Retail sales and sales with Group partners.

** Assumption was taken to allocate goodwill on the same weighting as trademarks.

*** The capital expenditure breaks down as follows at June 30, 2017 (see Note 1.4 – Consolidated statement of cash flows):

- Purchases of property, plant and equipment: €11,820k;
- Purchases of intangible assets: €7,971k;
- Purchases of financial instruments: €1,740k;
- Variation of accounts payable for fixed assets: €-1,333k€.

8 months to

	Sandro	Maje	Claudie Pierlot	Other & holding cos.	Dec. 31, 2017
	€k	*€k*	*€k*	*€k*	*€k*
Retail sales (including VAT)	121,281	91,524	33,600	-	246,405
VAT on retail sales	(16,547)	(13,067)	(5,522)	-	(35,136)
Net sales *	112,227	82,348	29,544	-	224,119
Commissions	(14,784)	(11,280)	(4,992)	-	(31,056)
Net sales after commisions	**97,443**	**71,068**	**24,552**	**-**	**193,063**
EBITDA	22,977	15,297	5,170	(389)	43,055
Recurring operating income	**18,946**	**12,613**	**4,263**	**(286)**	**35,536**
Capital expenditure ***	7,837	6,475	2,949	4,156	21,417

* Net sales includes Retail sales and sales with Group partners.
** 3 months of operating activity – see Note 3.1 – Statement of compliance and basis of preparation.
*** The capital expenditure breaks down as follows at Dec. 31, 2016 (see Note 1.4 – Consolidated statement of cash flows):
- Purchases of property, plant and equipment: €10,321k;
- Purchases of intangible assets: €8,030k;
- Purchases of financial instruments: €1,272k;
- Variation of accounts payable for fixed assets: €1,794k.

					14 months to
	Sandro	Maje	Claudie Pierlot	Other & holding cos.	June 30, 2017
	€k	*€k*	*€k*	*€k*	*€k*
Retail sales (including VAT)	356,172	271,786	95,177	-	723,135
VAT on retail sales	15,325	11,736	4,426	-	31,487
Net sales *	329,289	250,262	83,439	-	662,990
Commissions	(41,770)	(32,042)	(13,041)	-	(86,852)
Net sales after commisions	287,519	218,221	70,398	-	576,137
EBITDA	61,698	44,356	11,426	(1,344)	116,136
Recurring operating income	**48,254**	**34,608**	**8,999**	**(1,009)**	**90,852**
Capital expenditure ***	17,497	11,046	4,875	8,198	41,616

* Net sales includes Retail sales and sales with Group partners.
** 9 months of operating activity – see Note 3.1 – Statement of compliance and basis of preparation.
*** The capital expenditure breaks down as follows at June 30, 2017 (see Note 1.4 – Consolidated statement of cash flows):
- Purchases of property, plant and equipment: €22,141k;
- Purchases of intangible assets: €16,001k;
- Purchases of financial instruments: €3,012k;
- Variation of accounts payable for fixed assets: €461k.

Operating expenses of holding companies are rebilled to the brands pro rata to net sales, plus a mark-up.

4.1.3. Key performance indicators

TopSoho's Supervisory Board 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, net sales after commissions and EBITDA.

"Net sales 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 net sales after commissions and variation therein are important indicators of Group performance.

EBITDA is not defined by IFRS but was defined by the Group as the recurring operating income excluding depreciation and amortization :

	6 months to **June 30, 2017**	*8 months to* **Dec. 31, 2016 ***	*14 months to* **June 30, 2017 ****
	€k	*€k*	*€k*
Recurring operating income	**55,316**	**35,536**	**90,852**
Depreciation and amortization	17,765	7,519	25,284
EBITDA	**73,081**	**43,055**	**116,136**

* 3 months of operating activity – see Note 3.1 – Statement of compliance and basis of preparation.

** 9 months of operating activity – see Note 2.3 – Statement of compliance and basis of preparation.

4.1.4. Financial information by geographic segment

The EMEA region in which the Group operates includes European countries except France (mainly the United Kingdom, Spain, Germany, Switzerland, and Belgium), along with the Middle East (especially the United Arab Emirates).

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 set out net sales after commissions by geographic region of delivery:

	France	**EMEA**	**Americas**	**APAC**	*6 months to* **June 30, 2017**
	€k	*€k*	*€k*	*€k*	*€k*
Net sales	186,923	129,396	52,254	70,298	438,871
Commissions	(27,894)	(18,725)	(4,931)	(4,247)	(55,796)
Net sales after commissions	**159,029**	**110,671**	**47,323**	**66,051**	**383,074**
Total assets[(1)]	**302,900**	**90,873**	**38,390**	**59,892**	**492,055**

	France	EMEA	Americas	APAC	*8 months to* Dec. 31, 2016 *
	€k	*€k*	*€k*	*€k*	*€k*
Net sales	99,242	65,124	27,606	32,147	224,119
Commissions	(15,309)	(10,841)	(2,889)	(2,016)	(31,056)
Net sales after commissions	**83,933**	**54,283**	**24,717**	**30,131**	**193,063**
Total assets(1)	**333,546**	**98,077**	**39,975**	**56,677**	**528,275**

* 3 months of operating activity – see Note 3.1 –Basis of preparation.

	France	EMEA	Americas	APAC	*14 months to* June 30, 2017 **
	€k	*€k*	*€k*	*€k*	*€k*
Net sales	286,165	194,520	79,860	102,445	662,990
Commissions	(43,203)	(29,566)	(7,820)	(6,263)	(86,852)
Net sales after commissions	**242,962**	**164,954**	**72,040**	**96,182**	**576,137**
Total assets(1)	**302,900**	**90,873**	**38,390**	**59,892**	**492,055**

* 9 months of operating activity – see Note 3.1 –Basis of preparation.

(1) Total assets consist of all assets except goodwill and trademarks, which are not allocated by country. Key money are geographically allocated as follows:

- France for €102,190k
- EMEA for €12,086k
- USA for €661k

Net sales after commissions earned on wholesale and online sales are allocated on the basis of the customer's country of residence.

5. NOTES TO THE INCOME STATEMENT

5.1. Net sales after commissions

	6 months to **June 30, 2017**	*8 months to* **Dec. 31, 2016 ***	*14 months to* **June 30, 2017 ****
	€k	*€k*	*€k*
Sales of goods	438,744	224,122	662,866
Income from services rendered	126	(2)	123
Net sales	**438,871**	**224,119**	**662,990**
Commissions	**(55,796)**	**(31,056)**	**(86,852)**
Net sales after commissions	**383,075**	**193,063**	**576,138**

* 3 months of operating activity – see Note 3.1 – Basis of preparation.

** 9 months of operating activity – see Note 3.1 –Basis of preparation.

The table below shows the Group's sales by distribution channel over the three periods presented:

	6 months to **June 30, 2017**	*8 months to* **Dec. 31, 2016 ***	*14 months to* **June 30, 2017 ****
	€k	*€k*	*€k*
Retail	411,503	212,413	623,916
- Free standing stores	*158,393*	*7,363*	*237,756*
- Concessions ("corners")	*155,101*	*86,210*	*241,311*
- Outlets	*31,941*	*18,414*	*50,355*
- Affiliates	*16,167*	*8,763*	*24,930*
- Online	*49,901*	*19,663*	*69,564*
Partnered retail sales	27,368	11,706	39,074
Net sales	**438,871**	**224,119**	**662,990**

* 3 months of operating activity – see Note 3.1 – Basis of preparation.

** 9 months of operating activity – see Note 3.1 – Basis of preparation.

5.2. Other income and expenses

Other income and expenses break down as follows:

	6 months to **June 30, 2017**	*8 months to* **Dec. 31, 2016 ***	*14 months to* **June 30, 2017 ****
	€k	*€k*	*€k*
Restructuring costs (1)	(2,607)	4,256	1 649
Acquisition costs (2)	-	(20,698)	(20,698)
Non-current assets amortization (3)	(762)	(161)	(923)
Free shares (4)	(7,224)	(3,910)	(11,134)
Risk provision	500	(500)	-
Others (5) ***	(2,933)	(91)	(3,024)
Other income and expenses	**(13,026)**	**(21,104)**	**(34,130)**

* 3 months of operating activity – see Note 3.1 –Basis of preparation.

** 9 months of operating activity – see Note 3.1 –Basis of preparation.

*** including €997k of gain on disposal of fixed assets.

(1) Restructuring costs include costs related to the IPO project.

(2) Acquisition costs relate to changes in the Group's shareholding and structure changes.

(3) As of June 30, 2017, the Group’s leasehold rights in France were reviewed for impairment, which led to the recognition of an impairment for €762k.

(4) Some senior executives of the Group benefited, exceptionally, from the allotment of bonus free shares of TopSoho S.A.S. (Preferred Shares ADP G). A maximum of 15,000,000 ADP G will be issued. Their holders do not have any financial rights until they have been converted into ordinary shares. The beneficiaries of these shares are employees of TopSoho S.A.S. or its subsidiaries. The vesting period is 12 months starting on October 10, 2016 for 84%, an additional 10% on December 14 and the remaining 6% on February 27, 2017. In addition, beneficiaries must still be employees of these entities at the end of the acquisition period.

The Monte Carlo method was used at the date of grant in order to determine the group's expenses, including a turnover rate of 3% (based on the historical turnover of the Group's managers) and an illiquidity discount (based on a benchmark). This expense was recognized in the income statement against shareholders' equity during the vesting period.

Regarding the social security charges due on the acquisition date, the free shares were valued as at June 30, 2017 and calculated the social charges estimated on this revalued basis. The expense recorded for the six-month period ended June 30, 2017 was €7,224k, including social security charges, representing a total of €11,134k for the 14-month period ended June 30, 2017. This takes into account the nominal number of preferred shares, discounted by the potential number to be delivered to their beneficiaries as of June 30, 2017.

(5) Other costs are essentially related to litigations for €1,078k, and net gains or losses realized on the disposal of fixed assets correspond to the scrapping of the net book value of the fittings and the capital losses on sale of leasehold rights to the shops sold.

5.3. Financial income and expenses

	6 months to **June 30, 2017**	*8 months to* **Dec. 31, 2016 ***	*14 months to* **June 30, 2017 ****
	€k	*€k*	*€k*
Interest expenses on borrowings	(29,880)	(25,602)	(55,482)
- Shareholder PIK loan	*(11,878)*	*(5,447)*	*(17,325)*
- Bonds 2022	*(3,352)*	*(4,181)*	*(7,533)*
- Bonds 2023	*(14,121)*	*(14,773)*	*(28,894)*
- Others	*(528)*	*(1,201)*	*(1,729)*
Net exchange gain/ (loss)	(611)	712	101
Other financial expenses	72	(720)	(648)
Financial result	**(30,419)**	**(25,610)**	**(56,029)**

* 3 months of operating activity – see Note 3.1 –Basis of preparation.

** 9 months of operating activity – see Note 3.1 –Basis of preparation.

The breakdown of interest expense in Bonds 2022 and 2023 is as follows:

	6 months to **June 30, 2017**	*8 months to* **Dec. 31, 2016 ***	*14 months to* **June 30, 2017 ****
	€k	*€k*	*€k*
Bonds 2022	**(3,352)**	**(4,181)**	**(7,533)**
- Interest paid	*(3,000)*	*(2,750)*	*(5,750)*
- Accrued interests at Dec. 31, 2016	*1,116*	*(1,116)*	*(0)*
- Accrued interests at June 30, 2017	*(1,117)*	*-*	*(1,117)*
- Amortization of issuance costs	*(351)*	*(315)*	*(666)*
***Bonds* 2023**	**(14,121)**	**(14,773)**	**(28,894)**
- Interest paid	*(10,728)*	*(9,869)*	*(20,597)*
- Accrued interests at Dec. 31, 2016	*3,955*	*(3,955)*	*-*
- Accrued interests at June 30, 2017	*(3,560)*	*-*	*(3,560)*
- Reimbursment penalties	*(1,113)*	*-*	*(1,113)*
- Amortization of issuance costs	*(2,674)*	*(949)*	*(3,623)*

* 3 months of operating activity – see Note 3.1 –Basis of preparation.

** 9 months of operating activity – see Note 3.1 –Basis of preparation.

5.4. Income tax

Income tax includes the current tax expense for the period and deferred taxes arising on temporary differences

As a consequence of the reduction of the tax rate in France voted in the Finance Law at December 20, 2016, the tax rate was reduced from 34.43% to 28.92%, starting from 2020 (See section 2.2.1 – change in the tax rate for the calculation of deferred taxes). Taking into account the very low probability of sale of these assets in the short term, the deferred tax was updated to reflect the future rate. This lead to a profit of €35.7m recorded in the P&L.

	6 months to **June 30, 2017**	*8 months to* **Dec. 31, 2016 ***	*14 months to* **June 30, 2017 ****
	€k	*€k*	*€k*
Deferred tax	(7,476)	41,697	34,221
Current tax	(3,259)	95	(3,164)
Income tax expense	**(10,735)**	**41,792**	**31,057**

For the six month period ended June 30, 2017, the reconciliation between the theoretical tax expense and the income tax expense as recorded in the P&L is explained by:

- €1.8 million for the CVAE tax ;
- €3.8 million in respect of the tax deductibility ceiling (“rabot fiscal”) for financial expenses ;
- €2.0 million for the non-deductibility of the expense related to the allocation of the free shares, except for the social charges (see Note 5.2 – Other income and expenses).

6. NOTES TO THE STATEMENT OF FINANCIAL POSITION

6.1. Goodwill and intangible assets

6.1.1. Goodwill

The table below illustrate changes in this item over the period presented:

€k	May 1, 2016	Changes in scope	Impairment/ Reversals	Translation differences	Other changes	June 30, 2017
Goodwill - gross value	-	630,071	-	936	-	631,007
Impairment	-	-	-	-	-	-
Goodwill - net	**-**	**630,071**	**-**	**936**	**-**	**631,007**

Changes in consolidated Goodwill include the outcome of the purchase price allocation by SMCP Group S.A.S. (formerly Bisoho S.A.S.) for SMCP S.A.S., Soho Holding France S.A.S, Soho Manco 1 S.A.S. and Manco 2 S.A.S. for €630,071k.

6.1.2. Intangible assets

As of June 30, 2017, intangible assets consisted mainly of:

- The three trademarks of the Group Sandro, Maje and Claudie Pierlot for a total value of €600,000k.

- The leasehold rights for a net value of €114,937k.

6.2. Impairment tests for tangible and intangible assets

As at June 30, 2017, the Group investigated whether there were indicators of impairment (for example, events or changes in circumstances that could affect the recoverable amount of assets), to determine whether or not to carry out impairment tests on the assets for which such indicators would have been identified.

6.2.1. Trademark impairment tests

As at June 30, 2017, considering the operating performance and prospects of the three brands, the Group did not identify any impairment indicators and therefore did not test its assets.

6.2.2. Leasehold rights impairment tests

- **Key assumptions**

Management assesses key money rights using the direct estimate method based on one or more of the following parameters:

- o current market prices (rental value per m²) ;
- o value of recent transactions;

o information provided by brockers;

o offers received.

- **Results of impairment tests of leasehold rights**

As of June 30, 2017, management identified and recorded a €762k decrease in value on the leasehold rights of 2 points of sale located in France.

6.2.3. Goodwill impairment tests

As at June 30, 2017, considering in particular the Group's operating performance and perspectives the Group did not identify any impairment indicators and therefore did not test the value of these assets.

6.2.4. Tangible assets impairment tests

As at June 30, 2017, the Group did not identify any impairment indicators and therefore did not test the value of these assets.

6.3. Net financial debt

Compared to December 31, 2016, the Group redeemed €37.1 million on April 3, 2017, with a redemption penalty of €1.1 million on Bonds 2023. As of June 30, 2017, the debt was composed mainly of:

- Senior Bonds (Bonds 2022 and 2023) for respective amounts of €100 million maturing in 2022 (the Floating Rate Notes), paid at the annual interest rate EURIBOR + 6.00%, and 371 million, reduced to €333.9 million after the redemption, payable at the fixed annual interest rate of 5.875%, respectively repayable at maturity on November 1, 2022 and on May 1, 2023.

- Shareholder PIK Loan of €300 million subscribed with the shareholder (Shareholder PIK loan) bearing interest at 7.875% and maturing in 2025, and accrued interests.

Each quarter, the Group calculates consolidated net debt for the purpose of the aforementioned consolidation net debt ratio, as follows (it excludes the Shareholder PIK Loan subscribed by the shareholders), which constitutes an important indicator of the Group's financial performance:

	June 30, 2017
	€k
Cash and cash equivalents	37,135
Bank overdrafts	(1,275)
Cash net of bank overdrafts	**35,860**
Other borrowings and financial debts	(14)
Accrued interest on bonds	(4,677)
Net operating debt	**31,168**
Fixed rate Senior Secured Notes (2023)	(319,528)
Floating rate Senior Secured Notes (2022)	(95,163)
Consolidated net debt	**(383,523)**

See also Note 2.2.2 – Accounting implications of the intended redemption of the Senior Secured Notes if the IPO is successfully completed.

6.4. Current and non-current provisions

Current and non-current provisions mainly include provisions for tax audits.

6.5. Fair value of financial assets and liabilities

The table below provides a breakdown of fair value and of financial assets and liabilities according to the measurement categories defined by IAS 39 :

				June 30, 2017	
				€k	
	Notes	**IAS 39 category**	**Fair value hierarchy**	**Carrying amount**	**Fair value**
Pledged assets		FV P&L	1	689	689
Loans and receivables		L&R	(*)	15,210	15,210
Non-current financial assets				**15,899**	**15,899**
Other non-current assets		L&R	(*)	**2,285**	**2,285**
Trade receivables		L&R	(*)	**42,004**	**42,004**
Derivative instruments eligible for hedge accounting		FV OCI/ FV P&L	2	686	686
Other derivative instruments not eligible for hedge accounting		FV P&L	2	54	54
Cash and cash equivalents		L&R	(*)	**37,135**	**37,135**
Senior secured notes (Bond 2022)	6.3	Amortized costs	1	**319,528**	**363,951**
Senior secured notes (Bond 2023)	6.3	Amortized costs	1	**95,163**	**100,000**
Shareholder PIK Loan	6.3	Amortized costs	2	**300,000**	**327,000**
Interest on Shareholder PIK Loan		FV P&L		17,325	18,884
Other financial liabilities		Amortized costs		262	262
Other financial liabilities		Amortized costs	(*)	**17,587**	**19,146**
Accrued interest on bonds		Amortized costs	2	4,678	4,678
Interest-bearing liabilities (current)	**6.3**			**4,678**	**4,678**
Trade and other payables		Amortized costs	(*)	**95,183**	**95,183**
Bank overdrafts		Amortized costs	(*)	1,275	1,275
Short-term borrowings and debt		Amortized costs	(*)	-	-
Bank overdrafts and short-term borrowings and debt	6.3			**1,275**	**1,275**
Derivative instruments eligible for hedge accounting		FV OCI/ FV P&L	2	701	701
Other derivative instruments not eligible for hedge accounting		FV P&L	2	9	9
Other liabilities				**710**	**710**

Loans and receivables *L&R*
Fair value of other comprehensive income *FV OCI*
Fair value on the income statement *FV P&L*

* The fair value is not provided since the net book value represents a reasonable estimate of their fair value.

The fair value on listed bonds (fixed rate and floating rate senior secured notes) reflects the market value at the closing date on Bloomberg (level 1 fair value hierarchy according to IFRS 13).

At June 30, 2017, the fair value of high-yield bonds and derivative instruments were estimated based on their market value, taking into account changes in 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.

7. OTHER INFORMATION

7.1. Off-balance sheet commitments

No major events have affected the commitments and contractual obligations received or given as described in the Group's interim condensed consolidated financial statements at June 30, 2017.

7.2. Headcount

The following table illustrates the breakdown of the headcount by geographical area:

	Operational headcount	
	June 30, 2017	**Dec. 31, 2016**
France	2,535	2,207
Europe (except France)	1,212	1,124
America	504	501
Asia	646	564
Total headcount	**4,897**	**4,396**

The Group's operational headcount includes employees of Group companies on permanent or temporary contracts included on the payroll at June 30, 2017 and December 31, 2016, 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.

7.3. Transactions with associated companies and related parties

During the six-month period ended June 30, 2017, there was no significant changes in the nature of transactions with related parties compared to those published on 31 December 2016.

7.4. Subsequent events

None.

20.1.1.2 Limited review report of the Statutory Auditor for the fourteen-month and the six-month periods ended June 30, 2017

This is a free translation into English of the statutory auditor's review report issued in French language and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and is construed in accordance with, French law and professional standards applicable in France.

To the President,

In our capacity as statutory auditor of the company TopSoho S.A.S (the company with its subsidiaries, "the Group") and in accordance with Commission Regulation (EC) no809/2004 in the context of an offer to the public and an admission to trading on the regulated market of Euronext Paris, we have reviewed the accompanying condensed consolidated interim financial statements of TopSoho S.A.S, for the 14 months period and 6 months period ended June 30, 2017 (the "Condensed Consolidated Interim Financial Statements"), as they are attached to this report.

These Condensed Consolidated Interim Financial Statements are the responsibility of the supervisory board ("conseil de surveillance"). Our role is to express a conclusion on these consolidated financial statements based on our review.

We conducted our review in accordance with professional standards applicable in France and the professional doctrine of the French national auditing body (Compagnie nationale des commissaires aux comptes) related to this engagement. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Condensed Consolidated Interim Financial Statements are not prepared, in all material respects, in accordance with IAS 34 – standard of the IFRSs as adopted by the European Union applicable to interim financial information.

Paris-La Défense, the 30th of August 2017,

The statutory auditor

French original signed by

Valéry Foussé

Partner

20.1.2 The Company's[97] *pro forma* financial information for the six-month period ended June 30, 2016 and the corresponding limited review report of the Statutory Auditor

20.1.2.1 The Company's *pro forma* financial information for the six-month period ended June 30, 2016

Definition:

- **SMCP S.A.S.:** former SMCP "Group" parent company, prior to TopSoho S.A.S. takeover on October 10, 2016.

- **Acquisition of SMCP S.A.S.:** On October 10, 2016, TopSoho S.A.S. acquired all of the shares of SMCP S.A.S. through its subsidiary SMCP Group S.A.S.. TopSoho S.A.S. is majoritarily owned by the Chinese Group Shandong Ruyi via its two holding companies European MidSoho S.à.r.l. and European TopSoho S.à.r.l. The purchase consideration amounted to €949,380k.

- **Financing and Refinancing:** in the process of SMCP S.A.S. acquisition by TopSoho S.A.S., financing and refinancing of the Group were structured as follows:

1. Financing

1.1. Senior secured notes (Bonds 2022 and 2023) issued by SMCP Group S.A.S. on May 18, 2016, to finance the direct and indirect acquisition of 100% of SMCP S.A.S. shares. The bonds have been issued under the following terms:

- The Floating Rate Notes at a principal amount of €100 million will mature on November 1, 2022. Interests are calculated at a per annum rate equal to 3 months EURIBOR +600 bps per year.

- The Fixed Rate Notes at a principal amount of €371 million will mature on May 1, 2023. Cash interests will be paid semi-annually under a fixed rate of 5.875%.

1.2. Shareholder PIK Loan granted by European MidSoho S.à.r.l. (TopSoho S.A.S. parent company): loan granted on October 10, 2016, for an overall amount of €300 million. The loan will mature on October 9, 2025, the interest rate equals to 7.875% per annum ("Payment in Kind Loan" or PIK Loan).

1.3. A new Revolving Credit Facility was put in place on May 18, 2016 – effective on October 10, 2016. The Group had access to undrawn committed credit lines totalling €70 million.

2. Refinancing

2.1 SMCP S.A.S. early repayment: The Company redeemed the previous Senior Secured Noted (Bonds 2020) on October 10, 2016, including an early repayment penalty. The foregoing was composed of a principal amount of €290 million, interest expenses for

[97] Until September 13, 2017, the Company's name was TopSoho S.A.S.

€4.9 million and early repayment penalties for €12.9 million. The interest rate was 8.875% per annum.

2.2 **On October 10, 2016, termination of the previous 2013 Revolving Credit Facility:** the Group had access to undrawn committed credit lines totalling €70 million.

2.3 **The shareholder loan of €125 million** granted by KKR in 2013 to SMCP S.A.S. has been transferred on April 21, 2016 to Soho Holding France S.A.S., and then to SMCP Group S.A.S. by way of universal transfer of its assets and liabilities ("transmission universelle de patrimoine"). It is therefore considered as an Intra-company loan from October 10, 2016.

The following Pro Forma condensed consolidated financial information includes a pro forma statement of profit and loss for the six month period ended June 30, 2016 and the accompanying notes, and aims at illustrating the impact of the acquisition of SMCP S.A.S. by Shandong Ruyi, TopSoho S.A.S., its financing and refinancing as if they had occurred at a date prior to the actual date of occurrence, namely on January 1, 2016 instead of October 10, 2016.

The Pro Forma condensed consolidated financial statements are stated in thousands of euros unless otherwise indicated.

The Pro Forma condensed consolidated financial information was prepared in accordance with of the Appendix II module to European Rule (CE) N°809/2014 ESMA (ex-CESR) recommendation from February 2005, ESMA Q&A of December 2016 and the AMF recommendation N° 2013-08 regarding Pro Forma financial information.

The Pro Forma condensed consolidated financial information was prepared in accordance with the basis of preparation presented in the "Notes to the Pro forma condensed consolidated financial information". Pro forma adjustments are based on available information and some assumptions and estimates that TopSoho S.A.S. management deems reasonable.

The Pro Forma condensed consolidated financial information is presented exclusively for illustrative purposes, as such it does not reflects the operating activities nor the financial situation that TopSoho S.A.S. would have been obtained if the acquisition of SMCP S.A.S. by TopSoho S.A.S., financing and refinancing had occurred on January 1, 2016. The Pro Forma condensed consolidated financial information does not reflect either TopSoho S.A.S. future operating results or financial situation.

The Pro forma condensed consolidated financial information does not follow the requirements of S-X *US Securities Act.*

The Pro Forma condensed consolidated financial information is derived from:

- The accounting information used for the preparation of SMCP S.A.S. consolidated accounts for the year ended December 31, 2016 prepared in accordance with international financial reporting standards ("IFRS") as adopted by the European Union and effective for the period from January 1st to June 30, 2016.

- The accounting information used for the preparation of TopSoho S.A.S. interim consolidated financial statements for the eight month period ended December 31, 2016, prepared in accordance with international financial reporting standards ("IFRS") as adopted by the European Union and effective for the interim two month period ended June 30, 2016.

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2016

	A	B	C	D	E	F	G	H	I	J	K
€k	Consolidated information At June 30, 2016 *(2 months)*	SMCP S.A.S. historical consolidated information for the period from 01/01/2016 to 06/30/2016	Subtotal	Write-off of SMCP S.A.S. interest expenses on Bonds 2020 from 01/01/2016 to 06/30/2016	Additional interest expenses on Bonds 2022 and 2023 notes from 01/01/2016 to 05/17/2016	Write-off of intercompany interest expenses on the previous shareholder loan of €125m from 01/01/2016 to 06/30/2016	Additional interest expenses on Shareholder PIK Loan from 01/01/2016 to 06/30/2016	Early redemption premium and unamortized acquisition cost incurred by SMCP for the refinancing	Transaction costs incurred by SMCP Group/Mid Soho/Top Soho for the acquisition	Free rent adjustment as if the acquisition had occurred on January 1, 2016	Total Pro forma
Net sales		377,190	377,190								377,190
Commissions		(50,675)	(50,675)								(50,675)
Net sales after commissions	**-**	**326,514**	**326,514**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**326,514**
Cost of sales		(92,297)	(92,297)								(92,297)
Gross margin	**-**	**234,217**	**234,217**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**234,217**
Other operating income		1,792	1,792								1,792
Personnel costs		(79,570)	(79,570)								(79,570)
Other operating expenses		(94,849)	(94,849)							(443)	(95,292)
Depreciation, amortization and impairment		(19,853)	(19,853)								(19,853)
Current operating income	**-**	**41,737**	**41,737**	**-**	**-**	**-**	**-**	**-**	**-**	**(443)**	**41,294**
Other income		1,129	1,129								1,129
Other expenses		(6,258)	(6,258)	-	-	-	-	-	(20,386)	-	(26,644)
Operating profit	**-**	**36,609**	**36,609**	**-**	**-**	**-**	**-**	**-**	**(20,386)**	**(443)**	**15,780**
Financial income		1,277	1,277								1,277
Cost of net debt	(3,617)	(20,443)	(24,060)	13,822	(11,806)	5,500	(11,878)	(21,181)			(49,603)
Other financial expenses		(222)	(222)	-	-	-	-	(422)			(644)
Net financial expense	**(3,617)**	**(19,388)**	**(23,005)**	**13,822**	**(11,806)**	**5,500**	**(11,878)**	**(21,603)**	**-**	**-**	**(48,970)**
Profit/(loss) before tax	**(3,617)**	**(17,221)**	**(13,604)**	**13,822**	**(11,806)**	**5,500**	**(11,878)**	**(21,603)**	**(20,386)**	**(443)**	**(33,190)**
Income tax expense	934	(8,517)	(7,583)	(3,569)	3,049	(1,420)	3,067	6,330	7,019	116	7,008
Net profit/(loss) for the period	**(2,683)**	**8,705**	**6,022**	**10,253**	**(8,757)**	**4,080**	**(8,811)**	**(15,273)**	**(13,367)**	**(327)**	**(26,181)**
Attributable to owners of the Company	**(2,683)**	**8,705**	**6,022**	**10,253**	**(8,757)**	**4,080**	**(8,811)**	**(15,273)**	**(13,367)**	**(327)**	**(26,181)**
Attributable to non-controlling interests											
Net profit/(loss) attributable to owners of the Company	**(2,683)**	**8,705**	**6,022**	**10,253**	**(8,757)**	**4,080**	**(8,811)**	**(15,273)**	**(13,367)**	**(327)**	**(26,181)**

NOTES TO THE PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE 6 MONTH PERIOD ENDED JUNE 30, 2016

Note 1. GENERAL INFORMATION AND DESCRIPTION OF THE ACQUISITION

On October 10, 2016, TopSoho S.A.S. acquired (indirectly) the entire share capital of SMCP S.A.S..

In accordance with IFRS 3, the transaction was booked as a business combination, the acquiree's identifiable assets and liabilities were recognized at fair value at the acquisition date. The main adjustment relating to the purchase price allocation is related to the valuation of trademarks which led to the recognition of an indefinite intangible asset.

The impact of SMCP S.A.S. takeover by TopSoho S.A.S., the financing and refinancing are based on the following elements:

- The acquisition of the entire share capital of SMCP S.A.S. for a purchase consideration of €949.380k.
- To ensure the financing of SMCP S.A.S. takeover, SMCP Group S.A.S., the acquisition and financing vehicle of TopSoho S.A.S., raised:
  - On May 18th 2016, €471 million via the issuance of senior secured notes ;
  - On October 10, 2016, a €300 million shareholder loan subscribed by European MidSoho S.à.r.l.

  SMCP Group S.A.S. used a portion of the proceeds from these issuances to redeem the Bonds 2020 issued in 2013 for a principal amount of €290 million.

The cash flows for the acquisition, financing and refinancing of is set out below:

Sources		**Uses**	
	€m		*€m*
High YIeld SMCP Group S.A.S. issuance	471.0	Direct and indirect acquisition of SMCP S.A.S. shares	949.4
Capital contribution	581.5	Early repayment of SMCP S.A.S. Bonds 2020	
Debt contribution	300.0	- Principal	290.0
		- Interests expenses and penalties	17.8
		Others (1)	95.3
Total	**1352.5**	**Total**	**1352.5**

(1) “Others” mainly refer to the transaction costs and refinancing of SMCP S.A.S..

Note 2. BASIS OF PREPARATION

The Pro Forma condensed consolidated financial information was prepared to illustrate the impact of TopSoho S.A.S. takeover, the financing and refinancing as if they had occurred on January 1, 2016 for the purposes of the condensed consolidated statement of profit and loss.

The Pro Forma condensed consolidated financial information was prepared in accordance with TopSoho S.A.S. accounting policies as applied in establishing the interim consolidated accounts for the eight month period ended December 31, 2016.

The Pro Forma condensed consolidated financial information does not reflect any specific item such as contractual provisions related to the takeover or acquisition-related integration costs that might be incurred. Non-recurrent items directly attributable to the acquisition that can be documented and estimated reliably are included in pro forma adjustments.

Column A: the historical consolidated financial information for the period from January 1st to June 30, 2016 is from TopSoho S.A.S. consolidated accounts for the interim eight month period ended December 31, 2016 prepared in accordance with international financial reporting standards ("IFRS") as adopted by the European Union and effective for the interim two month period ended June 30, 2016. These accounts have been subject to an audit report by KPMG Audit, a department of KPMG S.A., TopSoho S.A.S statutory auditor.

Column B: SMCP S.A.S. historical consolidated financial information the period from January 1st 2016 to June 30, 2016 abstracted from the accounting information used for the preparation of SMCP S.A.S. consolidated accounts for the year ended December 31, 2016 and prepared in accordance with international financial reporting standards ("IFRS") as adopted by the European Union and effective for the interim two month period ended June 30, 2016.

TopSoho S.A.S. financial year started on May 1st, 2016 and will end on December 31, 2017. TopSoho S.A.S. had no operational activity until the acquisition date, on October 10, 2016.

Note 3. PRO FORMA ADJUSTMENTS

The pro forma adjustments aim at illustrating the impact of the acquisition, the financing and refinancing, had these operations taken place on January 1, 2016.

Pro forma adjustments had the following impacts:

(a) Other operating expenses

Column J: the free-rent and progressive rents impacts for the period from January 1, 2016 to June 30, 2016 represent a cost of €443k. This adjustment is intended to reflect free-rent periods and progressive rents' spread over the lease term, in accordance with IAS 17 "Leases".

No other pro forma adjustments with an impact on the income statement have been recorded in connection with the acquisition (the purchase price allocation gave rise to the recognition of an indefinite intangible asset related to the trademarks).

(b) Other expenses

Column I: the recognition of SMCP S.A.S. acquisition-related cost (direct and indirect) represents an expense of €20,386k. These costs were recognized as expenses in TopSoho S.A.S. accounts on 10 October 2016.

(c) Cost of financial debt

Column D: the write-off of interests on Bonds 2020 of a principal amount of €290 million, issued in June 2013 by SMCP S.A.S., refinanced and early redeemed on October 10, 2016 represented a profit of €12,870k and €952k of issuance costs amortization for the 6 month period ended on June 30, 2016.

Column E: the additional interests related to the Bonds 2022 and 2023 issued by SMCP Group S.A.S. on May 18, 2016 for respectively €371 million, redeemable at maturity in 2023 and bearing interest at 5.875% and €100 million, redeemable at maturity in 2022 and bearing interest at a per annum rate equal to 3 months EURIBOR + 600 bps per year, represented a charge of €11,806k for the period from January 1st, 2016 to May 17, 2016.

The pro forma adjustment was calculated based on the conditions obtained on May, 2016 for the acquisition financing. The floating rate was then equal to 600 bps per year.

Column F: write-off of intercompany interests related to the previous shareholder loan of a principal amount of €125 million, bearing interests at 8% capitalized annually, indirectly connected to SMCP Group S.A.S. on October 10, 2016 represented a profit of €5,500k for the 6 month period ended June 30, 2016.

Column G: the recognition of interests related to the financing of the €300 million new Shareholder PIK Loan effective on October 10, 2016 represented an expense of €11,878k for the period from January 1, 2016 to June 30, 2016.

Column H: The recognition of the impact of the early repayment of Bonds 2020 issued by SMCP S.A.S. in June 2013 and redeemed on October 10, 2016 represents an expense of € 21,181k. This amount includes the redemption premium of €12,870k and the accelerated amortization of issuance costs for €8,311k.

The cancellation of the accelerated depreciation of issuance costs of the Revolving Credit Facility issued in 2013 and refinanced on October 10, 2016, amounted to €422k.

(d) Income tax

The tax income of €7,008k, including a tax income of €14,591k in connection with the presented pro forma adjustments, was reflected in the pro forma consolidated income statement. The statutory tax rate is 34.43%. Given the tax deductibility ceiling for financial expenses ("rabot"), net financial expenses are deductible up to 75%, if the consolidated financial expenses excess €3 million. The pro forma adjustments have been calculated taking into account this deductibility ceiling, which corresponds to an application of a tax rate of 25.8%.

Note 4. RECONCILIATION OF THE PRO FORMA RECURRING OPERATING INCOME TO THE PRO FORMA EBITDA

The table below presents the reconciliation of the pro forma recurring operating income as published in the pro forma condensed consolidated income statement to the pro forma EBITDA.

EBITDA is not defined by IFRS but was defined by the Group as the recurring operating income excluding depreciation, amortization and impairment :

	6 months to
	Total Pro forma as at June 30, 2016
	€k
Recurring operating income	**41 294**
Depreciation,amortization and impairment	19 853
EBITDA	**61 147**

Note 5. PRO FORMA FINANCIAL INFORMATION BY OPERATING SEGMENT

The pro forma financial information by operating segment was prepared on the basis of the operating segment information as presented in the notes to the consolidated accounts of TopSoho S.A.S. at December 31, 2016 and SMCP S.A.S. management data for the period from January 1, 2016 to June 30, 2016.

					6 months to
	Sandro	**Maje**	**Claudie Pierlot**	**Other & Holdings**	**Total Pro forma**
	€k	*€k*	*€k*	*€k*	*€k*
Retail sales (including VAT)	191 899	163 650	53 101		408 649
VAT on retail sales	26 543	22 280	8 640		57 463
Net sales *	177 451	153 217	46 520	-	377 190
Commissions	(23 399)	(20 317)	(6 959)		(50 675)
Net sales after commissions	**154 052**	**132 901**	**39 561**	**-**	**326 514**
EBITDA	28 568	27 398	5 571	(389)	61 147
Recurring operating income	**19 293**	**18 502**	**3 762**	**(263)**	**41 294**

** Net sales includes Retail sales and sales with the partners.*

Note 6. PRO FORMA FINANCIAL INFORMATION BY GEOGRAPHIC SEGMENT

	France	EMEA	Americas	APAC	*6 months to* June 30, 2016
	€k	*€k*	*€k*	*€k*	*€k*
Net sales	185 776	101 912	41 618	47 884	377 191
Commissions	(28 245)	(15 065)	(5 061)	(2 303)	(50 675)
Net sales after commissions	**157 531**	**86 846**	**36 557**	**45 581**	**326 514**

Note 7. ADJUSTED PRO FORMA

	K	L	M	N	O
		Charges that are not expected to have a prolonged inmpact on the issuer's accounts			
	Total Pro forma	Early redemption premium and unamortized acquisition cost incurred by SMCP for the refinancing	Transaction costs incurred by SMCP Group/Mid Soho/Top Soho for the acquisition	Net costs related to the previous IPO project	Total Adjusted Pro forma
Current operating income	**41,294**	**-**	**-**	**-**	**41,294**
Other income	1,129			-	1,129
Other expenses	(26,644)		20,386	3,574	(2,684)
Operating profit	**15,780**	**-**	**20,386**	**3,574**	**39,740**
Financial income	1,277				1,277
Cost of net debt	(49,603)	21,181			(28,422)
Other financial expenses	(644)	422			(222)
Net financial expense	**(48,970)**	**21,603**	**-**	**-**	**(27,367)**
Profit/(loss) before tax	**(33,190)**	**21,603**	**20,386**	**3,574**	**12,373**
Income tax expense	7,008	(6,330)	(7,019)	(1,231)	(7,571)
Net profit/(loss) for the period	**(26,181)**	**15,273**	**13,367**	**2,343**	**4,802**
Attributable to owners of the Company	**(26,181)**	**15,273**	**13,367**	**2,343**	**4,802**
Attributable to non-controlling interests					
Net profit/(loss) attributable to owners of the Company	**(26,181)**	**15,273**	**13,367**	**2,343**	**4,802**

The adjusted pro forma adjustments are intended to offset the impact of the costs related to important events that occurred in 2016 (namely, the non-recurring expenses related to the acquisition of the Group by Shandong Ruyi, its financing and refinancing by the Group), as the impact of these events might distort the interpretation of the Group's performance. These adjustments (exclusively made of expenses in the present case) are limited in numbers, well-identified and significant at the level of the Group's consolidated performance. In addition, the nature of these costs (acquisition, IPO project, refinancing...), are not expected to have a prolonged impact on TopSoho S.A.S. consolidated accounts.

The adjusted pro forma adjustments had the following impacts:

(a) Other expenses

Column M: the cancellation of SMCP S.A.S. acquisition-related cost (direct and indirect) represents a profit of €20,386k. These costs were recognized as expenses in TopSoho S.A.S. accounts on October 10, 2016.

Column N: the cancellation of the nets costs incurred by SMCP S.A.S at the beginning of 2016 in connection with the proposal of admission to trading on a regulated market and public offering of TopSoho S.A.S.'s shares represented a profit of €3,574k.

(b) Cost of net debt and other financial expenses

Column L: The cancellation of the impact of the early repayment of Bonds 2020 issued by SMCP S.A.S. in June 2013 and redeemed on October 10, 2016 represents a profit of € 21,181k. This amount includes the early redemption premium of €12,870k and unamortized acquisition costs of €8,311k incurred by SMCP S.A.S..

The cancellation of the accelerated depreciation of issuance costs of the Revolving Credit Facility issued in 2013 and refinanced on October 10, 2016, amounted to €422k.

(c) Income tax expense

The tax expense of €7,571k, including a tax expense of €14,579k, was reflected in the adjusted pro forma consolidated statement of profit and loss related to the adjusted pro-forma adjustments with an impact on the net income. This income tax was calculated using the statutory tax rate of 34.43% and including a cap on deductible financial charges ("rabot fiscal")

20.1.2.2 Report of the Statutory Auditor for the six-month period ended June 30, 2016

This is a free translation into English of the statutory auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and is construed in accordance with, French law and professional standards applicable in France.

To the President,

In our capacity as Statutory Auditors of your company and in accordance with Commission Regulation (EC) n°809/2004, we hereby report to you on the pro forma financial information of SMCP S.A.S. for the period from January 1, 2016 to June 30, 2016, set out in section 20.1.5 of the shelf-registration document prepared in connection with the proposal of admission to trading on a regulated market and public offering of SMCP S.A.S.'s shares.

The pro forma financial information has been prepared for the sole purpose of illustrating the impact that the SMCP S.A.S. takeover by SMCP S.A.S., the financing and refinancing (the "Operations") might have had on the consolidated balance sheet as at June 30, 2016 and on the consolidated income statement for the period from January 1, 2016 to June 30, 2016 of SMCP S.A.S. had the Operations taken place with effect from January 1, 2016. By its very nature, this information is based on a hypothetical situation and does not represent the financial position or performance that would have been reported, had the Operations taken place at an earlier date than the actual or contemplated date.

It is your responsibility to prepare the pro forma financial information in accordance with the provisions of Commission Regulation (EC) n°809/2004 and ESMA's recommendations on pro forma financial information.

It is our responsibility to express an opinion, based on our work, in accordance with Annex II, item 7 of Commission Regulation (EC) n°809/2004, as to the proper compilation of the pro forma financial information.

We performed those procedures that we deemed necessary in accordance with the professional auditing standards applicable in France to such engagements. These procedures, which did not include audit or a review of the financial information used as a basis to prepare the pro forma financial information, mainly consisted in ensuring that the information used to prepare the pro forma information was consistent with the underlying financial information, as described in the notes to the pro forma financial information, reviewing the evidence supporting the pro forma adjustments and conducting interviews with the management of SMCP S.A.S. to obtain the information and explanations that we deemed necessary.

In our opinion:

- *the pro forma financial information has been properly compiled on the basis stated; and*
- *the basis is consistent with the accounting policies of the issuer.*

This report has been issued solely for the purposes of:

- *registering the shelf-registration document with the French financial markets authority (Autorité des marchés financiers – AMF); and*
- *the admission to trading on a regulated market, and/or a public offer, of securities of the Company SMCP S.A.S. in France and in other European Union member states in which the prospectus approved by the AMF is notified;*

and cannot be used for any other purpose.

Paris-La Défense, the 15th of September 2017

The statutory auditor

French original signed by
Valéry Foussé

20.1.3 The Company's[98] *pro forma* financial information for the twelve-month period ended December 31, 2016 and the corresponding report of the Statutory Auditor

20.1.3.1 The Company's *pro forma* financial information for the twelve-month period ended December 31, 2016

Definition:

- **SMCP S.A.S.:** former SMCP "Group" parent company, prior to TopSoho S.A.S. takeover on October 10, 2016.

- **Acquisition of SMCP S.A.S.:** On October 10, 2016, TopSoho S.A.S. acquired all of the shares of SMCP S.A.S. through its subsidiary SMCP Group S.A.S. TopSoho S.A.S. is majoritarily owned by the Chinese Group Shandong Ruyi via its two holding companies European MidSoho S.à.r.l. and European TopSoho S.à.r.l. The purchase consideration amounted to €949,380k.

- **Financing and refinancing:** in the process of SMCP S.A.S. acquisition by TopSoho S.A.S., financing and refinancing of the Group were structured as follows:

1. Financing

1.1. Senior secured notes (Bonds 2022 and 2023) issued by SMCP Group S.A.S. on May 18, 2016, to finance the direct and indirect acquisition of 100% of SMCP S.A.S. shares. The Company issued two senior secured notes 2022 ("the Floating Rate Notes") and 2023 (the "Fixed Rate Notes") at a principal amount of respectively €100 million and €371 million. The bonds have been issued under the following terms:

- The Floating Rate Notes at a principal amount of €100 million will mature on November 1, 2022. Interests are calculated at a per annum rate equal to 3 months EURIBOR +600 bps per year.

- The Fixed Rate Notes at a principal amount of €371 million will mature on May 1, 2023. Cash interests will be paid semi-annually under a fixed rate of 5.875%.

1.2. Shareholder PIK Loan granted by European MidSoho S.à.r.l. (TopSoho S.A.S. parent company): loan granted on October 10, 2016, for an amount of €300 million. The loan will mature on October 9, 2025, the interest rate equals to 7.875% per annum ("Payment in Kind Loan" or PIK Loan).

1.3. A new Revolving Credit Facility was put in place on October 10, 2016. The Group had access to undrawn committed credit lines totaling €70 million.

2. Refinancing

2.1 SMCP S.A.S. early repayment: The Company redeemed the previous Senior Secured Noted (Bonds 2020) on October 10, 2016, including an early repayment penalty. The foregoing was composed of a principal amount of €290 million, interest expenses for

[98] Until September 13, 2017, the Company's name was TopSoho S.A.S.

€4.9 million and early repayment penalties for €12.9 million. The interest rate was 8.875% per annum.

2.2 **On October 10, 2016, termination of the previous 2013 Revolving Credit Facility:** the Group had access to undrawn committed credit lines totaling €70 million.

2.3 **The shareholder loan of €125 million** granted by KKR in 2013 has been transferred on April 21, 2016 to Soho Holding France S.A.S., and then to SMCP Group S.A.S. by way of universal transfer of its assets and liabilities ("*transmission universelle de patrimoine*"). It is therefore considered as an Intra-company loan from October 10, 2016.

The following Pro Forma condensed consolidated financial information includes a pro forma statement of profit and loss for the twelve months period ended December 31, 2016 and the accompanying notes, and aims at illustrating the impact of the acquisition of SMCP S.A.S. by Shandong Ruyi through TopSoho S.A.S., its financing and refinancing as if they had occurred at a date prior to the actual date of occurrence, namely on January 1, 2016 instead of October 10, 2016.

The Pro Forma condensed consolidated financial statements are stated in thousands of euros unless otherwise indicated.

The Pro Forma condensed consolidated financial information was prepared in accordance with of the Appendix II module to European Rule (CE) N°809/2004 ESMA (ex-CESR) recommendation from February 2005, and the AMF recommendation N° 2013-08 regarding Pro Forma financial information.

The Pro Forma condensed consolidated financial information was prepared in accordance with the basis of preparation presented in the "Notes to the Pro forma condensed consolidated financial information". Pro forma adjustments are based on available information and some assumptions and estimates that TopSoho S.A.S. management deems reasonable.

The Pro Forma condensed consolidated financial information is presented exclusively for illustrative purposes, as such it does not reflects the operating activities nor the financial situation that TopSoho S.A.S. would have been obtained if the acquisition of SMCP S.A.S. by TopSoho S.A.S., financing and refinancing had occurred on January 1, 2016. The Pro Forma condensed consolidated financial information does not reflect either TopSoho S.A.S. future operating results or financial situation.

The Pro forma condensed consolidated financial information does not follow the requirements of S-X *US Securities Act*.

The Pro Forma condensed consolidated financial information is derived from:

- The accounting information used for the preparation of SMCP S.A.S. consolidated accounts for the year ended December 31, 2016 prepared in accordance with international financial reporting standards ("IFRS") as adopted by the European Union and effective for the period from January 1 to October 10, 2016.

- TopSoho S.A.S. interim consolidated financial statements for the eight months period ended December 31, 2016. These financial statements were audited by TopSoho S.A.S.'s statutory auditor, who issued an unqualified opinion on June 13, 2017 and must therefore be read in conjunction with this document. The Interim consolidated financial statements for the eight months period ended December 31, 2016 including three months of operating activity, are presented with the corresponding audit report in Note 20.1.4 of the prospectus.

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE TWELVE MONTHS PERIOD ENDED DECEMBER 31, 2016

	A	B	C	D	E	F	G	H	I
€k	**Published consolidated information At Dec. 31, 2016** *(8 months period including 3 months of operating activity)*	**SMCP S.A.S. historical consolidated information for the period from 01/01/2016 to 10/10/2016**	**Subtotal**	**Write-off of SMCP S.A.S. interest expenses on Bonds 2020 from 01/01/2016 to 10/10/2016**	**Additional interest expenses on Bonds 2022 and 2023 notes from 01/01/2016 to 17/05/2016**	**Write-off of intercompany interest expenses on the previous shareholder loan of €125m from 01/01/2016 to 10/10/2016**	**Additional interest expenses on Shareholder PIK Loan from 01/01/2016 to 10/10/2016**	**Free rent adjustment as if the acquisition had occurred on January 1, 2016**	**Pro forma Total**
Net sales	224,119	562,167	786,286	-	-	-	-	-	786,286
Commissions	(31,056)	(74,130)	(105,186)	-	-	-	-	-	(105,186)
Net sales after commissions	**193,063**	**488,037**	**681,100**	**-**	**-**	**-**	**-**	**-**	**681,100**
Cost of sales	(46,490)	(139,203)	(185,693)	-	-	-	-	-	(185,693)
Gross margin	**146,573**	**348,834**	**495,407**	**-**	**-**	**-**	**-**	**-**	**495,407**
Other operating income	572	3,108	3,680	-	-	-	-	-	3,680
Personnel costs	(45,734)	(121,125)	(166,859)	-	-	-	-	-	(166,859)
Other operating expenses	(58,356)	(143,665)	(202,021)	-	-	-	-	(615)	(202,636)
Depreciation, amortization and impairment	(7,519)	(30,399)	(37,918)	-	-	-	-	-	(37,918)
Current operating income	**35,536**	**56,753**	**92,289**	**-**	**-**	**-**	**-**	**(615)**	**91,674**
Other non-recurring income	4,487	4,879	9,366	-	-	-	-	-	9,366
Other non-recurring expenses	(25,591)	(15,103)	(40,694)	-	-	-	-	-	(40,694)
Operating profit	**14,432**	**46,531**	**60,961**	**-**	**-**	**-**	**-**	**(615)**	**60,346**
Financial income	547	(84)	463	-	-	-	-	-	463
Cost of net debt	(25,602)	(50,710)	(76,312)	20,874	(11,806)	8,054	(18,507)	-	(77,697)
Other financial expenses	(555)	(263)	(818)	-	-	-	-	-	(818)
Net financial expense	**(25,610)**	**(51,057)**	**(76,667)**	**20,874**	**(11,806)**	**8,054**	**(18,507)**	**-**	**(78,052)**
Profit/(loss) before tax	**(11,177)**	**(4,526)**	**(15,706)**	**20,874**	**(11,806)**	**8,054**	**(18,507)**	**(615)**	**(17,706)**
Income tax expense	41,792	(2,401)	39,391	(5,390)	3,049	(2,080)	4,779	160	39,909
Net profit/(loss) for the period	**30,613**	**(6,927)**	**23,685**	**15,484**	**(8,757)**	**5,974**	**(13,728)**	**(455)**	**22,202**
Attributable to owners of the Company	**30,613**	**(6,927)**	**23,685**	**15,484**	**(8,757)**	**5,974**	**(13,728)**	**(455)**	**22,202**
Attributable to non-controlling interests	-	-	-	-	-	-	-	-	-
Net profit/(loss) attributable to owners of the Company	**30,613**	**(6,927)**	**23,685**	**15,484**	**(8,757)**	**5,974**	**(13,728)**	**(455)**	**22,202**

NOTES TO THE PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE 12 MONTHS PERIOD ENDED DECEMBER 31, 2016

Note 1. GENERAL INFORMATION AND DESCRIPTION OF THE ACQUISITION

On October 10, 2016, TopSoho S.A.S. acquired (indirectly) the entire share capital of SMCP S.A.S.

In accordance with IFRS 3, the transaction was booked as a business combination, the acquiree's identifiable assets and liabilities were recognized at fair value at the acquisition date. The main adjustment relating to the purchase price allocation is related to the valuation of trademarks which led to the recognition of an indefinite intangible asset.

The impact of SMCP S.A.S. takeover by TopSoho S.A.S., the financing and refinancing are based on the following elements:

- The acquisition of the entire share capital of SMCP S.A.S. for a purchase consideration of €949,380k.
- To ensure the financing of SMCP S.A.S. takeover, SMCP Group S.A.S., the acquisition and financing vehicle of TopSoho S.A.S., raised:
  - On May 18th 2016, €471 million via the issuance of senior secured notes
  - On October 10, 2016, a €300 million shareholder loan subscribed by European MidSoho S.à.r.l.

A portion of the proceeds from these issuances was used to redeem the Bonds 2020 issued in 2013 for a principal amount of €290 million.

The cash flows for the acquisition, financing and refinancing of is set out below:

Sources		**Uses**	
	€m		*€m*
SMCP Group S.A.S. Bonds 2022 and 2023 issuance	471	Direct and indirect acquisition of SMCP S.A.S. shares	949.4
Capital contribution	581	Early repayment of SMCP S.A.S. Bonds 2020	
Debt contribution	300	- Principal	290
		- Interests expenses and penalties	17.8
		Others (1)	95.8
Total	**1353**	**Total**	**1353**

(1) “Others” mainly refer to the transaction costs and refinancing of SMCP S.A.S.

Note 2. BASIS OF PREPARATION

The Pro Forma condensed consolidated financial information was prepared to illustrate the impact of TopSoho S.A.S. takeover, the financing and refinancing as if they had occurred on January 1, 2016 for the purposes of the condensed consolidated statement of profit and loss.

The Pro Forma condensed consolidated financial information was prepared in accordance with TopSoho S.A.S. accounting policies as applied in establishing the interim consolidated accounts for the 8 months period ended December 31, 2016.

The Pro Forma condensed consolidated financial information does not reflect any specific item such as contractual provisions related to the takeover or acquisition-related integration costs that might be incurred. Non-recurrent items directly attributable to the acquisition that can be documented and estimated reliably are included in pro forma adjustments.

Column A: the historical consolidated financial information as of December 31, 2016 is from TopSoho S.A.S. consolidated accounts for the interim 8 months period ended December 31, 2016 prepared in accordance with international financial reporting standards ("IFRS") as adopted by the European Union. These accounts have been audited by KPMG Audit, TopSoho S.A.S. statutory auditor, a department of KPMG S.A.

Column B: SMCP S.A.S. historical consolidated financial information the period from January 1, 2016 to 0ctober 10, 2016 abstracted from the accounting information used for the preparation of SMCP S.A.S. consolidated accounts for the year ended December 31, 2016 and prepared in accordance with international financial reporting standards ("IFRS") as adopted by the European Union.

TopSoho S.A.S. first financial year started on May 1st, 2016 and will end on December 31, 2017. TopSoho S.A.S. had no operational activity until the acquisition date, on October 10, 2016.

Note 3. PRO FORMA ADJUSTMENTS

The pro forma adjustments aim at illustrating the impact of the acquisition, the financing and refinancing, had these operations taken place on January 1, 2016.

Pro forma adjustments had the following impacts:

(a) Other operating expenses

Column H: the free-rent and progressive rents impacts for the period from January 1, 2016 to October 10, 2016 represent a cost of €615k. This adjustment is intended to reflect free-rent periods and progressive rents' spread over the lease term, in accordance with IAS 17 "Leases".

No other pro forma adjustment with an impact on the income statement has been recorded in connection with the acquisition.

(b) Cost of financial debt

Column D: the write-off of interests on Bonds 2020 of a principal amount of €290 million, issued in June 2013 by SMCP S.A.S., refinanced and early redeemed on October 10, 2016 represented a profit of €20,874 for the 9 months and 10 days period ended on October 10, 2016.

Column E: the additional interests related to the Bonds 2022 and 2023 issued by SMCP Group S.A.S. on May 18, 2016 for respectively €371 million, redeemable at maturity in 2023 and bearing interest at 5.875% and €100 million, redeemable at maturity in 2022 and bearing interest at a per annum rate equal to 3 months EURIBOR + 600 bps per year, represents a charge of €11,806k for the period from January 1, 2016 to May 17, 2016. The pro forma adjustment was calculated based on the conditions obtained on May, 2016 for the acquisition financing. The floating rate was then equal to 600 bps per year.

Column F: write-off of intercompany interests related to the previous shareholder loan of a principal amount of €125 million, bearing interests at 8% capitalized annually, indirectly connected to SMCP Group S.A.S. on October 10, 2016 represented a profit of €8,054k for the 9 months and 10 days period ended October 10, 2016.

Column G: the recognition of interests related to the financing of the €300 million new Shareholder PIK Loan effective on October 10, 2016 represented an expense of €18,507k for the period from January 1, 2016 to October 10, 2016.

(c) Income tax

The tax income of €39,907k, including a tax income of €518k in connection with the presented pro forma adjustments, was reflected in the pro forma consolidated income statement. The statutory tax rate is 34.43%. Given the tax deductibility ceiling for financial expenses ("*rabot*"), net financial expenses are deductible up to 75%, if the consolidated financial expenses excess €3 million. The pro forma adjustments have been calculated taking into account this deductibility ceiling, which corresponds to an application of a tax rate of 25.8%.

Note 4. RECONCILIATION OF THE PRO FORMA RECURRING OPERATING INCOME TO THE PRO FORMA EBITDA

The table below presents the reconciliation of the pro forma recurring operating income as published in the pro forma condensed consolidated income statement to the pro forma EBITDA.

EBITDA is not defined by IFRS but was defined by the Group as the recurring operating income excluding depreciation, amortization and impairment:

	12 months to
	Total Pro forma as at Dec. 31, 2016
	€k
Recurring operating income	**91,674**
Depreciation, amortization and impairment	37,918
EBITDA	**129,592**

Note 5. PRO FORMA FINANCIAL INFORMATION BY OPERATING SEGMENT

The pro forma financial information by operating segment was prepared on the basis of the operating segment information as presented in the notes to the consolidated accounts of TopSoho S.A.S. as at December 31, 2016 and SMCP S.A.S. management data for the period from January 1, 2016 to October 10, 2016.

					12 months to
	Sandro	**Maje**	**Claudie Pierlot**	**Other & Holdings**	**Total Pro forma**
	€k	*€k*	*€k*	*€k*	*€k*
Retail sales (including VAT)	404,514	335,845	111,003		851,362
VAT on retail sales	(55,463)	(46,676)	(18,026)		(120,165)
Net sales *	375,823	312,936	97,528		786,286
Commissions	(48,796)	(41,123)	(15,268)		(105,186)
Net sales after commissions	**327,027**	**271,813**	**82,260**	**-**	**681,100**
EBITDA	59,721	58,023	11,871	(23)	129,592
Recurring operating income	**42,246**	**41,046**	**8,398**	**(15)**	**91,674**

** Net sales includes Retail sales and sales with the partners.*

Note 6. PRO FORMA FINANCIAL INFORMATION BY GEOGRAPHIC SEGMENT

	France	EMEA	Americas	APAC	Dec. 31, 2016
	€k	*€k*	*€k*	*€k*	*€k*
Net sales	364,839	221,150	91,083	109,214	786,286
Commissions	(55,601)	(33,670)	(10,208)	(5,707)	(105,186)
Net sales after commissions	**309,238**	**187,480**	**80,875**	**103,507**	**681,100**

Note 7. ADJUSTED PRO FORMA

€k	I Total Pro forma	J Charges that are not expected to have a prolonged impact on the issuer account Early redemption premium and unamortized acquisition- costs incurred by SMCP S.A.S. for the refinancing	K Transaction-related costs incurred by SMCP Group/ MidSoho/ TopSoho for the acquisition	L Net costs related to the previous IPO project	M Total adjusted Pro forma
Current operating income	**91,674**	**-**	**-**	**-**	**91,674**
Other income	9,366				9,366
Other expenses	(40,694)		20,386	4,433	(15,875)
Operating profit	**60,346**	**-**	**20,386**	**4,433**	**85,165**
Financial income	463				463
Cost of net debt	(77,697)	21,181			(56,516)
Other financial expenses	(818)	422			(396)
Net financial expense	**(78,052)**	**21,603**	**-**	**-**	**(56,449)**
Profit/(loss) before tax	**(17,706)**	**21,603**	**20,386**	**4,433**	**28,716**
Income tax expense	39,907	(6,330)	(7,019)	(1,526)	25,033
Net profit/(loss) for the period	**22,202**	**15,273**	**13,367**	**2,907**	**53,749**
Attributable to owners of the Company	**22,202**	**15,273**	**13,367**	**2,907**	**53,749**
Attributable to non-controlling interests	-				-
Net profit/(loss) attributable to owners of the Company	**22,202**	**15,273**	**13,367**	**2,907**	**53,749**

The adjusted pro forma adjustments are intended to offset the impact of the costs related to important events that occurred in 2016 (namely, the non-recurring expenses related to the acquisition of the Group by Shandong Ruyi, its financing and refinancing by the Group), as the impact of these events might distort the interpretation of the Group's performance. These adjustments (exclusively made of expenses in the present case) are limited in numbers, well-identified and significant at the level of the Group's consolidated performance. In addition, the nature of these costs (acquisition, IPO project, refinancing, etc.), are not expected to have a prolonged impact on TopSoho S.A.S. consolidated accounts.

The adjusted pro forma adjustments had the following impacts:

(a) Cost of net debt and Other financial expenses

Column J: The cancellation of the impact of the early repayment of Bonds 2020 issued by SMCP S.A.S. in June 2013 and redeemed on October 10, 2016 represents a profit of € 21,181k. This amount includes the redemption premium of €12,870k and the accelerated amortization of issuance costs for €8,311k.

The cancellation of the accelerated depreciation of issuance costs of the Revolving Credit Facility issued in 2013 and refinanced on October 10, 2016, amounted to €422k.

(b) Other operating income

Column K: the cancellation of SMCP S.A.S. acquisition-related cost (direct and indirect) represents a profit of €20,386k. These costs were recognized as expenses in TopSoho S.A.S. accounts on 10 October 2016.

Column L: the cancellation of the net costs incurred by SMCP S.A.S. at the beginning of 2016 related to IPO project carried out in parallel to the over the counter market represented a profit of €4,433k.

(c) Income tax expense

The tax income of €25,031k, including a tax expense of €14,875k, was reflected in the adjusted pro forma consolidated statement of profit and loss related to the adjusted pro-forma adjustments with an impact on the net income. This income tax was calculated using the statutory tax rate of 34.43% and including a cap on deductible financial charges ("*rabot fiscal*").

20.1.3.2 Report of the Statutory Auditor for the twelve-month period ended December 31, 2016

This is a free translation into English of the statutory auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and is construed in accordance with, French law and professional standards applicable in France.

To the President,

In our capacity as Statutory Auditor of your company and in accordance with Commission Regulation (EC) n°809/2004, we hereby report to you on the pro forma financial information of TopSoho S.A.S. for the period from January 1, 2016 to December 31, 2016, set out in section 20.1.5 of the shelf-registration document prepared in connection with the proposal of admission to trading on a regulated market and public offering of TopSoho S.A.S. shares.

The pro forma financial information has been prepared for the sole purpose of illustrating the impact that the SMCP S.A.S. takeover by TopSoho S.A.S., the financing and refinancing (the "Operations") might have had on TopSoho S.A.S. consolidated income statement for the period from January 1, 2016 to December 31, 2016 had the Operations taken place with effect from January 1, 2016. By its very nature, this information is based on a hypothetical situation and does not represent the financial position or performance that would have been reported, had the Operations taken place at an earlier date than the actual or contemplated date.

It is your responsibility to prepare the pro forma financial information in accordance with the provisions of Commission Regulation (EC) n°809/2004 and ESMA's recommendations on pro forma financial information.

It is our responsibility to express an opinion, based on our work, in accordance with Annex II, item 7 of Commission Regulation (EC) n°809/2004, as to the proper compilation of the pro forma financial information.

We performed those procedures that we deemed necessary in accordance with the professional auditing standards applicable in France to such engagements. These procedures, which did not include audit or a review of the financial information used as a basis to prepare the pro forma financial information, mainly consisted in ensuring that the information used to prepare the pro forma information was consistent with the underlying financial information, as described in the notes to the pro forma financial information, reviewing the evidence supporting the pro forma adjustments and conducting interviews with the management of TopSoho S.A.S. to obtain the information and explanations that we deemed necessary.

In our opinion:

- *the pro forma financial information has been properly compiled on the basis stated; and*
- *the basis is consistent with the accounting policies of the issuer.*

This report has been issued solely for the purposes of:

- *registering the shelf-registration document with the French financial markets authority (Autorité des marchés financiers – AMF); and*
- *the admission to trading on a regulated market, and/or a public offer, of securities of the Company TopSoho S.A.S. in France and in other European Union member states in which the prospectus approved by the AMF is notified;*

and cannot be used for any other purpose.

Paris-La Défense, the 20th of July 2017

The statutory auditor

French original signed by
Valéry Foussé

20.1.4 The Company's[99] consolidated financial statements for the eight-month period ended December 31, 2016 and the corresponding audit report of the Statutory Auditor

20.1.4.1 The Company's consolidated financial statements for the eight-month period ended December 31, 2016

[99] Until September 13, 2017, the Company's name was TopSoho S.A.S.

1. CONSOLIDATED FINANCIAL STATEMENTS

1.1. 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.

1.1.1. Assets

		Dec. 31, 2016* *€k*
	Notes	**Net**
Goodwill	6.1.1	630,071
Trademarks	6.1.2	600,000
Other intangible assets	6.1.2	120,048
Property, plant and equipment	6.2	65,051
Non-current financial assets	6.4	15,105
Other non-current assets		1,298
Deferred tax assets	5.7.2	54,758
Non-current assets		**1,486,329**
Inventories	6.5	147,052
Trade receivables	6.6	40,738
Other receivables	6.7	26,901
Cash and cash equivalents	6.8	57,326
Current assets		**272,018**
Total assets		**1,758,346**

1.1.2. Equity and liabilities

	Notes	Dec. 31, 2016 *€k* Net
Share capital	6.9.1	58,168
Share premium		523,515
Reserves and retained earnings		3,900
Other comprehensive income		27,941
Equity attributable to owners of the Company	1.5	**613,524**
Non-controlling interests		-
Total equity	1.5	**613,524**
Bonds	6.11	448,070
PIK shareholder loan	6.10	300,000
Other financial liabilities		5,537
Provisions and other non-current liabilities	6.12	375
Deferred revenue		153
Net employee defined benefit liabilities	6.13	2,438
Other non-current liabilities		140
Deferred tax liabilities	5.7.2	196,941
Non-current liabilities		**953,654**
Interest-bearing loans and borrowings (current)	6.11	5,071
Trade and other payables		100,851
Bank overdrafts and short-term borrowings and debt	6.11	1,224
Short-term provisions	6.12	3,454
Other liabilities	6.14	80,570
Current liabilities		**191,169**
Total equity and liabilities		**1,758,346**

1.2. Consolidated income statement

	Notes	*8 months to (including 3 months of SMCP consolidated activity)* **Dec. 31, 2016 *** *€k*
Net sales		224,119
Commissions		(31,056)
Net sales after commissions	5.1	**193,063**
Cost of sales	5.2	(46,490)
Gross margin		**146,573**
Other operating income	5.4	1,151
Personnel costs	5.3	(45,734)
Other operating expenses	5.4	(58,935)
Depreciation, amortization and impairment		(7,519)
Current operating income		**35,536**
Other non-recurring income	5.5	4,487
Other non-recurring expenses	5.5	(25,591)
Operating profit		**14,432**
Financial income		547
Cost of net debt		(25,602)
Other financial expenses		(555)
Net financial expense	5.6	**(25,610)**
Profit/(loss) before tax		**(11,177)**
Income tax expense	5.7	41,792
Net profit/(loss) for the period		**30,613**
Attributable to owners of the Company		30,613
Attributable to non-controlling interests		-
Net profit/(loss) attributable to owners of the Company		**30,613**
Basic earnings/(loss) per share attributable to owners (€)	5.8	**0.158**
Diluted earnings/(loss) per share attributable to owners (€)	5.8	**0.156**

* 3 months of operating activity – see Note 2.3 – Statement of compliance and basis of preparation.

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 3.5.1 – Transactions and balances).

1.3. Consolidated statement of comprehensive income

	8 months to (including 3 months of SMCP consolidated activity)
	Dec. 31, 2016 *
	€k
Net profit/(loss) for the period	**30,613**
Actuarial losses on defined benefit plans	(77)
Tax effect	12
Total other comprehensive income/(loss) that may not be reclassified to profit or loss	**(65)**
Gains/(losses) on derivative financial instruments (cash flow hedges)	178
Tax effect	(61)
Gains/(losses) on exchange differences on translation of foreign operations	(2,724)
Total other comprehensive income/(loss) that may be reclassified to profit or loss	**(2,607)**
Total other comprehensive income/(loss)	**(2,672)**
Total comprehensive income/(loss) for the year	**27,941**

* 3 months of operating activity – see Note 2.3 – Statement of compliance and basis of preparation.

1.4. Consolidated statement of cash flows

	Dec. 31, 2016 * *€k*
Profit/(loss) before tax	**(11,177)**
Depreciation and impairment of property, plant and equipment	8,064
Amortization and impairment of intangible assets	329
Other additions to/reversals from other recurring items	(873)
Other non-recurring income	(4,487)
Other non-recurring expenses	25,591
Financial income	(547)
Cost of net debt	25,602
Other financial expenses	555
Sub-total (1)	**43,055**
(Increase)/decrease in trade and other receivables and prepayments	(15,702)
(Increase)/decrease in inventories	106
Increase/(decrease) in trade and other payables	(12,616)
Change in working capital (2)	**(28,211)**
Income tax refunded/(paid)	(7,055)
Net cash flow from operating activities	**7,789**
Purchases of property, plant and equipment	(10,321)
Proceeds from property, plant and equipment	353
Purchases of financial instruments	(1,272)
Proceeds from sales of financial instruments	209
Purchases of intangible assets	(8,030)
Proceeds from sales of intangible assets	31
Purchases of subsidiaries net of cash acquired (3)	(939,988)
Net cash flow used in investing activities	**(959,017)**
Capital increases	581,683
Issuance of bonds	446,804
Increase in long-term borrowings and debt	300,000
Decrease in long-term borrowings and debt	(290,513)
Other financial income and expenses	(204)
Interest paid (4)	(31,056)
Net cash flow from/(used in) financing activities	**1,006,714**
Change in net cash and cash equivalents	**55 485**
Net foreign exchange difference	617
Cash and cash equivalents at the beginning of the period	-
Bank credit balances at the beginning of the period	-
Net cash and cash equivalents at the beginning of the period	**-**
Cash and cash equivalents at the end of the period	57,326
Bank credit balances at the end of the period	(1,224)
Net cash and cash equivalents at the end of the period	**56,102**

*3 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) Including in 2016 net other expense with a cash impact of €-23,348k.

(3) In 2016, this caption relates to the acquisition of SMCP S.A.S. (see Note 4.1 – Acquisition of SMCP S.A.S.)

(4) Including in 2016 € 12,870k of early payment penalties related to the € 290m 2020 bonds issued in 2013 by SMCP S.A.S.

1.5. Consolidated statement of changes in equity

€k	Share capital	Share premium	Retained earnings	Revaluation of defined benefit liabilities	Other comprehensive income	Attributable net profit (loss)	Equity: Group share	Equity: Non-controlling interests	Equity: Total Equity
Balance at April 19, 2016	**0**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Changes in fiscal year ended on April 30, 2016						(10)	**(10)**		**(10)**
Balance at May 1st, 2016	**0**	**-**	**-**	**-**	**-**	**(10)**	**(10)**	**-**	**(10)**
2016 net income						30,613	30,613	-	30,613
Cumulative actuarial gains/(losses) on defined benefit plans, net of tax				(65)			(65)	-	(65)
Gains/(losses) on exchange differences on translation of foreign operations					(2,724)		(2,724)	0	(2,724)
Other comprehensive income					117		117	-	117
Total comprehensive income/(loss) for the year	**-**	**-**	**-**	**(65)**	**(2,607)**	**30,613**	**27,941**	**0**	**27,941**
2015 Income allocation			(10)			10	-		-
Paid dividends								-	-
Capital increase	58,168	523,515					581,683		581,683
Free shares			3,910				3,910		3,910
Changes in scope							-	-	-
Transactions with owners	**58,168**	**523,515**	**3,900**		**-**	**10**	**585,593**	**-**	**585,593**
Balance as December 31, 2016	**58,168**	**523,515**	**3,900**	**(65)**	**(2,607)**	**30,613**	**613,524**	**0**	**613,524**

2. GENERAL INFORMATION

2.1. Presentation of the Group

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 Étienne Marcel, 75001 Paris. Its first fiscal year ended end of April 2016.

The consolidated group ("the Group") includes TopSoho S.A.S. and its subsidiaries (as presented in Note 8.4 – Scope of consolidation).

TopSoho S.A.S. 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 subsidiaries in Luxembourg (European MidSoho S.à.r.l. & European TopSoho S.à.r.l.), which holds 81.46% of TopSoho S.A.S. shares. Ruyi International Fashion (China) Limited is a holding owned by the industrial Chinese group Shandong Ruyi and Yinchuan WeiXin Industry Funds Limited Partnership.

On October 10, 2016, TopSoho S.A.S. acquired the entire share capital of SMCP S.A.S. through its subsidiary SMCP Group S.A.S. (formerly BiSoho S.A.S.). With three distinct French brands, Sandro, Maje and Claudie Pierlot, SMCP S.A.S. is a global leader in the accessible luxury sector.

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. The Group also owns the network of Suite 341 stores, which market and sell products of the three brands Sandro, Maje and Claudie Pierlot.

At December 31, 2016, the Group operated 1,223 stores, of which 998 were directly operated and 225 were operated through partnerships. Its brands were present in 36 countries worldwide.

2.2. Significant events

On May 18, 2016, the Group issued a high yield bond for a nominal of €471 million via its subsidiary BiSoho S.A.S. (renamed "SMCP Group S.A.S." since October 10, 2016), to finance the acquisition of SMCP S.A.S. The acquisition occurred on the 10th of October 2016.

Based on the latest consolidated financial statement available (30th of September 2016), TopSoho S.A.S. allocated the price of acquisition and started consolidation.

In 2016, the effect of changes in tax rate is the consequence of the reduction of the tax rate in France voted in the Finance Law 2017, which brings this rate to 28.92% from 2020.

Consequently, taxes Long-term deferrals, essentially relating to trademarks and key money, have been revalued at the applicable rate from 2020.

During the fourth quarter of 2016, the Group continued its growth strategy, based on its organic levers (ready-to-wear, accessories, men and e-commerce) as well as through the opening of new point of sales focusing on Asia and Europe.

2.3. Statement of compliance and basis of preparation

TopSoho S.A.S. was created on April 19, 2016. Its first fiscal year lasted a few days from April 19, to April 30, 2016. The interim consolidated financial statements for the Group's reporting period in 2016 covers 3 operating 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, 2016. The second fiscal period of the company will cover the period from May 1st, 2016 to December 31, 2017. The current fiscal year will be 20 months long and end December 31st 2017.

The consolidated financial statements are stated in thousands of euros unless otherwise indicated.

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 effective for reporting periods beginning on or after January 1, 2016. The Group did not early adopt any standards, amendments or interpretations.

The applicable standards, amendments and interpretations can be viewed on the website of the European Union http://ec.europa.eu/finance/company-reporting/index_en.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.

These consolidated financial statements have been set out on a voluntary base in the context of the planned initial public offering of the Company.

3. ACCOUNTING PRINCIPLES AND METHODS

3.1. New standards, amendments or interpretations

The standards, amendments and interpretations effective for reporting periods beginning on or after January 1, 2017 and not early adopted by the Group are set out below:

New standards, amendments or interpretations	Effective date
Amendment to IAS 7 - Disclosure initiative	Reporting periods beginning on or after January 1, 2017
Amendment to IAS 12 - Recognition of deferred tax assets for unrealized losses	Reporting periods beginning on or after January 1, 2017
Amendments resulting from the annual procedure of IFRS standards improvement (2014-2016 cycle)	Reporting periods beginning on or after January 1, 2017
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 definitive adoption by the European Union, these standards and amendments are effective for reporting periods beginning on or after January 1, 2017. The Group is currently assessing the potential impact of the first-time application of these texts.

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 6.3);
- Measurement of deferred tax assets (Note 5.7.2);
- Calculation of provisions for contingencies and charges (Note 6.12).

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, 2016 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 reporting 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 during the fiscal year, and the rate used at the end of the following year.

Translation differences are recognized in equity under "Other comprehensive income".

Income, expenses and changes in these items for the 3-month consolidated period ended December 31, 2016 were translated into euros at the average exchange rate for the number of months of operating activity, i.e., the average exchange rate for October 2016 to December 2016.

3.5.2. Rates applicable at December 31

The rates used to translate foreign currency transactions into euros are indicated below:

		Dec. 31, 2016	
		Closing	**Average**
			Oct.-Dec.
SWISS FRANC	EUR/CHF	1.0739	1.0798
EURO	EUR/EUR	1.0000	1.0000
POUND STERLING	EUR/GBP	0.8562	0.8691
U.S. DOLLAR	EUR/USD	1.0541	1.0789
CANADIAN DOLLAR	EUR/CAD	1.4190	1.4394
CHINESE RENMINBI	EUR/CNY	7.3495	7.3803
HONG KONG DOLLAR	EUR/HKD	8.1751	8.3698
SINGAPORE DOLLAR	EUR/SGD	1.5230	1.5208
DANISH KRONE	EUR/DKK	7.4344	7.4390
NORWEGIAN KRONE	EUR/NOK	9.0860	9.0356
SWEDISH KRONA	EUR/SEK	9.5530	9.7559
PATACA	EUR/MOP	8.3800	8.6234

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. Acquisition of SMCP S.A.S.

On October 10, 2016, TopSoho S.A.S. acquired all of the shares of SMCP 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:

	Oct. 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)
Bank overdrafts	(10.6)
Total net assets transferred at October 10, 2016 (b)	**319.3**
Consideration transferred (a)	**949.4**
Final SMCP Group S.A.S. Goodwill at October 10, 2016 = (a) - (b)	**630.1**

	Oct. 10, 2016 *€m*
Consideration transferred	(949.4)
Net acquired cash	9.4
Subsidiaries purchase price net of cash purchased	(940.0)

Fair values of assets and liabilities were determined as described below on a temporary basis:

- 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 4.5% and 7%. The discount rate used was 11%, while the long-term growth rate was estimated at 2%. Given the already solid reputation of these brands and the Group's plan to maintain and develop them over the long term, their useful life for accounting purposes was considered as indefinite 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:

  - o current market prices (rental value per square meter);
  - o recent transaction values;
  - o information provided by brokers;

o offers received.

The total fair value of the leasehold rights was estimated at €107.3 million compared to the previous fair valuation of €109.4million.

- 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 €630,071k mainly relating to the worldwide growth potential of the three brands.

- The earnings of the acquiree since the acquisition date that were included in the consolidated income statement and consolidated statement of comprehensive income are as follows:

  - Net sales: €224,119k

  - Net sales after commissions: €193,063k

  - Net income: €29,547k

Assuming that the acquisition had been completed on May 1st, 2016, net sales would have totaled €543,819k and consolidated net sales after commissions would have totaled €471,163k.

Transaction fees were booked for €20,698k on the current period (cf. Note 5.5 Other non-recurring expenses).

4.2. 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; and

- for which discrete financial information is available.

4.2.1. Group operating segments

SMCP's operations are managed through three operating and reportable segments as defined by IFRS 8. These correspond to the three main brands which each have their specific client 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 body is TopSoho S.A.S's Management Board which reviews each brand's business activities and performance every month.

4.2.2. Financial information by operating segment

The table below set out financial information by operating segment at December 31, 2016:

	Sandro	**Maje**	**Claudie Pierlot**	**Other & holding cos.**	**8 months to Dec. 31, 2016***
	€k	*€k*	*€k*	*€k*	*€k*
Retail sales (including VAT)	121,281	91,524	33,600	-	246,405
VAT on retail sales	(16,547)	(13,067)	(5,522)	-	(35,136)
Net sales**	112,227	82,348	29,544	-	224,119
Commissions	(14,784)	(11,280)	(4,992)	-	(31,056)
Net sales after commissions	**97,443**	**71,068**	**24,552**	**-**	**193,063**
EBITDA	22,977	15,297	5,170	(389)	43,055
Recurring operating income	**18,946**	**12,613**	**4,263**	**(286)**	**35,536**
Goodwill***	336,038	237,327	56,706	-	630,071
Key money	55,801	38,930	13,909	-	108,640
Other intangible assets	320,686	228,066	55,979	6,677	611,408
Property, plant and equipment	27,010	22,258	7,657	8,127	65,051
Capital expenditure****	7,837	6,475	2,949	4,156	21,417

* 3 months of operating activity – see Note 2.3 – Statement of compliance and basis of preparation.

** Net sales includes Retail sales and sales with Group partners.

*** Assumption was taken to allocate goodwill on the same weighting as trademarks (see Note 6.1.2– other intangible assets)

**** The capital expenditure breaks down as follows at December 31, 2016 (see Note 1.4 – Consolidated statement of cash flows):

- Purchases of property, plant and equipment: €10,321k;
- Purchases of intangible assets: €8,030k;
- Purchases of financial instruments: €1,272k;
- Variation of accounts payable for fixed assets: €1,794€k.

Operating expenses of holding companies are rebilled to the brands pro rata to net sales, plus a mark-up.

4.2.3. Key performance indicators

TopSoho S.A.S's Management Board 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, net sales after commissions and EBITDA.

"Net sales 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 net sales 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.

	8 months to **Dec. 31, 2016 ***
	€k
Recurring operating income	**35,536**
Depreciation, amortization and impairment	7,519
EBITDA	**43,055**

* 3 months of operating activity – see Note 2.3 – Statement of compliance and basis of preparation.

4.2.4. Financial information 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).

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 set out net sales after commissions by geographic region of delivery:

	France	**EMEA**	**Americas**	**APAC**	**Dec. 31, 2016 ***
	€k	*€k*	*€k*	*€k*	*€k*
Net sales	99,242	65,124	27,606	32,147	224,119
Commissions	(15,309)	(10,841)	(2,889)	(2,016)	(31,056)
Net sales after commissions	**83,933**	**54,283**	**24,717**	**30,131**	**193,063**
Total assets(1)	**333,546**	**98,077**	**39,975**	**56,677**	**528,275**

* 3 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. Key money are geographically allocated as follows:

- France for €100,068k
- EMEA for €8,559k
- USA for €766k

Net sales after commissions earned on wholesale and online sales are allocated on the basis of the customer's country of residence.

4.2.5. Information by major customers

The Group did not have any customers that individually accounted for over 10% of its net sales in the period ended December 31, 2016.

5. NOTES TO THE INCOME STATEMENT

5.1. Net sales after commissions

Sales of goods

"Net sales" 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.

"Net sales after commissions" corresponds to sales of goods (finished products) after deducting concession fees paid to department stores and commissions paid to affiliates. Net sales are 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 stores owned outright, including outlets used to market and sell collections from past seasons. Net sales are 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). Net sales are 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. Net sales are 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.

	8 months to **Dec. 31, 2016 *** *€k*
Sales of goods	224,122
Income from services rendered	(2)
Net sales	**224,119**
Commissions	**(31,056)**
Net sales after commissions	**193,063**

* 3 months of operating activity – see Note 2.3 – Statement of compliance and basis of preparation.

At December 31, 2016, Group net sales can be analyzed as follows by distribution channel:

	8 months to **Dec. 31, 2016 ***
	€k
Retail	212,413
- Free-standing stores	*79,363*
- Concessions ("corners")	*86,210*
- Outlets	*18,414*
- Affiliates	*8,763*
- Online	*19,663*
Partnered retail sales	11,706
Net sales	**224,119**

* 3 months of operating activity – see Note 2.3 – Statement of compliance and basis of preparation.

5.2. Cost of sales

	8 months to **Dec. 31, 2016 ***
	€k
Raw materials consumed	(10,745)
Finished products consumed	(22,054)
Subcontracting and ancillary expenses	(13,691)
Cost of sales	**(46,490)**

* 3 months of operating activity – see Note 2.3 – Statement of compliance and basis of preparation.

5.3. Personnel costs

	8 months to **Dec. 31, 2016 ***
	€k
Wages and salaries	(33,664)
Social security charges	(10,833)
Other staff expenses	924
Employees profit-sharing	(2,161)
Personnel costs	**(45,734)**

* 3 months of operating activity – see Note 2.3 – Statement of compliance and basis of preparation.

5.4. Other operating income and expenses

	8 months to **Dec. 31, 2016 ***
	€k
Other operating income[(1)]	1,151
Net foreign exchange gains/(losses)[(2)]	(580)
Rental charges	(23,633)
Other external expenses[(3)]	(16,406)
Fees	(7,548)
Services provided	(4,434)
Purchases of small equipment and supplies not held in inventory	(2,437)
Other taxes	(3,898)
Other operating income and expenses	**(57,785)**

* 3 months of operating activity – see Note 2.3 – Statement of compliance and basis of preparation.

(1) "Other operating income" mainly relates to proceeds from counterfeit lawsuits obtained by the Group.

(2) "Net foreign exchange (losses)/gains" relate to the Group's operating activity, mainly purchases of materials and finished goods and intragroup sales of finished goods.

(3) "Other external expenses" relate to sales shipment and marketing costs.

5.5. Other income and expenses

Other income and expenses include 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) free 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.

	8 months to Dec. 31, 2016 *
	€k
Other income	4,487
Other expenses	(25,591)
Other income and expenses	**(21,103)**

*3 months of operating activity – see Note 2.3 – Statement of compliance and basis of preparation.

Other income and expenses break down as follows:

		8 months to Dec. 31, 2016 *
		€k
Restructuring costs	(1)	4,256
Acquisition costs	(2)	(20,698)
Fixed assets depreciation		(161)
Free shares	(3)	(3,910)
Provision for risk		(500)
Others		(91)
Other expenses net		**(21,103)**

* 3 months of operating activity – see Note 2.3 – Statement of compliance and basis of preparation.

(1) Net impact of Soho II project, mainly including re-invoicing of IPO costs during the fourth quarter of 2016 to a related party (KKR).

(2) The acquisition costs are related to the new structure of the Group.

(3) Some of the Group's managers have benefited from the allocation of free shares from TopSoho S.A.S. (preferred shares called ADP G). A maximum of 15,000,000 ADP G will be created. ADP G preferred shares do not entitle their holder to any financial right as long as they have not been converted into ordinary shares. The beneficiaries are employees of TopSoho S.A.S., or its subsidiaries. The vesting period lasts 12 months starting on October 10, 2016 for 84% and on December 14, for the additional 10% and the beneficiaries are due to still be employees of TopSoho S.A.S. or its subsidiaries at the end of this period.

The Monte Carlo method was used to assess the obligation of the Group, taking into account turnover of 3% (based on the group's historical manager turnover) and the illiquidity discount (based on a benchmark). The obligation is recognized in PL through equity throughout the vesting period.

At December 31, 2016 the cost recorded amounted to € 3,910k, including social charges.

5.6. 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).

The Group posted net financial expenses of €25.61 million in the period ending December 31, 2016. Net financial expenses mainly comprised:

- interest expenses on borrowings amounting to €25.6 million in 2016;
    - Shareholder PIK loan: €5.447 million;
    - Bonds 2022: €4.2 million, including €2.8 million paid, €0.4 million as amortization of issuance costs, and €1.1 million as accrued interest;
    - Bonds 2023: €14.8 million, including €9.8 million paid and €1.3 million as amortization of issuance costs, and €3.9 million as accrued interest;
- a net exchange gain of €712k in 2016;
- other financial expenses for €720k.

5.7. Income tax

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.

Deferred taxes are recognized using the liability method with respect to temporary differences arising between the tax base of an asset or liability and its carrying amount in the consolidated financial statements. 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.

Tax provisions that could arise on transfers of non-distributable profits from subsidiaries are recognized only when there is a real intention to transfer such profits.

5.7.1. Income tax

Income tax includes the current tax expense for the period and deferred taxes arising on temporary differences:

	8 months to **Dec. 31, 2016 ***
	€k
Deferred tax	41,697
Current tax	95
Income tax expense	**41,792**

*3 months of operating activity – see Note 2.3 – Statement of compliance and basis of preparation.

5.7.2. Deferred tax position

In the context of the acquisition of SMCP 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 10th 2016.

Further to the new French tax law regulation voted on December 30th 2016 the tax rate was reduced to 28.92% from 2020. 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 lead to a profit of €35.7m recorded in the P&L of December.

a) Deferred taxes at December 31, 2016

€k	May 1, 2016	Changes in scope	Change in the income statement	Change in other comprehensive income	Translation adjustments and other changes	Dec. 31, 2016	Deferred Taxes assets	Deferred Taxes Liabilities
Restatement of pensions liabilities		784	41	(80)	-	738	738	-
Elimination of internal gains and losses (margin on inventories)		10,066	1,173	-	(108)	11,131	11,131	-
Capitalization of tax loss carryforwards		7,903	1,732	-	915	10,550	10,550	-
Allocation of goodwill to trademarks and leasehold rights		(225,698)	35,700	-	-	(189,998)	-	(189,998)
Neutralization of start-up costs and acquisition costs		2,387	6,672	-	(12)	9,047	9,193	(146)
Other restatements*		18,046	(3,621)	329	1,587	16,349	23,146	(6,797)
Net deferred tax assets(liabilities)		**(186,513)**	**41,697**	**249**	**2,383**	**(142,183)**	**54,758**	**(196,941)**

* mainly relates to temporary differences

b) Tax proof

		8 months to **Dec. 31, 2016 *** *€k*
Profit/(loss) before tax		**(11,177)**
Statutory tax rate in France		***34.43 %***
Theoretical tax expense		**3,848**
Changes in tax rate	(1)	35,700
Difference in income tax rates applied to earnings in countries other than that of the consolidating entity		79
Expenses or revenues finally non-deductible or taxable	(2)	(1,016)
Differences between consolidated and taxable income, and income taxable	(3)	3,523
Income tax expense before CVAE		**42,134**
CVAE	(4)	(342)
Income tax expense		**41,792**

* 3 months of operating activity – see Note 2.3 – Statement of compliance and basis of preparation.

(1) At December 31, 2016 the standard tax rate in France take into account 3.3 % of company social solidarity contribution.

(2) In 2016, the impact of changes in tax rates on deferred tax resulted from the reduction in the tax rate in France passed in the 2017 budget act, which brings the tax rate to 28.92% starting in 2020. As a result, long-term deferred taxes – related to brands and leasehold rights – were revalued based on the rate applicable as of 2020.

(3) Of which €3.0 million in respect of the tax deductibility ceiling for financial expenses.

(4) At December 31, 2016, the use of unrecognized deferred tax assets in the period relates to SMCP USA. 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, 2016, the Group's cumulative tax losses carried forward represent deferred tax assets of €10,550k and mainly include:

- SMCP USA capitalized losses for an overall amount of €8,060k, representing a deferred tax asset of €3,224k;
- SMCP Group S.A.S. capitalized losses for an overall amount of €20,450k, representing a deferred tax asset of €7,041k. In France, a new tax consolidation Group was set up on May 1st 2016, including TopSoho S.A.S., MidSoho S.A.S. and SMCP Group S.A.S., and will also include the current tax consolidation Group headed by SMCP S.A.S. as of January 1st, 2017.

Tax losses carried forward should be able to be used within a period of less than three years for USA and France.

d) Unrecognized deferred tax assets

None.

5.8. 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 profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding during the period with the dilutive effects of all potential ordinary shares, which includes stock options and free shares attributed to employees.

Earnings per share is calculated as follows:

	8 months to **12/31/2016***
	€k
Attributable net profit	**30 613**
Adjustment of pre-emptive and cumulative dividend (net of tax)**	(104)
Adjusted attributable net profit	**30 508**
Weighted number of shares (basic)	193 463 540
Dilutive effect of ADP 1**	2 020 830
Weighted number of shares (diluted)**	**195 484 370**
Basic earnings/(loss) per share (€)	**0.158**
Diluted basic earnings/(loss) per share (€)	**0.156**

* 3 months of operating activity – see Note 2.3 – Statement of compliance and basis of preparation.

** The Preferred shares 1 (ADP 1) are valued at €1 (1 preferred share for 1 ordinary share) and entitle their holder to a dividend of 7.875% (for more details, cf. Note 6.9.1 Share capital).

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 illustrate changes in this item over the period presented:

€k	May 1, 2016	Changes in scope	Impairment/ Reversals	Translation differences	Other changes	Dec. 31, 2016
Goodwill - gross value	-	630,071	-		-	630,071
Impairment	-	-	-	-		-
Goodwill - net	**-**	**630,071**	**-**			**630,071**

At December 31, 2016 changes in consolidated Goodwill include the outcome of the purchase price allocation by SMCP Group S.A.S. (formerly Bisoho S.A.S.) for SMCP S.A.S., Soho Holding France S.A.S.., Soho Manco 1 S.A.S. and Manco 2 S.A.S. for €630,071k. (See Note 4.1)

See note 4.2.2 for purchase price allocation on CGUs.

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 2017-2020 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 reviewed by the Group's Corporate Development department together with some external independent real estate expert based on rental values per weighted square meter (regularly published by specialist bodies), an analysis 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 sales, (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	May 1, 2016	Changes in scope	Acquisitions	Disposals	Amortization	Impairment	Foreign exchange differences	Other items	Dec. 31, 2016
Trademarks	-	600,000	-	-	-	-	-	-	600,000
Leasehold rights	-	107,280	2,066	(48)	-	-	113	271	109,682
Other intangible assets	-	5,316	5,964	45	-	-	51	42	11,418
Intangible assets	**-**	**712,595**	**8,030**	**(3)**	**-**	**-**	**164**	**314**	**721,100**
Impairment of trademarks	-	-	-	-	-	-	-	-	-
Amort./Impairment of leasehold rights	-	-	-	12	(745)	-	(67)	511	(289)
Amort./Impairment of other intangible assets depreciation	-	-	-	0	(719)	-	(44)	(1)	(763)
Amort./impairment of intangible assets	**-**	**-**	**-**	**12**	**(1,464)**	**-**	**(111)**	**510**	**(1,052)**
Carrying amount of intangible assets	**-**	**712,595**	**8,030**	**10**	**(1,464)**	**-**	**52**	**824**	**720,048**

At December 31, 2016, 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.

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 includes 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	May 1, 2016	Changes in scope	Acquisitions	Disposals	Amortization	Impairment	Foreign exchange differences	Other items		Dec. 31, 2016
Technical fittings, equipment and industrial tools	-	1,375	37	(318)	-	-	-	344		1,438
Property, plant and equipment in progress	-	6,405	5,870	(7)	-	-	5	(4,887)	(1)	7,385
Advances and down payments on property, plant and equipment	-	239	544		-	-	(6)	15		793
Sundry general fixtures and fittings	-	52,782	5,664	(0)	-	-	2,417	2,484	(1)	63,348
Property, plant and equipment	**-**	**60,802**	**12,115**	**(325)**	**-**	**-**	**2,416**	**(2,044)**		**72,964**
Depr./impairment of construction	-	-	-	-	-	-	-	-		-
Depr./impairment of technical fittings, equipment and industrial tools	-	-	-	318	(148)	-	-	(323)		(153)
Depr./impairment of other property, plant and equipment and sundry general fixtures and fittings	-	-	-		(6,894)	-	(1,695)	828		(7,760)
Impairment of advances and down payments on property, plant and equipment	-	-	-	-	-	-	-	-		-
Depr./impairment of property, plant and equipment	**-**		**-**	**318**	**(7,042)**	**-**	**(1,695)**	**505**		**(7,913)**
Carrying amount of property, plant and equipment	**-**	**60,802**	**12,115**	**(7)**	**(7,042)**	**-**	**721**	**(1,539)**		**65,051**

(1) Acquisitions over the period are mostly attributable to investments in the distribution network (layouts)

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 (regularly published 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 amount, 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.

As of December 31, 2016, taking into account the proximity of the acquisition of SMCP S.A.S., the Group considered that the fair value paid in the transaction described in Note 4 was sufficient to validate the fair value of all non-current assets acquired during this transaction. No impairment test of trademark, leasehold and goodwill were conducted.

6.4. Financial assets

Total Financial assets amounts to €15,105k at December 31, 2016, and mainly relate to loans, deposits and pledged mutual funds.

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.

Impairment rules for collections from past seasons are as follows:

- A new collection is launched every six months (autumn-winter and spring-summer).
- The current collection (Y) and the collections for the last two seasons (Y-1 and Y-2) are not impaired.
- Finished goods together with raw material inventories related to Y-3 are impaired based on a rate of 50%.
- Finished goods together with raw material inventories related to Y-4 are impaired based on a rate of 75%.
- Finished goods together with raw material inventories related to older collections are impaired based on a rate of 95%.

	Dec. 31, 2016		
	€k		
	Gross value	**Impairment**	**Carrying amount**
Raw materials and other supplies	21,649	-	21,649
Finished products	125,837	(434)	125,403
Total inventories	**147,486**	**(434)**	**147,052**

The allowance for impairment of inventories reflects the technical and stylistic obsolescence of the Group's inventories at December 31, 2016.

	Dec. 31, 2016
	€k
Cumulative impairment at the beginning of the period	**-**
Impairment	(397)
Reversals	-
Foreign exchange differences	(37)
Cumulative impairment at the end of the period	**(434)**

6.6. Trade receivables

Trade receivables are initially recognized at their fair value. Subsequent measurement takes account of the probability that the receivables will be collected and a specific write-down is recorded for any doubtful receivables, as follows:

- disputed receivables are written down when there is certain and specific evidence showing that the receivables will not be collected;
- write-downs 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	**May 1, 2016**	**Changes in scope**	**Changes in gross value**	**Impairment**	**Reversals**	**Translation adjustment**	**Dec. 31, 2016**
Trade receivables	-	25,261	15,389		-	88	**40,738**
Provisions for impairment	-	-	-	-	-	-	**-**
Trade receivables, net	**-**	**25,261**	**15,389**	**-**	**-**	**88**	**40,738**

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, 2016, other receivables totaled €26,901k and primarily included tax receivables for €8,176k, 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 €5,469k.

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, 2016, consolidated cash and cash equivalents net of current bank overdrafts amount to €56,102k:

	Dec. 31, 2016
	€k
Cash and cash equivalents	57,326
Current bank overdrafts	(1,224)
Cash net of current bank overdrafts	**56,102**

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, 2016, the Company's fully subscribed and paid-up share capital amounted to €58,168,480 or 581,684,802 shares each with a par value of €0.10. These shares hold different characteristics, 575,671,600 ordinary shares and 6,013,202 preferred shares (ADP 1). On October 10, 2016, the Group decided to create a new category of shares - ADP G, which have not yet been issued.

			Dec. 31, 2016		
Shareholders	**Ordinary shares**	**Preferred shares (ADP 1)**	**Number of shares**	**Shares capital composition (€)**	**% share capital**
European MidSoho S.à.r.l.	565,021,490	352,656	565,374,146	56,537,415	*97.20%*
Managers	10,650,110	5,660,546	16,310,656	1,631,066	*2.80%*
Share capital	575,671,600	6,013,202	**581,684,802**	**58,168,480**	**100.00%**

At December 31, 2016, Ruyi International Fashion (China) Limited indirectly holds 81.46% of the share capital of TopSoho S.A.S. through its subsidiaries European MidSoho S.à.r.l and European TopSoho S.à.r.l.

6.9.2. Rights attached to shares

o *Voting rights attached to ordinary shares and preferred shares (ADP 1)*

Each share is entitled to one vote after its issuance, proportional to the portion of share capital they represent.

o *Particulars rights attached to preferred shares (ADP 1)*

Each share entitles the holder to a pre-emptive and cumulative dividend equal to 7.875% of its subscription price for each financial year, and will be capitalized and paid in the event of a dividend distribution.

6.10. PIK Shareholder Loan (Payment- in-Kind)

On October 10, 2016, TopSoho S.A.S. issued a secured note for €300 million. This bond was fully subscribed by European MidSoho S.à.r.l (parent company of TopSoho S.A.S. with 97.20% of its shares). 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.

The loan will mature on October 9, 2025, the interest rate equals to 7.875% per annum and capitalized annually. They are due in fine.

At December 31, 2016, the total of (non-cash) interests amounts to €5.447 million.

6.11. Senior secured notes (Bonds 2022 and 2023)

On May 18, 2016, SMCP Group S.A.S., subsidiary of TopSoho S.A.S., 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 have been issued by the Company 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 Repayment conditions for SMCP Group S.A.S. are the following:

- 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 to 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 to the redemption date.

At December 31, 2016, total interest for these Notes amounts to €4,181k and total of accrued interests amounts to €1,116k.

The 2023 bonds have been issued by the Company 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%.

Repayment date:

- 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 to the redemption date.

At December 31, 2016, total interests for the Shareholder PIK Loan and the Bonds 2022 and 2023 amounted to €14,773k and total of accrued interests amounted to €3,955k.

Twelve month period commencing May 1 in:	Percentage
2019	102.93750%
2020	101.46875%
2021 and thereafter	100.000%

The 2022 and 2023 notes are admitted to trading on the Euro MTF market in Luxembourg under ISIN Number XS1405782316 (Regulation S) & XS1405781938 (Rule 144A).

Each quarter, the Group calculates consolidated net debt for the purpose of the aforementioned consolidation net debt ratio, as follows (it excludes the Shareholder PIK Loan subscribed by the shareholders), which constitutes an important indicator of the Group's financial performance:

	Dec. 31, 2016
	€k
Cash and cash equivalents	57,326
Current bank overdrafts	(1,224)
Cash net of current bank overdrafts	**56,102**
Short-term borrowings and debt	-
Loans from credit institutions	-
Other loans and borrowings	(90)
Accrued interest on bonds	(5,071)
Net operating debt	**50,941**
Fixed rate Senior Secured Notes (2023)	(353,398)
Floating rate Senior Secured Notes (2022)	(94,672)
Consolidated net debt	**(397,129)**

6.12. 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 illustrate changes in this item over the period presented:

€k	May.1, 2016	Changes in scope	Additions	Reversals (utilized provisions)	Reversals (surplus provisions)	Foreign exchange differences	Other comprehensive income	Other	Dec. 31, 2016
Provisions for disputes	-	20	64	-	-	-	-	(84)	**-**
Provisions for contingencies	-	323	-	(592)	-	14	-	463	**208**
Other provisions for contingencies and charges	-	74	159	(74)	-	8	-	-	**167**
Non-current provisions	**-**	**417**	**223**	**(666)**	**-**	**22**	**-**	**379**	**375**
Provisions for pension liabilities	-	2,520	163	(13)	-	-	(232)	-	**2,438**
Total non-current provisions	**-**	**2,937**	**386**	**(679)**	**-**	**22**	**(232)**	**379**	**2,813**
Provisions for disputes	-	1,339	893	(37)	-	-	-	84	**2,279**
Provisions for contingencies	-	381	311	(120)	-	-	-	603	**1,175**
Total current provisions	**-**	**1,720**	**1,204**	**(157)**	**-**	**-**	**-**	**687**	**3,454**

Provisions for disputes include provisions for labor-related risks and tax audits.

6.13. 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, 2016.

The liability reflects the conditions for retirement under the collective bargaining agreement and takes into account 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, unless plan amendments are conditional on the employees remaining in service for a specified period of time (vesting period). In this case, past service costs are amortized on a straight-line basis over the vesting period.

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% for managerial-grade staff and supervisors and 1% for other employees;
- 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 1.5% and a discount rate scale up to 1.5%;
- top management is not eligible to pension benefits.

	Dec. 31, 2016
	€k
Projected benefit obligation at the beginning of the period	-
Changes in scope	**2,520**
Current service cost	136
Estimated interest cost	14
Other comprehensive income	(232)
Projected benefit obligation	2,438
Liability recognized on the statement of financial position	**2,438**
Service cost	**136**
Current service cost	136
Net interest cost	**14**
Interest cost	14
Net cost for the period	**150**

6.14. Other liabilities

Other liabilities amount to €80,570K at December 31, 2016 are mainly composed of taxes, duties and other payroll-related liabilities totaling €48,821k, advances and prepayments from customers for €6,039k.

6.15. 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.

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	Dec. 31, 2016 €k Carrying amount	Dec. 31, 2016 €k Fair value
Pledged assets **		FV PL	1	689	689
Loans and receivables		L&R	*	14,416	14,416
Non-current financial assets	6.4			**15,105**	**15,105**
Other non-current assets		L&R	*	**1,298**	**1,298**
Trade receivables	6.6	L&R	*	**40,738**	**40,738**
Derivative instruments eligible for hedge accounting		FV OCI/ FV PL	2	992	992
Other derivative instruments not eligible for hedge accounting		FV P&L	2	5	5
Other current financial assets	6.4	L&R	*	**-**	**-**
Cash and cash equivalents	6.8	L&R	*	**57,326**	**57,326**
Senior secured notes (2023 Bonds)	6.11	Amortized costs	1	**353,397**	**370,515**
Senior secured notes (2022 Bonds)	6.11	Amortized costs	1	**94,672**	**100,000**
Shareholder PIK loan	6.10	Amortized costs	2	**300,000**	**308,732**
Other financial liabilities		Amortized costs	*	**5,537**	**5,537**
Accrued interest on bonds		FV P&L	2	5,071	5,071
Interest-bearing liabilities (current)	6.11			**5,071**	**5,071**
Trade and other payables		Amortized costs	*	**100,851**	**100,851**
Bank overdrafts		Amortized costs	*	1,224	1,224
Short-term borrowings and debt		Amortized costs	*	-	-
Bank overdrafts and short-term borrowings and debt	6.11			**1,224**	**1,224**
Derivative instruments eligible for hedge accounting		FV OCI/ FV PL	2	818	818
Other derivative instruments not eligible for hedge accounting		FV P&L	2	9	9
Other liabilities	5.13			**827**	**827**

(*) Fair value level is not supplied since the net carrying amount corresponds to a reasonable and approximation of the fair value.
(**) Refers to pledged mutual fund whose fair value is disclosed by the issuing bank

Abbreviations used:

Loans and receivables	L&R
Fair value of other comprehensive income in	FV OCI
Fair value on the income statement	FV P&L

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, 2016, the fair value of high-yield bonds and derivative instruments were estimated based on their market value, taking into account changes in credit risk of the Group (using Level 2 of the fair value according to IFRS 13, by reference to recent transactions between knowledgeable, willing parties in an arm's length transaction).

6.16. Financial instruments and market risk management

6.16.1. 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.

6.16.2. Foreign exchange risk

A significant portion of the Group's net sales (34.8% during the twelve month period ended December 31, 2016) is made 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 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 reporting 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 forward 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 concerned currency.

6.16.3. Interest rate risk

The Group's main financing is through long-term borrowings established during the acquisition closing driven by Shandong Ruyi. This borrowing is composed of the Senior secured notes: of €100 million due in 2022 with a floating rate indexed to EURIBOR 3 months plus 600bp. These borrowings have been recorded in 2016 at an average rate of 5.902%.

These borrowings are recognized at amortized cost.

Short-term refinancing facilities are at floating rates indexed to Euribor.

6.16.4. Sensitivity to interest rate risk

Based on the Group's financial commitments at December 31, 2016, a 0.5% rise in interest rates would have a negative impact of €507k.

6.16.5. 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 re-measured to fair value. 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 identifies certain derivative financial instruments as hedges of a particular risk associated with a recognized liability or a highly-probable future transaction (cash flow hedging).

Derivative financial instruments: spread between financial assets and liabilities of fair value hedge (in € at December 31, 2016)

	Positive Fair value	Negative Fair Value	Net Fair Value
Terms	814,371	(600,665)	213,706
Options	178,916	(228,448)	(49,532)
Total	**993,287**	**(829,114)**	**164,174**

At the inception of the transaction, the Group documents the relationship between the hedging instrument and the hedged item, as well as its risk management objectives and hedging strategy. At the inception of the hedge and on an ongoing basis, the Group also documents its assessment of whether the derivatives used are highly effective in offsetting changes in fair values or cash flows of hedged items.

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.

Derivative financial instruments: impact by hedge type, notional values and fair values (in € at December 31, 2016)

Type of impact	Hedge type	USD Export	GBP Export	CHF Export	HKD Export	CNY Import	CAD Export	NOK	Dec. 31, 2016
OCI impacts	CFH	(256,690)	507,748	(51,297)	(21,187)	40,807	(41,816)		**177,565**
P&L impacts	FVH total	34,146	147,592	(866)	3,069	32,933	10,400	(1,674)	**225,599**
P&L impacts	CFH	(30,739)	(67,655)	4,294	(1,660)	(126,387)	(12,524)		**(234,671)**
P&L impacts	Trading	(375)	4,457	(903)		(7,500)			**(4,320)**
	TOTAL (in €)	**(253,658)**	**592,142**	**(48,772)**	**(19,778)**	**(60,147)**	**(43,940)**	**(1, 674)**	**164,174**
Position (in million currencies)		10.95	27.30	12.21	151.55	70.50	4.23	12.7	

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 U.S. dollar 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 reporting 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.

Dec. 31, 2016	Equity		Income statement	
€k	*Increase*	*Decrease*	*Increase*	*Decrease*
USD (+/-10% change)	(683)	180	(404)	391
GBP (+/-10% change)	(1,868)	2,938	(639)	719
CHF (+/-10% change)	(1,005)	918	(162)	138
HKD (+/-10% change)	(58)	16	(1,810)	1,813
CNY (+/-10% change)	517	(369)	214	(544)
CAD (+/-10% change)	(226)	143	(115)	110
SGD (+/-10% change)	-	-	-	-
NOK (+/-10% change)	-	-	(141)	138
SEK (+/-10% change)	-	-	-	-
Net cash flow sensitivity	(3,323)	3,825	(3,057)	2,765

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 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, 2016.

Dec. 31, 2016	Equity		Income statement	
€k	*Increase*	*Decrease*	*Increase*	*Decrease*
USD (+/-10% change)	1,970	(1,236)	(44)	(378)
GBP (+/-10% change)	526	(378)	(22)	18
HKD (+/-10% change)	163	(127)	84	(785)
CNY (+/-10% change)	462	(448)	1,021	(836)
Sensitivity to exchange rate	**3,121**	**(2,189)**	**1,040**	**(1,981)**

6.16.6. 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, 2016, the Group had access to undrawn committed credit lines totaling €70 million, as well as non-confirmed credit lines of €39.9 million, drawn for €1.2 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, 2016.

At December 31, 2016, the Group's borrowings and debt mainly comprised the €371 million, 5.875% senior secured notes due in 2023 and the €100 million, 3-month EURIBOR plus 6% senior secured notes due in 2022. These borrowings were subscribed on May 18th 2016 for the acquisition of SMCP S.A.S. by Shandong Ruyi. In addition, there is a shareholder PIK loan which will mature on October 9, 2025, the interest rate equals to 7.875% per annum and capitalized annually. They are due *in fine*.

€k	**2017**	**2018**	**2019**	**2020**	**2021**	**> 5 years**	**Total**
Bonds 2023						371,000	371,000
Bonds 2022						100,000	100,000
Interests on Bonds 2023	21,796	21,796	21,796	21,796	21,796	32,694	141,674
Interests on Bonds 2022	6,067	6,083	6,083	6,100	6,083	6,083	36,499
Shareholder PIK Loan (including capitalized interests)						598,557	598,557
Other loans and borrowings						91	91
Bank overdrafts and short-term borrowings and debt	1,224						1,224
Gross debt	**29,087**	**27,879**	**27,879**	**27,896**	**27,879**	**1,108,425**	**1,249,045**
Trade and other payables	100,851						100,851
Other liabilities	80,570						80,570
Other financial liabilities	**181,421**	**-**	**-**	**-**	**-**	**-**	**181,421**
Total financial liabilities at December 31, 2016	**210,508**	**27,879**	**27,879**	**27,896**	**27,879**	**1,108,425**	**1,430,466**

6.16.7. 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

	Dec. 31, 2016
	€k
Sureties	2,213
Undrawn credit lines	108,675
Commitments received	**110,888**

7.2. Commitments given

	Dec. 31, 2016
	€k
Letters of credit	15,267
Guarantee commitments	13,920
Commitments given	**29,187**

Commitments given under operating leases at December 31, 2016 are as follows:

	Dec. 31, 2016
	€k
Operating leases	**253,461**
Less than one year	66,038
From 1 to 5 years	160,466
Over 5 years	26,957

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)]**
	Dec. 31, 2016	**Dec. 31, 2016**
France	2,207	2, 152
Europe (except France)	1,124	1,070
America	501	456
Asia	564	547
Total headcount	**4,396**	**4,225**

(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 indicates 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

Statutory audit of the consolidated financial statements of TopSoho S.A.S. and its subsidiaries:

	8 months to **Dec. 31, 2016 ***
	€k
KMPG	530.8
Total fees	**530.8**

* 3 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)

Costs incurred related to the sale of SMCP S.A.S. shares were partially reinvoiced by the Group to KKR for an amount of €2,147k.

8.3.3. Transactions with European MidSoho S.à.r.l. (b)

See note 6.10 Shareholder PIK Loan ("Payment- in-Kind").

8.3.4. Transactions with Shandong Ruyi (c)

In 2016, Forever Winner, invoiced the Group for €150k of consulting fees.

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, 2016 as shown below:

	3 months to Dec. 31, 2016			
	Consultancy services	**Executive management services**	**Rental charges**	**Affiliation agreements**
	(1)	(2)	(3)	(4)
	€k	*€k*	*€k*	*€k*
Evelyne Chétrite SASU, managed by Evelyne Chétrite	154	1,148		
Judith Milgrom, managed by Judith Milgrom	194	1,221		
SCI MAJ, managed by Alain Moyal and Judith Milgrom			175	
Company managed by Lévana Gampel, daughter of Judith Milgrom				182
Total for the period	**348**	**2,369**	**175**	**182**
Total transactions for the period		**3.075**		

(1) Consultancy services relating to strategy, market positioning and the creation of collections.

(2) Executive management services in some Group’s subsidiaries.

(3) Leases relating to the Maje registered office and to a Maje store, both in Paris.

(4) Affiliation agreements regarding two Maje stores in Paris and a Sandro store in Toulouse, drawn up with company managed by a member of the family and by one of the Group's senior managers.

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:

	Dec. 31, 2016 *
	€k
Gross fixed salary	1,078
Variable salary	4,605
Social security charges	1,786
Termination indemnities	15
Fringe benefits	31
Free shares	3,130
Total short-term benefits	**10,645**

* 3 months of operating activity – see Note 2.3 – Statement of compliance and basis of preparation.

The provision for retirement indemnities related to Group's managers as of December 31, 2016 is presented as follow:

	Dec. 31, 2016
	In euro thousands
Retirement indemnities	89
Total retirement indemnities	**89**

The Group has also negotiated severance packages with some of its managers to be paid if they leave the Group. Total commitments represented €1,624k at December 31, 2016.

8.4. Scope of consolidation

The table below shows the scope of consolidation at December 31, 2016:

Entity	Dec. 31, 2016	
	% interest*	Consolidation method
TOPSOHO S.A.S.	**100.00%**	**FC**
MIDSOHO S.A.S.	100.00%	FC
SMCP GROUP S.A.S.	100.00%	FC
SMCP S.A.S..	100.00%	FC
GROUPE SMCP **	-	Merged
SMCP LOGISTIQUE	100.00%	FC
SMCP DEVELOPPEMENT ***	-	Merged
SMCP SERVICES ***	-	Merged
SANDRO ANDY	100.00%	FC
SMCP BELGIQUE	100.00%	FC
SANDRO 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 CANADA	100.00%	FC
SMCP ASIA	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 ****	-	Merged
SOHO MANCO 1 ****	-	Merged
SOHO MANCO 2 ****	-	Merged

* Percentage interest is identical to percentage ownership.

** Merged with SMCP S.A.S.

*** Merged with Groupe SMCP S.A.S.

**** Merged with SMCP Group S.A.S.

Abbreviations used: FC = Full consolidation

8.5. Subsequent events

On April 3rd 2017, in accordance with the terms and conditions of the redemption, the Group proceeded to the redemption of 10% of 2023 Bonds for a total amount of €39.1 million which corresponds to 103% of the principal, allocated as follow: €37.1 million and €1.1 million of early payment penalty and €0.9 million of accrued interests.

20.1.4.2 Audit report of the Statutory Auditor for the eight-month period ended December 31, 2016

This is a free translation into English of a report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and is construed in accordance with, professional auditing standards applicable in France.

To the President,

In our capacity as Statutory Auditor of TopSoho S.A.S. and in application of Commission Regulation (EC) n°809/2004 in the context of the proposal of admission to trading on a regulated market and stock market listing of TopSoho S.A.S. shares, we have audited the accompanying interim consolidated financial statements of TopSoho S.A.S. for the period from May 1, 2016 to December 31, 2016. These interim consolidated financial statements have been prepared for purposes of the shelf-registration document and presented in accordance with the International Financial Reporting Standards as adopted in the European Union.

*Your supervisory board (“*conseil de surveillance*”) is responsible for the preparation and fair presentation of these interim consolidated financial statements. Our responsibility is to express an opinion on these financial statements based on our audit.*

We conducted our audit in accordance with professional standards applicable in France and the professional doctrine of the French national auditing body (Compagnie nationale des commissaires aux comptes) related to this engagement; these standards require that we plan and perform the audit to obtain reasonable assurance whether the interim consolidated financial statements are free from material misstatement. An audit involves performing procedures, on a test basis or by other means of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating 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 opinion.

In our opinion, the interim consolidated financial statements prepared for purposes of the shelf-registration document present fairly, in all material respects, the financial position and assets and liabilities of TopSoho S.A.S. for the eight months period ended December 31, 2016, and of the results of operations of the entities included in the consolidation scope for the period then ended, in accordance with the International Financial Reporting Standards as adopted in the European Union.

Paris La Défense, on July 20, 2017

The statutory auditor

French original signed by
Valéry Foussé

20.1.5 SMCP Holding S.A.S.[100]'s consolidated financial statements for the financial year ended December 31, 2016 and the corresponding report of the Statutory Auditors

20.1.5.1 SMCP Holding S.A.S.'s consolidated financial statements for the financial year ended December 31, 2016

Table of contents

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[100] Until September 13, 2017, the name of SMCP Holding S.A.S. was SMCP S.A.S.

1. CONSOLIDATED FINANCIAL STATEMENTS

1.1 Consolidated statement of financial position

1.1.1. Assets

	Notes	Dec. 31, 2016 €k	Dec. 31, 2015 €k
Goodwill	6.1.1	336,930	336,775
Trademarks	6.1.2	236,000	236,000
Other intangible assets	6.1.2	119,942	116,213
Property, plant and equipment	6.2	65,051	69,109
Non-current financial assets	6.4	15,105	12,640
Other non-current assets		526	423
Deferred tax assets	5.7.2	24,989	19,773
Non-current assets		**798,543**	**790,933**
Inventories	6.5	147,052	125,741
Trade receivables	6.6	41,742	35,741
Other receivables	6.7	27,436	34,460
Other current financial assets		-	15
Cash and cash equivalents	6.8	55,460	27,149
Current assets		**271,690**	**223,107**
Total assets		**1,070,233**	**1,014,040**

1.1.2. Equity and liabilities

	Notes	Dec. 31, 2016 €k	Dec. 31, 2015 €k
Share capital	6.9.1	93,618	84,585
Share premium		217,399	197,366
Reserves and retained earnings		(4,934)	(12,820)
Other comprehensive income		28,948	3,251
Equity attributable to owners of the Company	1.5	**335,032**	**272,382**
Non-controlling interests		0	0
Total equity	1.5	**335,032**	**272,382**
Bonds “Proceeds Loan” (2022 & 2023)	6.10	314,443	-
Bonds (2020)	6.10	-	280,075
Convertible bonds (2023)	6.10	119,778	151,999
Other financial liabilities	6.10	90	1,556
Non-current provisions	6.11	375	165
Deferred revenue		153	213
Net employee defined benefit liabilities	6.11 & 6.12	2,103	2,105
Other non-current liabilities		140	-
Deferred tax liabilities	5.7.2	91,078	103,508
Non-current liabilities		**528,160**	**539,621**
Interest-bearing loans and borrowings (current)	6.11	1,701	13,368
Trade and other payables		98,630	79,911
Bank overdrafts and short-term borrowings and debt	6.11	46,358	47,060
Short-term provisions	6.12	3,454	3,006
Other liabilities	6.14	56,898	58,691
Current liabilities		**207,041**	**202,037**
Total equity and liabilities		**1,070,233**	**1,014,040**

1.2. Consolidated income statement

	Notes	*12 months period ended* **Dec. 31, 2016**	*12 months period ended* **Dec. 31, 2015**
		€k	*€k*
Net sales		786,286	675,381
Commissions		(105,186)	(94,268)
Net sales after commissions	5.1	**681,100**	**581,113**
Cost of sales	5.2	(185,692)	(160,270)
Gross margin		**495,408**	**420,844**
Other operating income	5.4	3,064	2,093
Personnel costs	5.3	(159,200)	(147,281)
Other operating expenses	5.4	(205,158)	(169,139)
Depreciation, amortization and impairment		(39,231)	(38,051)
Current operating income		**94,883**	**68,467**
Other income	5.5	8,759	4,631
Other expenses	5.5	(17,121)	(15,586)
Operating profit		**86,521**	**57,511**
Financial income		7,321	25,873
Cost of net debt		(58,429)	(41,261)
Other financial expenses		(7,629)	(20,820)
Net financial expense	5.6	**(58,737)**	**(36,207)**
Profit/(loss) before tax		**27,784**	**21,304**
Income tax expense	5.7.1	6,051	(13,413)
Net profit/(loss) for the period		**33,834**	**7,891**
Attributable to owners of the Company		33,834	7,891
Attributable to non-controlling interests		-	-
Net profit/(loss) attributable to owners of the Company		**33,834**	**7,891**
Basic earnings/(loss) per share attributable to owners (€)		**0.1117**	**0.0280**
Diluted earnings/(loss) per share attributable to owners (€)		**0.0978**	**0.0280**

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 3.5.1 – Transactions and balances).

1.3. Consolidated statement of comprehensive income

	Dec. 31, 2016	Dec. 31, 2015
	€k	*€k*
Net profit/(loss) for the period	**33,834**	**7,891**
Actuarial losses on defined benefit plans	211	(42)
Tax effect	(54)	9
Total other comprehensive income/(loss) that may not be reclassified to profit or loss	**157**	**(33)**
Gains/(losses) on derivative financial instruments (cash flow hedges)	144	(248)
Tax effect	(48)	96
Gains/(losses) on exchange differences on translation of foreign operations	(499)	(790)
Total other comprehensive income/(loss) that may be reclassified to profit or loss	**(403)**	**(942)**
Total other comprehensive income/(loss)	**(246)**	**(975)**
Total comprehensive income/(loss) for the year	**33,588**	**6,916**

1.4. Consolidated statement of cash flows

	12 months period ended **Dec. 31, 2016** *€k*	*12 months period ended* **Dec. 31, 2015** *€k*
Profit/(loss) before tax	**27,784**	**21,304**
Depreciation and impairment of property, plant and equipment	30,077	30,029
Amortization and impairment of intangible assets	5,657	5,818
Other additions to/reversals from other recurring items	3,497	2,205
Other income	(8,759)	(4,631)
Other expenses	17,121	15,586
Financial income	(7,321)	(25,873)
Cost of net debt	58,429	41,261
Other financial expenses	7,629	20,820
Sub-total (1)	**134,114**	**106,518**
(Increase)/decrease in trade and other receivables and prepayments	3,395	(11,216)
(Increase)/decrease in inventories	(24,688)	(26,535)
Increase/(decrease) in trade and other payables	4,970	20,131
Change in working capital (2)	**(16,323)**	**(17,620)**
Income tax refunded/(paid)	(9,695)	10,582
Net cash flow from operating activities	**108,097**	**99,479**
Purchases of property, plant and equipment	(28,477)	(34,565)
Proceeds from property, plant and equipment	353	401
Purchases of financial instruments	(4,027)	(2,035)
Proceeds from sales of financial instruments	1,615	729
Purchases of intangible assets	(10,305)	(3,774)
Proceeds from sales of intangible assets	1,750	2,445
Net cash flow used in investing activities	**(39,090)**	**(36,799)**
Capital increases	30,109	-
Share premium	(1,043)	-
Repayment of long-term borrowings and debt	(290,000)	
Increase in long-term borrowings and debt	349,372	2,169
Decrease in long-term borrowings and debt	(5,344)	(500)
Decrease in short-term borrowings and debt	(32,500)	(31,250)
Other financial income and expenses	346	4,618
Interest paid (4)	(78,282)	(28,236)
Net cash flow from/(used in) financing activities	**(27,341)**	**(53,199)**
Change in net cash and cash equivalents	**41,665**	**9,482**
Net foreign exchange difference	(18)	(427)
Cash and cash equivalents at the beginning of the period	27,149	16,140
Bank credit balances at the beginning of the period	(14,560)	(12,608)
Net cash and cash equivalents at the beginning of the period	**12,589**	**3,533**
Cash and cash equivalents at the end of the period	55,460	27,149
Bank credit balances at the end of the period	(1,224)	(14,560)
Net cash and cash equivalents at the end of the period	**54,237**	**12,588**

(1) Recurring operating income before other income and expenses and before depreciation, amortization and impairment

(2) Including other profits and expense with a cash impact of €- 6,752k, of which €-5,922k related to the sale project of SMCP S.A.S. shares as of December 31, 2016 and €-7,169k as of December 31, 2015

(3) Including in 2016 € 12,870k of early payment penalties related to the € 290m high yield bond issued in 2013 by SMCP S.A.S..

1.5. Consolidated statement of changes in equity

€k	Share capital	Share premium	Retained earnings	Revaluation of defined benefit liabilities	Other comprehensive income	Attributable net profit (loss)	Equity		
							Group share	Non-controlling interests	Total Equity
Balance at December 31, 2014	**84,585**	**197,366**	**-**	**(182)**	**(3,483)**	**12,821**	**265,465**	**-**	**265,465**
Changes in fiscal year ended on December 31, 2015									
2015 net income						7,891	7 891		**7,891**
Cumulative actuarial gains/(losses) on defined benefit plans, net of tax				(33)			(33)		**(33)**
Gains/(losses) on exchange differences on translation of foreign operations					(790)		(790)		**(790)**
Other comprehensive income					(152)		(152)		**(152)**
Net global result	**-**	**-**		**(33)**	**(942)**	**7,891**	**6,916**		**6,916**
2014 Income allocation			(12,821)			12,821	-	-	-
Changes in scope									
Transactions with owners			**(12,821)**			**12,821**			
Balance as December 31, 2015	**84,585**	**197,366**	**(12,821)**	**(215)**	**(4,425)**	**7,891**	**272,381**	**-**	**272,381**
Changes in fiscal year ended on December 31, 2016									
2016 net income						33,834	33,834	-	**33,834**
Cumulative actuarial gains/(losses) on defined benefit plans, net of tax				157			157	-	**157**
Gains/(losses) on exchange differences on translation of foreign operations					(499)		(499)		**(499)**
Other comprehensive income					96		96	-	**96**
Total comprehensive income/(loss) for the year	**-**	**-**	**-**	**157**	**(403)**	**33,834**	**33,588**	**-**	**33,588**
2015 Income allocation			7,891			(7,891)	-	-	-
Paid dividends		(1,043)					(1,043)		**(1,043)**
Capital increase	9,033	21,076					30,109		**30,109**
Changes in scope			(4)				(4)		**(4)**
Transactions with owners	**9,033**	**20,033**	**7,887**	**-**	**-**	**(7,891)**	**29,062**	**-**	**29,062**
Balance as December 31, 2016	**93,618**	**217,399**	**(4,934)**	**(58)**	**(4,828)**	**33,834**	**335,032**	**-**	**335,032**

2. GENERAL INFORMATION

2.1. Presentation of the Group

SMCP S.A.S. (the "Company") was incorporated in France on March 27, 2013 as a simplified joint stock Company (Société par actions simplifiée). The Company's registered office is located at 49, rue Étienne Marcel, 75001 Paris.

The consolidated Group ("the Group") includes the parent company: SMCP S.A.S. and its subsidiaries (as presented in Note 8.4 – Scope of consolidation).

On June 20, 2013, SMCP S.A.S. acquired the entire share capital of Groupe SMCP S.A.S. With the three distinct French brands, Sandro, Maje and Claudie Pierlot, Groupe SMCP S.A.S. was a global leader in the accessible luxury sector.

At December 31, 2015, SMCP S.A.S. was indirectly owned by KKR Retail Partner Midco S.à.r.l ("KKR") through its 100% owned subsidiary Soho Holding France S.A.S. which held 69.75% of SMCP S.A.S. shares. KKR S.à.r.l. was incorporated in Luxembourg 59, rue de Rollingergrund, L-2440 Luxembourg as a simplified joint stock company (Société par actions simplifiée).

On October 10, 2016, the Chinese group Shandong Ruyi acquired SMCP S.A.S.

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. The Group also owns the network of Suite 341 stores, which markets and sells products of the three brands Sandro, Maje and Claudie Pierlot.

At December 31, 2016, the Group operated 1,223 stores, of which 998 were directly operated and 225 were operated through partnerships. The Group's brands are present in 36 countries worldwide.

2.2 Significant events

2.2.1. Change of shareholder

On October 10, 2016, TopSoho S.A.S. acquired the entire share capital of SMCP S.A.S. through its subsidiary SMCP Group S.A.S. (formerly BiSoho S.A.S.). With three distinct French brands, Sandro, Maje and Claudie Pierlot, TopSoho S.A.S. is a global leader in the accessible luxury sector.

TopSoho S.A.S. 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 subsidiaries in Luxembourg (European MidSoho S.à.r.l. & European TopSoho S.à.r.l.), which hold 81.46% of TopSoho S.A.S. shares. Ruyi International Fashion (China) Limited is a holding owned by the industrial group Shandong Ruyi and Yinchuan WeiXin Industry Funds Limited Partnership.

With the arrival of Shandong Ruyi in the Group's capital, TopSoho S.A.S. became the new consolidating entity of the Group. The 2016 consolidated financial statements of SMCP S.A.S. were prepared on the basis of SMCP S.A.S. still acting as the consolidating entity, therefore the impacts of the Group's acquisition by Shandong Ruyi were not included, except for the financial restructuring of SMCP S.A.S. indebtedness.

In addition, some personnel cost and the "management fees" incurred by TopSoho S.A.S. in the new legal structure as from 10 October 2016 were not re-invoiced in the Group's consolidated financial statements. These elements have the effect of altering the comparability of the corresponding sections between 2015 and 2016 in Notes 5.3 and 5.4 (See Note 4.2.2. – Financial information by operating segment).

2.2.2. Senior Secured Notes repayment (Bond 2020)

Consequently to the acquisition by Shandong Ruyi, the Group redeemed the Senior Secured Notes issued on June 2013 by SMCP S.A.S. for a total amount of €290 million. The principal amount of €290 million with a repayment penalty of €12.9 million and interest accrued for the period up to October 10, 2016 for €4.9 million (see Note 6.13. – Senior Secured Notes (Bonds 2020)) was totally repaid thanks to a new loan granted by the new shareholder.

2.3. Statement of compliance and basis of preparation

The accounting principles followed by the Group are identical to those used for the preparation of the Group's consolidated financial statements for the previous year, with the exception of the following standards, amendments and interpretations applied for the first time in 2016.

On January 1, 2016, the Group applied the following standards which had no significant impact on the financial statements for the financial years and the period presented:

New Standards or Interpretations
Amendment to IAS 16 and IAS 38 – clarification of acceptable methods of depreciation and amortization
Amendment to IFRS 11 – Joint arrangements
Amendment to resulting from the annual procedure for improving IFRS standards (cycle 2012-2014)
Amendment to IFRS 10 and IAS 28 – Sales or contributions of assets between an investor and its associate/joint venture
Amendment to IFRS of IAS 1-project – disclosure initiative

The consolidated financial statements of SMCP S.A.S. for the financial year 2016 were approved by the Supervisory Board of TopSoho S.A.S. on June 13, 2017.

The events that occurred between December 31, 2016 and the closing date of the financial statements were presented in Note 8.5 – Subsequent events, in accordance with IAS 10.

The consolidated financial statements are stated in thousands of euros unless otherwise indicated.

The consolidated financial statements for the year ended December 31, 2015 and the year ended December 31, 2016 were prepared in accordance with international financial reporting standards ("IFRS" – see Note 3.1) as adopted by the European Union and effective for reporting periods beginning on or after January 1, 2016. The Group did not early adopt any standards, amendments or interpretations.

The applicable standards, amendments and interpretations can be viewed on the website of the European Union http://ec.europa.eu/finance/company-reporting/index_fr.htm.

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 or interpretations

The standards, amendments and interpretations effective for reporting periods beginning on or after January 1, 2017 and not early adopted by the Group are set out below:

New standards, amendments or interpretations	Effective date
Amendment to IAS 7 - Disclosure initiative	Reporting periods beginning on or after January 1, 2017
Amendment to IAS 12 - Recognition of deferred tax assets for unrealized losses	Reporting periods beginning on or after January 1, 2017
Amendments resulting of the annual improvement procedure of IFRS standards (cycle 2014-2016)	Reporting periods beginning on or after January 1, 2017
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 definitive adoption by the European Union, these standards and amendments are effective for reporting periods beginning on or after January 1, 2017. The Group is currently assessing the potential impact of the first-time application of these texts.

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 6.3);
- measurement of deferred tax assets (Note 5.7.2);
- Calculation of provisions for contingencies and charges (Note 6.11).

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, 2016 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.

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 reporting 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 during the fiscal year, and the rate used at the end of the following year.

Translation differences are recognized in equity under "Other comprehensive income".

Income, expenses and changes in these items for the years ended December 31, 2015 and December 31, 2016 were translated into euros at the average exchange rate for the number of months of operating activity, i.e., the average exchange rate in 2015 and 2016.

3.5.2. Rates applicable at December 31

The rates used to translate foreign currency transactions into euros are indicated below:

		Dec. 31, 2016		Dec. 31, 2016	
		Closing	Average	Closing	Average
			12 months		*12 months*
SWISS FRANC	EUR/CHF	1.0739	1.0902	1.0835	1.0676
EURO	EUR/EUR	1.0000	1.0000	1.0000	1.0000
POUND STERLING	EUR/GBP	0.8562	0.8189	0.7340	0.7260
U.S. DOLLAR	EUR/USD	1.0541	1.1066	1.0887	1.1096
CANADIAN DOLLAR	EUR/CAD	1.4190	1.4664	1.5116	1.4176
CHINESE RENMINBI	EUR/CNY	7.3495	7.3578	7.0608	6.9824
HONG KONG DOLLAR	EUR/HKD	8.1751	8.5900	8.4376	8.6023
SINGAPORE DOLLAR	EUR/SGD	1.5230	1.5278	1.5417	1.5251
DANISH KRONE	EUR/DKK	7.4344	7.4454	7.4626	7.4587
NORWEGIAN KRONE	EUR/NOK	9.0860	9.2927	9.6030	8.9417
SWEDISH KRONA	EUR/SEK	9.5530	9.4673	9.1895	9.3545
PATACA	EUR/MOP	8.3800	8.8390	8.6900	8.8604

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. Acquisitions in 2016 and 2015

None

4.2. 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; and
- for which discrete financial information is available.

4.2.1.Group operating segments

SMCP's operations are managed through three operating and reportable segments as defined by IFRS 8. These correspond to the three main brands which each have their specific client 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 body is SMCP's Supervisory Board which reviews each brand's business activities and performance every month.

For the fiscal year 2016 and after October 10, 2016, for the purposes of preparing the segment information, the Group adjusted its performance indicators for some expenses incurred by SMCP Group S.A.S. on its behalf but not re-invoiced to SMCP S.A.S. These adjustments include personnel costs and adjustments related to rents and management fees for a total of €3.916k (EBITDA impact), plus provisions for pension benefits for €350k (see Note 6.12.), representing a negative impact on the recurring operating income of € 3.566k. Before October 10, 2016, these costs were incurred by SMCP

S.A.S. The Group considered that these adjustments were necessary to allow, on an economic level, a better comparability of the performance indicators.

4.2.2. Financial information by operating segment

The tables below set out financial information by operating segment at December 31, 2016 and at December 31, 2015.

	Sandro	Maje	Claudie Pierlot	Others & holdings	12 months to Dec. 31, 2016	Structure costs ***	12 months at Dec. 31, 2016 adjusted
	€k	*€k*	*€k*	*€k*	*€k*	*€k*	*€k*
Retail sales (including VAT)	404,514	335,845	111,003		851,362		851,362
VAT on retail sales	(55,463)	(46,676)	(18 ,026)		(120,165)		(120,165)
Net sales*	375,823	312,936	97,528		786,286		786,286
Commissions	(48,796)	(41,123)	(15,268)		(105,186)		(105,186)
Net sales after commissions	**327,027**	**271,813**	**82,260**		**681,100**		**681,100**
EBITDA	59,842	57,796	11,782	4,694	134,114	(3,916)	130,198
Recurring operating income	**42,337**	**40,889**	**8,335**	**3,321**	**94,883**	**(3,566)**	**91,317**
Goodwill	188,453	128,490	19,987		336,930		336,930
Other intangible assets	187,632	133,189	28,444	6,677	355,942		355,942
Property, plant and equipment	27,010	22,258	7,657	8,127	65,051		65,051
Capital expenditure**	17,506	13,359	5,146	8,540	44,550		44,550

** Net sales includes Retail sales and sales with Group partners.*
*** The capital expenditure breaks down as follows at December 31, 2016 (see Note 1.4 – Consolidated statement of cash flows):*
- Purchases of property, plant and equipment: €30,218k;
- Purchases of intangible assets: €10,305k;
- Purchases of financial instruments: €4,027k;
- Variation of accounts payable for fixed assets: €-1,742k.
**** Structure costs adjustments - see note 4.2.1 - Group operating segments*

	Sandro	Maje	Claudie Pierlot	Others & holdings	12 months to Dec. 31, 2015
	€k	*€k*	*€k*	*€k*	*€k*
Retail sales (including VAT)	356,290	295,455	84,932	0	736,677
VAT on retail sales	(49,605)	(40,920)	(13,505)	0	(104,030)
Net sales*	328,339	271,907	75,135	0	675,381
Commissions	(44,751)	(36,689)	(12,828)	0	(94 ,68)
Net sales after commissions	**283,588**	**235,218**	**62,307**	**0**	**581,113**
EBITDA	54,523	45,062	7,964	(1,031)	106,518
Recurring operating income	35,046	28,965	5,119	(662)	68,467
Goodwill	188,366	128,431	19,978	0	336,775
Other intangible assets	190,627	131,915	28,798	873	352,213
Property, plant and equipment	25,843	23,196	7,472	12,598	69,109
Capital expenditure**	14,519	10,640	4,075	10,071	39,306

** Net sales includes Retail sales and sales with Group partners.*
*** The capital expenditure breaks down as follows at December 31, 2015 (see Note 1.4 – Consolidated statement of cash flows):*
- Purchases of property, plant and equipment: €34,565k;
- Purchases of intangible assets: €2,035k;
- Purchases of financial instruments: €3,774k;
- Variation of accounts payable for fixed assets: €-1,068k.

Operating expenses of holding companies are rebilled to the brands pro rata to net sales, plus a mark-up.

4.2.3. Key performance indicators

SMCP's Supervisory Board 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, net sales after commissions and EBITDA.

"Net sales 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 net sales after commissions and trends therein are important indicators of Group performance.

EBITDA is not defined by IFRS but was defined by the Group as follows at December 31, 2016 and at December 31, 2015:

	12 months to **Dec. 31, 2016**	*12 months to* **Dec. 31, 2015**
	€k	*€k*
Recurring operating income	**94,883**	**68,467**
Depreciation, amortization and impairment	39,231	38,051
EBITDA	**134,114**	**106,518**

4.2.4. Financial information 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).

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 set out net sales after commissions by geographic region of delivery:

	France	**EMEA**	**Americas**	**APAC**	**Dec. 31, 2016**
	€k	*€k*	*€k*	*€k*	*€k*
Net sales	364,839	221,150	91,083	109,214	786,286
Commissions	(55,601)	(33,670)	(10,208)	(5,707)	(105,186)
Net sales after commissions	**309,238**	**187,480**	**80,875**	**103,507**	**681,100**
Total assets(1)	**308,085**	**98,976**	**33,681**	**56,560**	**497,302**

	France	**EMEA**	**Americas**	**APAC**	**Dec. 31. 2015**
	€k	*€k*	*€k*	*€k*	*€k*
Net sales	334,719	184,638	80,798	75,225	675,381
Commissions	(52,945)	(28,103)	(9,769)	(3,450)	(94,268)
Net sales after commissions	**281,774**	**156,534**	**71,030**	**71,775**	**581,113**
Total assets(1)	**292,399**	**81,626**	**33,053**	**34,187**	**441,264**

(1) Total assets consist of all assets except goodwill and trademarks, which are not allocated by country.

Net sales after commissions earned on wholesale and online sales are allocated on the basis of the customer's country of residence.

4.2.5. Information by major customers

The Group did not have any customers that individually accounted for over 10% of its net sales in the years ended December 31, 2016 and December 31, 2015.

5. NOTES TO THE INCOME STATEMENT

5.1. Net sales after commissions

Sales of goods

"Net sales" 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.

"Net sales after commissions" corresponds to sales of goods (finished products) after deducting concession fees paid to department stores and commissions paid to affiliates. Net sales are 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 stores owned outright, including outlets used to market and sell collections from past seasons. Net sales are 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). Net sales are 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. Net sales are 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.

	12 months to	*12 months to*
	Dec. 31, 2016	**Dec. 31, 2015**
	€k	*€k*
Sales of goods	786,111	675,225
Income from services rendered	176	156
Net sales	**786,286**	**675,381**
Commissions	**(105,186)**	**(94,268)**
Net sales after commissions	**681,100**	**581,113**

At December 31, 2016 and at December 31, 2015 Group net sales can be analyzed as follows by distribution channel:

	12 months to Dec. 31, 2016 *€k*	*12 months to* Dec. 31, 2015 *€k*
Retail	733,558	632,646
- Free-standing stores	*289,706*	*267,829*
- Concessions ("corners")	*293,312*	*262,364*
- Outlets	*51,897*	*37,421*
- Affiliates	*31,740*	*29,195*
- Online	*66,903*	*35,837*
Partnered retail sales	52,728	42,735
Net sales	**786,286**	**675,381**

5.2. Cost of sales

	12 months to Dec. 31, 2016 *€k*	*12 months to* Dec. 31, 2015 *€k*
Raw materials consumed	(55,939)	(51,133)
Finished products consumed	(77,958)	(63,306)
Subcontracting and ancillary expenses	(51,795)	(45,831)
Cost of sales	**(185,692)**	**(160,270)**

5.3. Personnel costs

	12 months to Dec. 31, 2016 *€k*	*12 months to* Dec. 31, 2015 *€k*
Wages and salaries	(117,049)	(109,714)
Social security charges	(33,317)	(30,549)
Other staff expenses	(2,634)	(2,107)
Employee profit-sharing	(6,2)	(4,912)
Personnel costs	**(159,200)**	**(147,281)**

5.4. Other operating income and expenses

	12 months to Dec. 31, 2016	*12 months to* Dec. 31, 2015
	€k	*€k*
Other income(1)	2,432	2,093
Net foreign exchange gains/(losses)(2)	632	(2,371)
Rental charges	(84,725)	(69,485)
Other external expenses(3)	(59,610)	(49,718)
Fees	(25,055)	(20,170)
Services provided	(19,229)	(14,267)
Purchases of small equipment and supplies not held in inventory	(8,124)	(6,388)
Other taxes	(8,416)	(6,737)
Other operating income and expenses	**(202,095)**	**(167,045)**

(1) "Other income" mainly relates to proceeds from counterfeit lawsuits obtained by the Group.
(2) "Net foreign exchange (losses)/gains" relate to the Group's operating activity, mainly purchases of materials and finished goods and intragroup sales of finished goods.
(3) "Other external expenses" relate to sales shipment and marketing costs.

5.5. Other income and expenses

Other non-recurring income and expenses include 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) free 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.

	12 months to Dec. 31, 2016	*12 months to* Dec. 31, 2015
	€k	*€k*
Other income	8,759	4,631
Other expenses	(17,121)	(15,586)
Other income and expenses	**(8,361)**	**(10,955)**

Other income and expenses break down as follows:

		12 months to Dec. 31, 2016	*12 months to* Dec. 31, 2015
		€k	*€k*
Restructuring costs	(1)	338	(4,536)
Fixed assets depreciation	(2)	(1,327)	(1,356)
Acquisition costs		-	(171)
Others	(3)	(5,203)	(5,197)
Proceeds from sales of intangible assets	(4)	(1,670)	306
Provision for risk		(500)	-
Other expenses net		**(8,362)**	**(10,955)**

(1) Restructuring costs for a total amount of €338k for the year ended December 31, 2016 and €4,536k for the twelve months period ended December 31, 2015 are related to reorganizations and are mainly related to:

- Costs related to a new management structure in France (departure costs of executives and managers) of €2,158k as of December 31, 2015.
- The implementation of the Group's new warehouse to manage the products of its collections in the Paris region in 2016 and 2015 respectively for €258k and €912k.
- SMCP USA: in 2014, the Group replaced the local management team and initiated a reorganization of its activities in the United States. SMCP USA closed some of its stores, and a provision for restructuring was booked for an amount of € 2,179k as of December 31, 2014. As of December 31, 2016, and December 31 2015, this provision was partially reversed by the amount of €1,786k (See Note 6.12- Current and non-current provisions).

(2) The Group carried out an impairment test on its leasehold rights in France, resulting in the recognition of an impairment loss of €1,327k at December 31, 2016 and €1,028k at December 31, 2015.

(3) Other costs are mainly related to the project of sale of shares for €4,309k in 2016 and €4,413k in 2015.

(4) The net capital gains or losses realized on the sale of fixed assets correspond to the scrapping of the net book values of the fittings and the capital gains or losses on sale of lease rights for €-1,670k in 2016 and €306k in 2015.

5.6. 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).

Dividends are recognized when their payment is approved by the relevant governance bodies of the distributing entity.

The Group posted net financial expenses of €-58.7 million in the period ending December 31, 2016, and €-36.2 million at December 31, 2015. Net financial expenses mainly included:

- Bonds interest expenses (Bonds 2020) amounting to €-20.9 million and amortization of issuance cost of €8.3 million in 2016, and €-27.5 million in 2015;
- Bonds early repayment penalties (Bonds 2020) for €12.9 million as of December 31, 2016;

- Convertible bonds interests expenses (Convertible bonds 2023) amounting to €-10,6 million at December 31, 2016, and €-11.3 million at December 31, 2015;
- "Refinancing Proceeds Loan" interest expenses amounting to €-4.4 million as of December 31, 2016;
- Exchange gains on translation of foreign operations for €0.5 million in 2016, and €4.3 million in 2015.

5.7. Income tax

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.

Deferred taxes are recognized using the liability method with respect to temporary differences arising between the tax base of an asset or liability and its carrying amount in the consolidated financial statements. 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.

Tax provisions that could arise on transfers of non-distributable profits from subsidiaries are recognized only when there is a real intention to transfer such profits.

5.7.1. Income tax

Income tax includes the current tax expense for the period and deferred taxes arising on temporary differences:

	12 months to Dec. 31, 2016	*12 months to* Dec. 31, 2015
	€k	*€k*
Deferred tax	17,804	(1,630)
Current tax	(11,753)	(11,783)
Income tax expense	**6,051**	**(13,413)**

5.7.2. Deferred tax position

Further to the new French tax law regulation voted on December 30th 2016 the tax rate was reduced to 28.92% from 2020. 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 lead to a profit of €15.5 million recorded in the P&L of December.

a) Deferred taxes at December 31, 2016

€k	**Dec. 31, 2014**	**Change in the income statement**	**Change in other comprehensive income**	**Translation adjustments and other changes**	**Dec. 31, 2015**	**Change in the income statement**	**Change in other comprehensive income**	**Translation adjustments and other changes**	**Dec. 31, 2016**
Restatement of pensions liabilities	589	83	9	-	681	4	(54)		631
Elimination of internal gains and losses (margin on inventories)	9,169	256	-	(667)	8,758	2,469		(96)	11,131
Capitalization of tax losses carryforwards	8,513	(255)	-	479	8,737	(5,308)		80	3,509
Allocation of goodwill to trademarks and leasehold rights	(100,195)	394	-	-	(99,801)	16,177		(957)	(84,581)
Neutralization of start-up costs and acquisition costs	5,043	(1,672)	-	-	3,371	(1,317)		(2)	2,052
Neutralization of translation differences	(3,577)	(4,932)	-	1	(8,508)	8,277		1	(230)
Other restatements	(1,691)	4,496	94	125	3,023	(2,498)	(48)	922	1,399
Net deferred tax assets/(liabilities)	**(82,150)**	**(1,630)**	**103**	**(62)**	**(83,735)**	**17,804**	**(102)**	**(52)**	**(66,089)**

b) Tax proof

		Dec. 31, 2016 €k	Dec. 31, 2015
Profit/(loss) before tax		*27,784*	*21,304*
Statutory tax rate in France	(1)	**34.43%**	**38.00%**
Theoretical tax expense		**(9,566)**	**(8,096)**
Changes in tax rate	(2)	15,503	-
Difference in income tax rates applied to earnings in countries other than that of the consolidating entity		**1,220**	**2,974**
Tax deductibility and under-capitalization ceiling	(3)	(2,366)	(3,719)
Other effect		1,133	(587)
Differences between consolidated and taxable income, and income taxable	(4)	2,775	(478)
Income tax expense before CVAE tax on value added		**8,699**	**(9,906)**
CVAE tax on value added	(5)	(2,646)	(3,507)
Income tax expense		**6,051**	**(13,413)**

(1) At December 31, 2015 the standard tax rate in France takes into account 3.3 % of company social solidarity contribution and additional contribution (10.7%) for company with a turnover above €250 million. These two taxes are calculated on the basis of corporate tax (33.3%).

At December 31, 2016 the statutory tax rate in France only includes the 3.3% solidarity contribution on the basis of the standard corporate tax of 33.3%.

(2) In 2016, the impact of changes in tax rates on deferred tax resulted from the reduction in the tax rate in France passed in the 2017 budget act, which brings the tax rate to 28.92% starting in 2020. As a result, long-term deferred taxes – related to brands and leasehold rights – were revalued based on the rate applicable as of 2020.

(3) Of which €2.4 million at December 31, 2016 and €3.4 million at December 31, 2015 in respect of the tax deductibility ceiling for financial expenses ("*rabot fiscal*").

(4) At December 31, 2015, the use of unrecognized deferred tax assets of the period relates to SMCP USA. After generating a profit in 2013, the company recorded a significant loss in 2014 and to a lower extend in 2015 as a result of the restructuring undertaken in 2014 and continued in 2015. The Group decided not to activate the additional deficits until the restructuring was finalized and the company generates tax profits again.

At December 31, 2016, considering the earnings perspectives 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, 2016, the Group's cumulative tax losses carried forwards represented €9,474k of which deferred tax assets of € 3,509k and mainly included SMCP USA capitalized losses for an overall amount of €8,060k, representing a deferred tax asset of €3.224k.

Tax losses carried forward should be able to be used within a period of less than four years for the USA.

d) Unrecognized deferred tax assets

Unrecognized deferred tax assets are related to deferred taxes and temporary differences.

At December 31, 2016, all the deferred tax assets were recognized.

5.8. Earnings per share

Earnings per share corresponds to attributable net profit divided by the weighted average number of outstanding shares of the parent company during the reporting period.

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 profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding during the period with the dilutive effects of all potential ordinary shares, which includes stock options and free shares attributed to employees.

Earnings per share is calculated as follows:

	12 months to **Dec. 31, 2016**	*12 months to* **Dec. 31, 2015**
	€k	*€k*
Attributable net profit	33,834	7,891
Financial expense saving on conversion of debt instruments, net of tax	8,016	8,050
Attributable diluted net profit	**41,850**	**15,941**
Weighted number of shares (basic)	302,845,630	281,950,934
Weighted number of shares (diluted)*	427,845 630	406 950 934
Basic earnings/(loss) per share (€)	**0.1117**	**0.0280**
Diluted basic earnings/(loss) per share (€)**	**0.0978**	**0.0280**

** All the ordinary shares and preferred shares are held by SMCP Group S.A.S. as of December 31, 2016. The potential dilution is related to the potential conversion of the convertible bond (See Note 6.10.1.).*
*** In 2015, effect of the convertible bonds is not taken into account because it has a relutive effect.*

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 tables below illustrate changes in this item over the period presented:

€k	**Jan.1, 2016**	**Changes in scope**	**Impairment/ Reversals**	**Translation differences**	**Dec. 31, 2016**
Goodwill - gross value	336,775	-	-	155	336,930
Impairment	-	-	-	-	
Goodwill - net	**336,775**	**-**	**-**	**155**	**336,930**

€k	**Jan.1, 2015**	**Changes in scope**	**Impairment/ Reversals**	**Translation differences**	**Dec. 31, 2015**
Goodwill - gross value	336,279	-	-	497	336,775
Impairment	-	-	-	-	
		-	-		
Goodwill - net	**336,279**	**-**	**-**	**497**	**336,775**

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 2013-2017 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 reviewed by the Group's Corporate Development department together with some external independent real estate expert based on rental values per weighted square meter (regularly published by specialist bodies), an analysis 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, the term of the leases subject to leasehold rights ranges from 3 to 15 years. 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 sales, (ii) royalty rates, (iii) the long-term growth rate used to calculate terminal value and (iv) the discount rate.

The tables below illustrate changes in this item over the period presented:

€k	**Jan.1, 2016**	**Acquisitions**	**Disposals**	**Amortization (1)**	**Impairment**	**Foreign exchange differences**	**Other items (2)**	**Dec. 31, 2016**
Trademarks	236,000	-	-	-	-	-	-	236,000
Leasehold rights	119,030	2,276	(2,347)	-	-	(785)	(200)	117,974
Other intangible assets	6,653	8,029	(3,051)	-	-	25	2,070	13,725
Intangible assets	**361,683**	**10,305**	**(5,398)**	**-**	**-**	**(760)**	**1,870**	**367,700**
Impairment of trademarks	-	-	-	-	-	-	-	-
Amort./Impairment of leasehold rights	(4,743)	-	300	(3,097)	(1,327)	178	2	(8,687)
Amort./impairment of other intangible assets	(4,728)	-	3,050	(2,615)	-	(21)	1,243	(3,070)
Amort./impairment of intangible assets	**(9,471)**	**-**	**3,350**	**(5,712)**	**(1,327)**	**157**	**1,245**	**(11,757)**
Carrying amount of intangible assets	**352,213**	**10,305**	**(2,047)**	**(5,712)**	**(1,327)**	**(603)**	**3,116**	**355,942**

(1) As of December 31, 2016, amortizations are mainly related to foreign leasehold rights (key money) for €3,274k.
(2) Reclassifications from intangible assets in progress to intangible assets

At December 31, 2016 and December 31, 2015 the Group's three trademarks Sandro, Maje and Claudie Pierlot were valued for a total of €236 million.

€k	Jan.1, 2015	Acquisitions	Disposals	Amortization	Impairment	Foreign exchange differences	Other items	Dec. 31, 2015
Trademarks	236,000	-	-		-	-	-	236,000
Leasehold rights	116,198	1,787	(2,723)		-	463	3,306	119,030
Other intangible assets	8,543	1,987	(25)		-	(546)	(3,306) (1)	6,653
Intangible assets	**360,740**	**3,774**	**(2,747)**		**-**	**(83)**	**(0)**	**361,683**
Impairment of trademarks	-	-	-	-	-	-	-	-
Amort./Impairment of leasehold rights	(440)	-	110	(3,722)	(669) (2)	*4*	(27)	(4,743)
Amort./impairment of other intangible assets	(2,583)	-	19	(2,098)	-	(59)	(7)	(4,728)
Amort./impairment of intangible assets	**(3,023)**	**-**	**130**	**(5,820)**	**(669)**	**(55)**	**(34)**	**(9,471)**
Carrying amount of intangible assets	**357,717**	**3,774**	**(2,618)**	**(5,820)**	**(669)**	**(138)**	**(34)**	**352,213**

(1) Reclassifications from intangible assets in progress to intangible assets

(2) At December 31, 2015, depreciations were as follows:

- *French leasehold right: impairment for €1,028k of and reversal for €359k*
- *Leasehold right key money: amortization for €3,772k*

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 includes 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 tables below illustrates changes in this item over the year ended December 31, 2016 and the twelve-months period ended December 31, 2015 presented:

€k	**Jan. 1, 2016**	**Acquisitions**	**Disposals**	**Amortization**	**Impairment**	**Foreign exchange differences**	**Other items (1)**	**Dec. 31, 2016**
Land	-	-	-	-	-	-	-	-
Constructions	-	-	-	-	-	-	-	-
Technical fittings, equipment and industrial tools	3,214	445	(323)	-	-	-	21	3,357
Property, plant and equipment in progress	9,696	9,031	(7)	-	-	(30)	(11,304)	7,386
Advances and down payments on property, plant and equipment	150	751	-	-	-	(6)	(102)	793
Other property, plant and equipment	118,548	19,992	(6,992)	-	-	(697)	5,278	136,130
Property, plant and equipment	**131,608**	**30,218**	**(7,322)**	**-**	**-**	**(733)**	**(6,106)**	**147,665**
Depr./impairment of construction	-	-	-	-	-	-	-	-
Depr./impairment of technical fittings, equipment and industrial tools	(1,806)	-	323	(589)	-	-	-	(2,072)
Depr./impairment of other property, plant and equipment and sundry general fixtures and fittings	(60,694)	-	6,219	(28,992)	1,271	173	1,480	(80,542)
Impairment of advances and down payments on property, plant and equipment	-	-	-	-	-	-	-	-
Depr./impairment of property, plant and equipment	**(62,500)**	**-**	**6,542**	**(29,581)**	**1,271**	**173**	**1,480**	**(82,614)**
Carrying amount of property, plant and equipment	**69,109**	**30,218**	**(780)**	**(29,581)**	**1,271**	**(560)**	**(4,627)**	**65,051**

(1) Mostly reclassifications from tangible assets in progress to tangible assets

€k	**Jan. 1, 2015**	**Acquisitions**	**Disposals**	**Amortization**	**Impairment**	**Foreign exchange differences**	**Other items (1)**	**31/12/2015**
Land	-	-	-	-	-		-	-
Constructions	50	-	-	-	-	-	(50)	-
Technical fittings, equipment and industrial tools	3,179	245	(210)	-	-	-	-	3,214
Property, plant and equipment in progress	2,401	8,344	-	-	-	16	(1,065)	9,696
Advances and down payments on property, plant and equipment	137	661	(5)	-	-	7	(649)	150
Other property, plant and equipment	91,154	24,247	(3,141)	-	-	4,524	1,764	118,548
Property, plant and equipment	**96 920**	**33,498**	**(3,356)**	**-**	**-**	**4 547**	**(0)**	**131 608**
Depr./impairment of construction	(8)	-	-	-	-	-	8	-
Depr./impairment of technical fittings, equipment and industrial tools	(1,369)	-	127	(564)	-	-	-	(1,806)
Depr./impairment of other property, plant and equipment and sundry general fixtures and fittings	(31,442)	-	1,589	(29,465)	913	(2,279)	(9)	(60,694)
Impairment of advances and down payments on property, plant and equipment	-	-	-	-	-	-	-	-
Depr./impairment of property, plant and equipment	**(32,819)**	**-**	**1,716**	**(30,029)**	**913**	**(2,279)**	**(1)**	**(62,500)**
Carrying amount of property, plant and equipment	**64,102**	**33,498**	**(1,641)**	**(30,029)**	**913**	**2,267**	**(1)**	**69,109**

Most of the acquisitions over the year ended December 31, 2016 and the twelve-months period ended December 31, 2015 are related to investments in distribution networks (store layouts).

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 (regularly published 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 amount, 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. Impairment test on trademarks

On October 10, 2016, TopSoho S.A.S. acquired the entire share capital of SMCP S.A.S. through its subsidiary SMCP Group S.A.S. in accordance with IFRS 3 – Business Combinations. SMCP S.A.S. trademarks were recognized at their fair value at the acquisition date.

In this context, the fair value estimate of the three brands acquired (Sandro, Maje and Claudie Pierlot) was determined using the sales royalties method based on the 2016-2020 business plan, with a royalty rate between 4.5% 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 is estimated at € 600 million, corresponding to an additional € 364 million compared to the amount recognized in the SMCP S.A.S. balance sheet. This confirms that no trademarks depreciation is necessary at December 31, 2016.

6.3.2. Impairment test on leasehold rights

Main hypothesis

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.

Leasehold rights impairment tests results

The Group identified and recorded an impairment loss on leasehold rights in France for €1,327k at December 31, 2016 and €1,028k at December 31, 2015.

6.3.3. Goodwill impairment test

On October 10, 2016, TopSoho S.A.S. acquired the entire share capital of SMCP S.A.S. through its subsidiary SMCP Group S.A.S. in accordance with IFRS 3 – Business Combinations. A residual goodwill was recognized for an amount of €630,071k, which corresponds to an additional €293,141k compared to the € 336,930k goodwill carried by SMCP S.A.S. This confirms that no goodwill impairment is required at December 31, 2016.

6.3.4. Property, plant and equipment impairment test

At December 31, 2014, the Group recognized an impairment of €2,916k. This impairment was reversed for €1,271k at December 31, 2016 and €913k at December 31, 2015. (See Note 5.5. - Other non-current income and expenses).

6.4. Financial assets

Financial assets amounted to €15,105k at December 31, 2016 and €12,640k at December 31, 2015 and mainly relate to loans, deposits and pledged mutual funds.

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.

Impairment rules for collections from past seasons are as follows:

- A new collection is launched every six months (autumn-winter and spring-summer).
- The current collection (Y) and the collections for the last two seasons (Y-1 and Y-2) are not impaired.
- Finished goods together with raw material inventories related to Y-3 are impaired based on a rate of 50%.
- Finished goods together with raw material inventories related to Y-4 are impaired based on a rate of 75%.
- Finished goods together with raw material inventories related to older collections are impaired based on a rate of 95%.

The following table represents the changes that occurred during the year ended December 31, 2016 and the twelve months period ended December 31, 2015:

	Dec. 31, 2016 *€k*			Dec. 31, 2015 *€k*		
	Gross value	**Impairment**	**Carrying amount**	**Gross value**	**Impairment**	**Carrying amount**
Raw materials and other supplies	25,438	(3,789)	21,649	23,262	(2,623)	20,639
Finished products	130,471	(5,068)	125,403	106,644	(1,542)	105, 102
Total inventories	**155,909**	**(8,857)**	**147,052**	**129,906**	**(4,165)**	**125,741**

The allowance for impairment of inventories reflects the technical and stylistic obsolescence of the Group’s inventories at December 31, 2016, and December 31, 2015.

	Dec. 31, 2016	Dec. 31, 2015
	€k	*€k*
Cumulative impairment at the beginning of the period	**(4,165)**	**(2,268)**
Impairment	(8,009)	(2,631)
Reversals	3,316	764
Foreign exchange differences	-	(30)
Cumulative impairment at the end of the period	**(8,857)**	**(4,165)**

6.6. Trade receivables

Trade receivables are initially recognized at their fair value. Subsequent measurement takes account of the probability that the receivables will be collected and a specific write-down is recorded for any doubtful receivables, as follows:

- disputed receivables are written down when there is certain and specific evidence showing that the receivables will not be collected;

- rite-downs 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	Jan. 1, 2016	Changes in gross value	Impairment	Reversals	Translation adjustment	Dec. 31, 2016
Trade receivables	36,159	6,510	-	-	(511)	**42,158**
Provisions for impairment	(418)	-	(15)	17	-	**(416)**
Trade receivables, net	**35,741**	**6,510**	**(15)**	**17**	**(511)**	**41,742**

€k	Jan. 1, 2015	Changes in gross value	Impairment	Reversals	Translation adjustment	Dec. 31, 2015
Trade receivables	31,400	4,404	-	-	355	**36,159**
Provisions for impairment	(380)	-	(185)	147	-	**(418)**
Trade receivables, net	**31,020**	**4,404**	**(185)**	**147**	**355**	**35,741**

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, 2016, other receivables totaled €27,436k and primarily included tax receivables for €7,401k, 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 €4,390k.

At December 31, 2015, other receivables totaled €34,460k and primarily included tax receivables for €17,253k, 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 €5,364k.

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, 2016, consolidated cash and cash equivalents net of current bank overdrafts amounted to €54,236k, and amounted to €12,588k at December 31, 2015:

	Dec. 31, 2016 *€k*	**Dec. 31, 2015** *€k*
Cash and cash equivalents	55,460	27,149
Current bank overdrafts	(1,224)	(14,560)
Cash net of current bank overdrafts	**54,236**	**12,588**

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 April 21, 2016, Soho Holding France S.A.S. subscribed the full capital increase of SMCP S.A.S. for a total amount of €9,032,432, used to create a new category of preferred shares E and F.

On October 10, 2016, TopSoho S.A.S. acquired the entire share capital of SMCP S.A.S. through its subsidiary SMCP Group S.A.S.

At December 31, 2016, the Company's share capital, fully subscribed and paid up, amounted to €93,617,712, representing 312,059,039 shares with a par value of € 0.30 each.

At December 31, 2016, SMCP Group S.A.S. owned the entire share capital of SMCP S.A.S.

Shareholders	31/12/2015							31/12/2016								
	Ordinary shares	Preferred shares A	Preferred shares B	Preferred shares D	Number of shares	Shares capital composition (€)	% share capital	Ordinary shares	Preferred shares A	Preferred shares B	Preferred shares D	Preferred shares E	Preferred shares F	Number of shares	Shares capital composition (€)	% share capital
Soho Holding France S.A.S.	987,588		194,936,729	750	**196,674,317**	**59,002,295**	*69.75%*									
Manco 1		1,546,521	2,645,019		**4,191,540**	**1,257,462**	*1.49%*									
Manco 2	411,161				**411,161**	**123,348**	*0.15%*									
Executives	480,528	30,907,676	48,143,954	1,141,758	**80,673,916**	**24,202,175**	*28.61%*									
SMCP Group S.A.S.								1,879,277	32,454,197	245,725,702	1,891,758	20,800,000	9,308,105	**312,059,039**	**93,617,712**	*100.00%*
Share capital	**1,879,277**	**32,454,197**	**245,725,702**	**1,891,758**	**281,950,934**	**84,585,280**	**100.00%**	**1,879,277**	**32,454,197**	**245,725,702**	**1,891,758**	**20,800,000**	**9,308,105**	**312,059,039**	**93,617,712**	**100.00%**

6.9.2. Rights attached to shares

o *Voting rights attached to shares*

Each Ordinary Share and preferred Share B, D, E and F shall have, from its issuance, a voting right proportional to the percentage of capital they represent. Preferred Shares A and C are deprived of voting rights. No Shares C were issued.

o *Financial rights attached to shares*

The preferred Shares A, B, D, E and F are entitled to a cumulative annual statutory dividend calculated on a daily basis and applying an annual rate of 8%, compared to any Ordinary Share, on all dividend distributions (including interim dividends).

6.10. Net financial debt

Each quarter, the Group calculates consolidated net debt for the purpose of the aforementioned consolidation net debt ratio, as follows:

	Notes	Dec. 31, 2016 €k	Dec. 31, 2015 €k
Cash and cash equivalents		55,460	27,149
Current bank overdrafts		(1,224)	(14,560)
Cash net of current bank overdrafts		**54,236**	**12,588**
Short-term borrowings and debt		-	(32,500)
Loans from credit institutions		-	(1,500)
Other loans and borrowings		(90)	(2,014)
Accrued interests on bonds (2020)		-	(11,410)
Net operating debt		**54,146**	**(34,836)**
Bonds (2020)	6.10.4	-	(280,075)
Convertible bonds (2023)	6.10.1	(132,029)	(151,999)
Bonds "Proceeds Loan" (2023)	6.10.2	(343,005)	-
Bonds "Intra-group Loan" (2017)	6.10.3	(6,022)	-
Consolidated net debt		**(426,910)**	**(466,910)**

The breakdown of consolidated net financial debt between non-current and current is as follows:

€k	Non-current liabilities			Current liabilities			Cash and cash equivalents	Net financial debt
	Fair value	Accrued interests	Total	Fair value	Accrued interests	Total		
Cash and cash equivalents	-	-	-	-	-	-	55,460	55,460
Current bank overdrafts	-	-	-	(1,224)	-	(1,224)	-	(1,224)
Cash net of current bank overdrafts	**-**	**-**	**-**	**(1,224)**	**-**	**(1,224)**	**55,460**	**54,236**
Other loans and borrowings	(90)	-	(90)	-	-	-	-	(90)
Net operating debt	**(90)**	**-**	**(90)**	**(1,224)**	**-**	**(1,224)**	**55,460**	**54,146**
Convertible bonds (2023)	(114,393)	(5,385)	(119,778)	(12,251)	-	(12,251)	-	(132,029)
Proceeds Loan (2023)	(314,443)	-	(314,443)	(26,883)	(1,679)	(28,562)	-	(343,005)
Intra-group Loan (2017)	-	-	-	(6,000)	(22)	(6,022)	-	(6,022)
Consolidated net debt	**(428,926)**	**(5,385)**	**(434,311)**	**(46,358)**	**(1,701)**	**(48,059)**	**55,460**	**(426,910)**

6.10.1. Convertible Bonds 2023

On June 20, 2013, SMCP S.A.S. issued Convertible Bonds for a total amount of €125,000k, with a par value of €1.00 each. The convertible bonds are redeemable at maturity in 2023. They carry a 8% interest rate, capitalized on an annual basis, payable on the maturity date.

These obligations were fully subscribed by KKR Retail Partners (Luxembourg) & Cy S.C.A. On April 21, 2016, capitalized interest were settled for a total amount of €30,579k. At the same date, the Bonds were transferred to Soho Holding France S.A.S., then to SMCP Group S.A.S. by way of universal transfer of its assets and liabilities ("*transmission universelle de patrimoine*").

The holder of the Convertible Bonds may exercise the conversion option on the occurrence of certain events, including the admission of the Company securities to listing on a regulated market of securities and until the 30th day before the date of the conversion, maturity of the convertible bonds. Each convertible bond is entitled to one preference share for a nominal amount of €0.30 and a premium of €0.70 (i.e. a total subscription price of €1). Preferred shares are entitled, subject to certain conditions, to a priority dividend and a priority payment right equal to the subscription price plus any dividend not paid. Upon conversion, the financial liability will be reclassified to equity and no gain or loss will be recognized.

In the occurrence of these events, the holder of the 2023 Convertible Bonds may also request the redemption of his securities at a price of 1 euro per security plus accrued interest.

The accrued interest on convertible bonds amounts to €5,385k and €6,199k respectively for the year ended December 31, 2016 and the twelve months period ended December 31, 2015. These interests increased the financial debt recorded, which amounted respectively to €126,644k and €145,800k at December 31, 2016 and at December 31, 2015.

6.10.2. Refinancing Proceeds Loans ("Proceeds loans")

Following the acquisition of the Group by Shandong Ruyi on October 10, 2016, the Company issued two Loans 2022 ("the Floating Rate Proceeds Loan") and 2023 ("the Fixed Rate Proceeds Loan") for respectively €72,470k redeemable at maturity on November 1, 2022 and €268,856k redeemable at maturity on May 1, 2023 to SMCP Group S.A.S.

These Bonds were used by the Company for the early repayment of its High Yield Bond (See Note 6.10.4. – Senior secured notes (Bonds 2022 and 2023)).

Interests on the 2022 Loan ("Floating Rate Proceeds Loan") are calculated at a per annum rate equal to EURIBOR + 6.00%, payable quarterly on February 1, May 1, August 1 and November 1 of each year.

The accrued interests on the 2022 Loan ("Floating Rate Proceeds Loan") amounted to €372k as of December 31, 2016.

Interests on the 2023 Loan ("Fixed Rate Proceeds Loan") are calculated at a per annum rate equal to 5.875%, payable each half-year on May 1 and November 1.

The accrued interests on the 2023 Loan ("Fixed Rate Proceeds Loan") amounted to €1,307k as of December 31, 2016.

6.10.3. Inter-company €8 million Loan

Following the Group acquisition by Shandong Ruyi on October 10, 2016, the Company issued an intragroup Loan for €8 million, redeemable at maturity on October 9, 2017, subscribed by SMCP Group

S.A.S. The interest rate equals to 1.5% per annum and the interests are due in fine. On November 1, 2016, €2 million were redeemed.

At December 31, 2016, accrued interests on this intragroup Loan amounted to €22k.

6.10.4. Senior Secured Notes (Bonds 2020)

On September 16, 2013, the Company issued Senior Secured Notes for €290 million, redeemable at maturity on June 15, 2020. The interest rate was equal to 8.875% and cash interests were paid biannually on February 1 and August 1 of each year. These 2020 Notes were admitted to trading on the Euro MTF market in Luxembourg.

These Notes were early redeemed with an early payment penalty for €12.9 million on October 10, 2016, on the Group acquisition date.

6.11. 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 tables below illustrate changes in this item over the period presented:

€k	Jan. 1, 2016	Additions	Reversals (utilized provisions)	Reversals (surplus provisions)	Foreign exchange differences	Other comprehensive income	Other	Dec. 31, 2016
Provisions for disputes	61	-	-	-	-	-	(61)	-
Provisions for contingencies	-	460	(122)	-	(9)	-	(121)	208
Provisions for pension liabilities	2,105	512	(303)	-	-	(211)	-	2,103
Other provisions for contingencies and charges	104	159	(104)	-	8	-	-	167
Total non-current provisions	**2,270**	**1,131**	**(529)**	**-**	**(2)**	**(211)**	**(182)**	**2,478**
Provisions for disputes	1,027	1,727	(536)	-	0	-	61	2,279
Provisions for contingencies	1,979	917	(1,786)	-	(58)	-	122	1,175
Other provisions for contingencies and charges	-	-	-	-	-	-	-	-
Total current provisions	**3,006**	**2,644**	**(2,322)**	**-**	**(58)**	**-**	**183**	**3,454**

€k	Jan. 1, 2015	Additions	Reversals (utilized provisions)	Reversals (surplus provisions)	Foreign exchange differences	Other comprehensive income	Other	Dec. 31, 2015
Provisions for disputes	14	70	(22)	(1)	-	-	-	61
Provisions for contingencies	-	-	-	-	-	-	-	-
Provisions for pension liabilities	1,549	559	(44)	-	-	41	-	2,105
Other provisions for contingencies and charges	238	30	(179)	-	15	-	-	104
Total non-current provisions	**1,801**	**659**	**(245)**	**(1)**	**15**	**41**	**-**	**2,270**
Provisions for disputes	1,124	466	(484)	(80)	1	-	-	1,027
Provisions for contingencies	2,381	-	(663)	-	262	-	-	1,979
Other provisions for contingencies and charges	-	-	-	-	-	-	-	-
Total current provisions	**3,505**	**466**	**(1,147)**	**(80)**	**262**	**-**	**-**	**3,006**

As of December 31, 2014, SMCP USA made a provision for restructuring of € 2,179k. This was partially used as at December 31, 2015 and December 31, 2016 (see Note 5.5.). Provisions for disputes include provisions for litigations and tax audits.

6.12. 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, 2016.

The liability reflects the conditions for retirement under the collective bargaining agreement and takes into account 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, unless plan amendments are conditional on the employees remaining in service for a specified period of time (vesting period). In this case, past service costs are amortized on a straight-line basis over the vesting period.

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% for managerial-grade staff and supervisors and 1% for other employees;
- 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 1.5% and a discount rate scale up to 1.5% in 2016 and 2.0% in 2015.

	Dec. 31, 2016	Overhead costs *	Dec. 31, 2016 adjusted *	Dec. 31, 2015
	€k	*€k*	*€k*	*€k*
Projected benefit obligation at the beginning of the period	**2,105**		**2,105**	**1,549**
Changes in scope	-	-	-	-
Current service cost	179	350	529	488
Estimated interest cost	30	6	36	26
Other comprehensive income	(211)	(21)	(232)	42
Projected benefit obligation	2,103	335	2,438	2,105
Liability recognized on the statement of financial position	**2,103**	**335**	**2,438**	**2,105**
Service cost	**179**	**350**	**529**	**488**
Current service cost	179	350	529	488
Net interest cost	**30**	**6**	**36**	**26**
Interest cost	30	6	36	26
Net cost for the period	**209**	**356**	**565**	**514**

** Adjusted for commitments on SMCP S.A.S. staff transferred to SMCP Group S.A.S. at November 1, 2016, See. Note 4.2.1 - The Group's operating segments*

6.13. Other liabilities

Other liabilities amounting to €56,898k at December 31, 2016 and €58,691k at December 31, 2015 are mainly composed of taxes, duties and other payroll-related liabilities totaling €41,645k and €49,980k respectively.

6.14. 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.

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 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	Dec. 31, 2016		Dec. 31, 2015	
				€k		€k	
				Carrying amount	Fair value	Carrying amount	Fair value
Pledged assets (**)		FV P&L	**	689	689	725	725
Loans and receivables		L&R	*	14,416	14,416	11,915	11,915
Non-current financial assets	6.4			**15,105**	**15,105**	**12,640**	**12,640**
Other non-current assets		L&R	*	**526**	**526**	**423**	**423**
Trade receivables	6.6	L&R	*	**41,742**	**41,742**	**35,741**	**35,741**
Derivative instruments eligible for hedge accounting		FV OCI/ FV P&L	2	992	992	686	686
Other derivative instruments not eligible for hedge accounting		FV P&L	2	5	5	54	54
Other current financial assets		L&R		**-**	**-**	**15**	**15**
Cash and cash equivalents	6.8	L&R	*	**55,460**	**55,460**	**27,149**	**27,149**
Bonds (2020)	6.10	Amortized costs	2	**-**	**-**	**280,075**	**311,460**
Convertible bonds (2023)	6.10	Amortized costs	2	**119,778**	**124,912**	**151,999**	**163,247**
Fixed rate Senior Secured Notes (2023)	6.10	Amortized costs	2	**241,973**	**247,370**	**-**	**-**
Floating rate Senior Secured Notes (2022)	6.10	Amortized costs	2	**72,470**	**74,144**	**-**	**-**
Other financial liabilities		Amortized costs	*	**90**	**90**	**1,556**	**1,556**
Accrued interests on bonds		FV P&L	2	-	-	-	-
Accrued interests on fixed rate Senior Secured Notes (2023)	c	Amortized costs	*	1,307	1,307	-	-
Accrued interests on floating rate Senior Secured Notes (2022)	c	Amortized costs	*	372	372	-	-
Accrued interests on intra-group loan (2017)		Amortized costs	*	22	22	-	-
Other accrued interests		Amortized costs	*	0	0	13,368	13,368
Interest-bearing liabilities (current)	6.10			**1,701**	**1,701**	**13,368**	**13,368**
Trade and other payables		Amortized costs	*	**98,630**	**98,630**	**79,911**	**79,911**
Bank overdrafts		Amortized costs	*	1,224	1,224	14,560	14,560
Convertible bonds (2023)		Amortized costs	*	12,251	12 801		
Fixed rate part of the “Proceeds Loan” (2023)		Amortized costs	*	26,883	27 483		
Fixed rate part of the “Intra-group Loan” (2017)		Amortized costs	*	6,000	6 036	32,500	32,500
Bank overdrafts and short-term borrowings and debt	6.10			**46,358**	**47 544**	**47,060**	**47,060**
Derivative instruments eligible for hedge accounting		FV OCI/ FV P&L	2	818	818	701	701
Other derivative instruments not eligible for hedge accounting		FV P&L	2	9	9	9	9
Other liabilities				**827**	**827**	**710**	**710**

Abbreviations used:

Loans and receivables	*L&R*
Fair value of other comprehensive income in comprehensive	*FV OCI*
Fair value on the income statement	*FV P&L*

* *The fair value is not provided since the net book value represents a reasonable estimate of their fair value.*

** *Refers to pledged mutual fund whose fair value is disclosed by the issuing bank (using Level 1 of the fair value hierarchy).*

At December 31, 2016, and December 31, 2015 the fair value of convertible bonds and derivative instruments were estimated based on their market value, taking into account changes in credit risk of the

Group (using Level 2 of the fair value hierarchy in accordance with IFRS 13, by reference to recent transactions between knowledgeable, willing parties in an arm's length transactions).

6.15. Financial instruments and market risk management

6.15.1. 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.

6.15.2. Foreign exchange risk

A significant portion of the Group’s net sales (34.8% during the twelve month period ended December 31, 2016) is made 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 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 forward 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 concerned currency.

6.15.3. Interest rate risk

The Group's main financing is through long-term borrowings established during the acquisition closing driven by Shandong Ruyi. This borrowing is composed of two lines: one of €268,856k with a fixed rate of 5.875% due in 2023 and the other one of €72,470k due in 2022 with a floating rate indexed to EURIBOR plus 6%. These borrowings have been recorded in 2016 at an average rate of 5.902%.

Short-term refinancing facilities are at floating rates indexed to Euribor.

6.15.4. Sensitivity to interest rate risk

Based on the Group's financial commitments at December 31, 2016, a 0.5% rise in interest rates would have a negative impact of €88k.

6.15.5. 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, measured by reference to an active market (Level 2). 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 identifies certain derivative financial instruments as hedges of a particular risk associated with a recognized liability or a highly-probable future transaction (cash flow hedging).

Derivative financial instruments: spread between financial assets and liabilities of fair value hedge (in € at December 31, 2016)

€	Positive Fair value	Negative Fair Value	Net Fair Value
Terms	814,371	(600,665)	213,706
Options	178,916	(228,448)	(49,532)
Total	**993,287**	**(829,114)**	**164,174**

Derivative financial instruments: spread between financial assets and liabilities of fair value hedge (in € at December 31, 2015)

€	Positive Fair value	Negative Fair Value	Net Fair Value
Terms	893,963	(776,738)	117,224
Options	396,864	(483,904)	(87,039)
Total	**1,290,827**	**(1,260,642)**	**30,185**

At the inception of the transaction, the Group documents the relationship between the hedging instrument and the hedged item, as well as its risk management objectives and hedging strategy. At the inception of the hedge and on an ongoing basis, the Group also documents its assessment of whether the derivatives used are highly effective in offsetting changes in fair values or cash flows of hedged items.

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.

Derivative financial instruments: impact by hedge type, notional values and fair values (in € at December 31, 2016)

Type of impact	Hedge type	USD Export	GBP Export	CHF Export	HKD Export	CNY Import	CAD Export	NOK	Dec. 31, 2016
OCI impacts	CFH	(256,690)	507,748	(51,297)	(21,187)	40,807	(41,816)		**177,565**
P&L impacts	FVH total	34,146	147,592	(866)	3,069	32,933	10,400	(1,674)	**225,599**
P&L impacts	CFH	(30,739)	(67,655)	4,294	(1,660)	(126,387)	(12,524)		**(234,671)**
P&L impacts	Trading	(375)	4,457	(903)		(7,500)			**(4,320)**
	Total in €	**(253,658)**	**592,142**	**(48,772)**	**(19,778)**	**(60,147)**	**(43,940)**	**(1,674)**	**164,174**
Position (in million currencies)		10.95	27.30	12.21	151.55	70.50	4.23	12.7	

Derivative financial instruments: impact by hedge type, notional values and fair values (in € at December 31, 2015)

Type of impact	Hedge type	USD Export	GBP Export	CHF Export	HKD Export	CNY Import	CAD Export	NOK	SGD	SEK	Dec. 31, 2015
OCI impacts	CFH	(15,357)	364,858	73,719	(74,509)	(314,752)					**33,959**
P&L impacts	FVH total	(122,327)	175,282	39,970	(9,492)	(73,872)	10,007	28,715	(14,875)	(3,812)	**29,597**
P&L impacts	CFH	(14,134)	(10,622)	28,906	(20,680)	(60,801)					**(77,331)**
P&L impacts	Trading	12,985	32,388	927	(1,758)	(581)					**43,961**
	Total in €	**(138,834)**	**561,906**	**143,522**	**(106,439)**	**(450,005)**	**10,007**	**28,715**	**(14,875)**	**(3,812)**	**30,185**
Position (in million currencies)		1.85	19.48	67.05	106.1	129.31	18.26	2.69	13.5	3.45	

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 U.S. dollar 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 reporting 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.

Dec. 31, 2016	Equity		Income statement	
€k	*Increase*	*Decrease*	*Increase*	*Decrease*
USD (+/-10% change)	(683)	180	(404)	391
GBP (+/-10% change)	(1,868)	2,938	(639)	719
CHF (+/-10% change)	(1,005)	918	(162)	138
HKD (+/-10% change)	(58)	16	(1,810)	1,813
CNY (+/-10% change)	517	(369)	214	(544)
CAD (+/-10% change)	(226)	143	(115)	110
SGD (+/-10% change)	-	-	-	-
NOK (+/-10% change)	-	-	(141)	138
SEK (+/-10% change)	-	-	-	-
Net cash flow sensitivity	**(3,323)**	**3,825**	**(3,057)**	**2,765**

Dec. 31, 2015	Equity		Income statement	
€k	*Increase*	*Decrease*	*Increase*	*Decrease*
USD (+/-10% change)	(48)	(18)	(1,198)	918
GBP (+/-10% change)	(1,033)	1,930	(1,797)	1,946
CHF (+/-10% change)	(830)	1,014	(826)	930
HKD (+/-10% change)	(704)	559	(1,396)	1,285
CNY (+/-10% change)	914	(1,558)	(752)	363
CAD (+/-10% change)	-	-	(20)	40
SGD (+/-10% change)	-	-	(188)	158
NOK (+/-10% change)	-	-	(160)	218
SEK (+/-10% change)	-	-	(41)	34
Net cash flow sensitivity	**(1,702)**	**1,927**	**(6,378)**	**5,890**

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. 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, 2016.

Dec. 31, 2016	Equity		Income statement	
€k	*Increase*	*Decrease*	*Increase*	*Decrease*
USD (+/-10% change)	1,970	(1,236)	(44)	(378)
GBP (+/-10% change)	526	(378)	(22)	18
HKD (+/-10% change)	163	(127)	84	(785)
CNY (+/-10% change)	462	(448)	1,021	(836)
Sensitivity to exchange rate	**3,121**	**(2,189)**	**1,040**	**(1,981)**

6.15.6. 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, 2016, the Group had access to non-confirmed credit lines of €39.9 million, drawn for €1.2 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 at December 31, 2016 and at December 31, 2015.

At December 31, 2016, the Group's debt mainly comprised the €269 million ("Refinancing Proceeds Loans"), 5.875% senior secured notes due in 2023 and the €72 million, EURIBOR plus 6% due in 2022. These borrowings were subscribed on October 10, 2016, for the acquisition of SMCP S.A.S. by Shandong Ruyi.

€k	2017	2018	2019	2020	2021	> 5 years	Total
Convertible bonds (2023)*						253,264	253,264
Fixed rate Senior Secured Notes (2023)						268,856	268,856
Paid interests on Fixed rate Senior Secured Notes (2023)	16,015	16,015	16,015	16,059	16,015	21,280	101,397
Floating rate Senior Secured Notes (2022)						72,470	72,470
Paid interests on Floating rate Senior Secured Notes (2022)	4,409	4,409	4,409	4,409	4,421	3,684	25,739
Intra-group loan (2017)	6,000						6,000
Paid interests on Intra-group loan (2017)	68						68
Other loans and borrowings	90						90
Bank overdrafts and short-term borrowings and debt	46,358						46,358
Gross financial debt	**72,940**	**20,423**	**20,423**	**20,467**	**20,435**	**619,554**	**774,243**
Trade and other payables	98,630						98,630
Other liabilities**	56,898						56,898
Other financial liabilities	**155,528**	**-**	**-**	**-**	**-**	**-**	**155,528**
Total financial liabilities at December 31, 2016	**228,468**	**20,423**	**20,423**	**20,467**	**20,435**	**619,554**	**929,770**

** Including capitalized interest of €128 million.*
***Including €829k of liabilities derivative instruments.*

€k	2016	2017	2018	2019	2020	> 5 years	Total
Bonds (2020)					290,000		290,000
Accrued interests on bonds	25,738	25,738	25,738	25,738	22,449		125,401
Convertible bonds (2023)*						269,865	269,865
Other loans and borrowings	2,980	505				45	3,530
Bank overdrafts and short-term borrowings and debt	47,060						47,060
Gross financial debt	**75,778**	**26,243**	**25,738**	**25,738**	**312,449**	**269,910**	**735,856**
Trade and other payables	79,911						79,911
Other liabilities**	58,691						58,691
Other financial liabilities	**138,602**	**-**	**-**	**-**	**-**	**-**	**138,602**
Total financial liabilities at December 31, 2016	**214,380**	**26,243**	**25,738**	**25,738**	**312,449**	**269,910**	**874,458**

** Including capitalized interest of €145 million.*
*** Including €1,260 of liabilities derivative instruments.*

6.15.7. 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

	Dec. 31, 2016	Dec. 31, 2015
	€k	*€k*
Sureties	2,213	2,323
Undrawn credit lines	38,675	83,800
Commitments received	**40,888**	**86,123**

7.2. Commitments given

	Dec. 31, 2016	Dec. 31, 2015
	€k	*€k*
Letters of credit	15,267	8,280
Pledge of commercial property **(1)**	-	39,552
Guarantee commitments	13,920	10,865
Commitments given	**29,187**	**58,697**

(1) Following its acquisition by Shandong Ruyi, the Group has cancelled all of its pledges.

Commitments given under operating leases at December 31, 2016 and at December 31, 2015 are as follows:

	Dec. 31, 2016	Dec. 31, 2015
	€k	*€k*
Operating leases	**235,461**	**235,633**
Less than one year	66,038	58,461
From 1 to 5 years	160,466	124,002
Over 5 years	26,957	53,171

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)**	
	Dec. 31, 2016	**Dec. 31, 2015**	**Dec. 31, 2016**	**Dec. 31, 2015**
France	2,053	2,107	2,122	1,908
Europe (except France)	1,124	956	1,070	776
America	501	429	456	353
Asia	564	384	547	374
Total headcount	**4,242**	**3,876**	**4,195**	**3,411**

(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 indicates 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

Pursuant to Article R233-14 §17 of the French Commercial Code, the fees paid to auditors at December 31, 2016 and December 31, 2015 amounted to € 876k and € 2,011k respectively. It was broken down as follows:

Statutory audit of the consolidated financial statements of SMCP S.A.S. and its subsidiaries:

	12 months to **Dec. 31, 2016**	*12 months to* **Dec. 31, 2015**
	€k	*€k*
KPMG	440	986
E&Y	436	1,025
Total fees *	**876**	**2,011**

** Including € 1,118k of audit procedures related to the sale of shares at December 31 2015.*

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 (as of October 10, 2016)

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 ») and (b) companies directly or indirectly controlled by KKR

a) Transactions with KKR

KKR billed the Group a management fee of €250k in respect with 2016 fiscal year and €500k in respect 2015 fiscal year.

The €125,000k convertible bonds, fully subscribed by KKR, carried capitalized interest for a total of €30,579k, which were repaid on April 21, 2016.

The convertible bonds were then transferred to Soho Holding S.A.S.

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 € 1,712k.

b) Transactions with companies directly or indirectly controlled by KKR

KKR Capstone, an entity owned by KKR, invoiced the Group for €583k in advisory fees in respect with 2015 fiscal year.

8.3.2. Transactions with companies that control the Group (from October 10, to December 31, 2016)

Following the acquisition of the Group by SMCP Group indirectly through Soho Holding France S.A.S., SMCP Group S.A.S. merged with Soho Holding France S.A.S. via a universal transfer of assets and liabilities, which held bonds convertible into shares for €125,000k. These bonds convertible into shares carried capitalized interest for a total of €7,029k between April 22, 2016 and December 31, 2016.

SMCP Group S.A.S. issued as of October 10, 2016 three debts subscribed by SMCP S.A.S. which carried interest capitalized in 2016 for a total of:

- Fixed Rate Proceeds Loan for €268,856k: €1,307k
- Floating Rate Proceeds Loan for €72,470k: €372k
- Intra-company Loan € 8,000k: €22k

8.3.3. 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, 2016 and at December 31, 2015 as shown below:

	Dec. 31, 2016 (12 months)			
	Consultancy services	**Executive management services**	**Rental charges**	**Affiliation agreements**
	(1) *€k*	**(2)** *€k*	**(3)** *€k*	**(4)** *€k*
Evelyne Chétrite SASU, managed by Evelyne Chétrite	344	1,701		
Judith Milgrom SASU, managed by Judith Milgrom	375	2,150		
SCI MAJ, managed by Alain Moyal and Judith Milgrom			663	
Company managed by Lévana Gampel, daughter of Judith Milgrom				755
Total for the period	**719**	**3,856**	**663**	**755**
Total transactions for the period		**5,992**		

	Dec. 31, 2015 (12 months)				
	Consultancy services	**Termination benefits**	**Executive management services**	**Rental charges**	**Affiliation agreements**
	(1) *€k*	**(2)** *€k*	*€k*	**(3)** *€k*	**(4)** *€k*
Company Elie Kouby SASU, managed by Elie Kouby	*785*	*398*			
Company Evelyne Chétrite SASU, managed by Evelyne Chétrite	*250*		*705*		
Company Judith Milgrom, managed by Judith Milgrom	*250*		*705*		
AMJM - Company managed by Alain Moyal & Judith Milgrom				*613*	
Company managed by Lévana Gampel, daughter of Judith Milgrom					*607*
LESKO - Company managed by Elie Kouby					*575*
Total for the period	**1.285**	**398**	**1,410**	**613**	**1,182**
Total transactions for the period			**4,888**		

(1) Consultancy services relating to strategy, market positioning and the creation of collections.

(2) Executive management services in some Group's subsidiaries.

(3) Leases relating to the Maje registered office and to a Maje store, both in Paris.

(4) Affiliation agreements regarding two Maje stores in Paris and a Sandro store in Toulouse, drawn up with company managed by a member of the family and by one of the Group's senior managers.

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:

	Dec. 31, 2016*	Dec. 31, 2015
	€k	*€k*
Gross fixed salary	3,880	3,789
Variable salary	2,715	3,162
Social security charges	2,042	2,466
Termination indemnities	44	850
Fringe benefits	136	145
Total short-term benefits	**8,817**	**10,415**

** Including €1,128k re-invoiced to SMCP S.A.S. and its subsidiaries by SMCP GROUP, following the transfer of certain members of the Management Board to this structure at November 1, 2016.*

The provision for retirement indemnities related to Group's managers as of December 31, 2016 and as of December 31, 2015 is presented as follow:

	Dec. 31, 2016	Dec. 31, 2015
	€k	*€k*
Retirement indemnities	162	187
Total retirement indemnities	**162**	**187**

The Group has also negotiated severance packages with some of its managers to be paid if they leave the Group. Total commitments represented €1,624k at December 31, 2016 and €658k at December 31, 2015.

8.4. Scope of consolidation

The table below shows the scope of consolidation at December 31, 2016 and at December 31, 2015:

Entity	Dec. 31, 2016		Dec. 31, 2015	
	% interest*	Consolidation method	% interest*	Consolidation method
SMCP S.A.S.	**100.00 %**	**Parent company**	**100.00 %**	FC
GROUPE SMCP	-	Merged**	100.00 %	FC
SMCP LOGISTIQUE	100.00 %	FC	100.00 %	FC
SMCP DEVELOPPEMENT	-	Merged***	100.00 %	FC
SMCP SERVICES	-	Merged***	100.00 %	FC
SANDRO ANDY	100.00 %	FC	100.00 %	FC
SMCP BELGIQUE	100.00 %	FC	100.00 %	FC
SMCP DEUTSCHLAND	100.00 %	FC	100.00 %	FC
PAP SANDRO ESPANA	100.00 %	FC	100.00 %	FC
SANDRO ITALIA	100.00 %	FC	100.00 %	FC
SMCP UK	100.00 %	FC	100.00 %	FC
SANDRO SUISSE	100.00 %	FC	100.00 %	FC
SMCP IRELAND	100.00 %	FC	100.00 %	FC
MAJE	100.00 %	FC	100.00 %	FC
SMCP LUXEMBOURG	100.00 %	FC	100.00 %	FC
MAJE GERMANY	100.00 %	FC	100.00 %	FC
MAJE SPAIN	100.00 %	FC	100.00 %	FC
MAJE STORES	100.00 %	FC	100.00 %	FC
MAJE SUISSE	100.00 %	FC	100.00 %	FC
MAJBEL	100.00 %	FC	100.00 %	FC
CLAUDIE PIERLOT	100.00 %	FC	100.00 %	FC
CLAUDIE PIERLOT SUISSE	100.00 %	FC	100.00 %	FC
341 SMCP	100.00 %	FC	100.00 %	FC
SMCP USA	100.00 %	FC	100.00 %	FC
SMCP CANADA	100.00 %	FC	100.00 %	FC
SMCP ASIA	100.00 %	FC	100.00 %	FC
SMCP SHANGHAI TRADING CO.	100.00 %	FC	100.00 %	FC
SMCP NETHERLANDS	100.00 %	FC	100.00 %	FC
SMS	100.00 %	FC	100.00 %	FC
SMCP HONG-KONG	100.00 %	FC	100.00 %	FC
SMCP FASHION SINGAPORE PTE	100.00 %	FC	100.00 %	FC
AZ RETAIL	100.00 %	FC	100.00 %	FC
SMCP DENMARK	100.00 %	FC	100.00 %	FC
SMCP NORWAY	100.00 %	FC	100.00 %	FC
SMCP MACAU	100.00 %	FC	100.00 %	FC
SMCP SWEDEN	100.00 %	FC	100.00 %	FC
SMCP PORTUGAL	100.00%	FC	-	NC

** Percentage interest is identical to percentage ownership.*
*** Merged with SMCP S.A.S.*
**** Merged with Groupe SMCP S.A.S.*
Abbreviations used: FC = Full consolidation, NC = Not consolidated

8.5. Subsequent events

On April 3, 2017 the Group proceeded to the early payment of:

- €26,883k on the "Fixed Rate Proceeds Loan";
- €12,251k on the Convertible Bonds.

20.1.5.2 Report of the Statutory Auditor for the financial year ended December 31, 2016

This is a free translation into English of a report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and is construed in accordance with, professional auditing standards applicable in France.

To the President,

In our capacity as Statutory Auditor of TopSoho S.A.S., parent company of SMCP S.A.S., and in application of Regulation (CE) n°809/2004 in the context of the proposal of admission to trading on a regulated market and stock market listing of TopSoho S.A.S. shares, we have audited the accompanying consolidated financial statements of SMCP S.A.S. for the year ended December 31, 2016. These consolidated financial statements have been prepared for purposes of the shelf-registration document and presented in accordance with the International Financial Reporting Standards as adopted in the European Union.

*The supervisory board ("*conseil d surveillance*") of TopSoho S.A.S. is responsible for the preparation and fair presentation of these consolidated financial statements. Our responsibility is to express an opinion on these financial statements based on our audit.*

We conducted our audit in accordance with professional standards applicable in France and the professional doctrine of the French national auditing body (Compagnie nationale des commissaires aux comptes) related to this engagement; these standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures, on a test basis or by other means of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating 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 opinion.

In our opinion, the consolidated financial statements prepared for purposes of the shelf-registration document present fairly, in all material respects, the financial position and assets and liabilities of the Company as of December 31, 2016, and of the results of operations of the entities included in the consolidation scope for the year then ended, in accordance with the International Financial Reporting Standards as adopted in the European Union.

Paris, La Défense, on July 20, 2017

The statutory auditor

French original signed by
Valéry Foussé

20.1.6 SMCP Holding S.A.S.'s consolidated financial statements for the year ended December 31, 2015 and the corresponding report of the Statutory Auditors

20.1.6.1 SMCP Holding S.A.S.'s consolidated financial statements for the year ended December 31, 2015

Table of contents

1. CONSOLIDATED FINANCIAL STATEMENTS

1.1 Consolidated statement of financial position

1.1.1 Assets

	Notes	Dec. 31, 2015 *€k* Net	Dec. 31, 2014 *€k* Net
Goodwill	6.1.1	336,775	336,279
Trademarks		236,000	236,000
Other intangible assets	6.1.2	116,213	121,717
Property, plant and equipment	6.2	69,109	64,102
Non-current financial assets	6.4	12,640	10,313
Other non-current assets		423	2,318
Deferred tax assets	5.7.2	19,773	18,036
Non-current assets		**790,933**	**788,765**
Inventories	6.5	125,741	97,770
Trade receivables	6.6	35,741	31,020
Other receivables	6.7	34,460	39,788
Other current financial assets		15	233
Cash and cash equivalents	6.8	27,149	16,140
Current assets		**223,107**	**184,951**
Total assets		**1,014,040**	**973,716**

1.1.2 Equity and liabilities

	Notes	Dec. 31, 2015 *€k* Net	Dec. 31, 2014 *€k* Net
Share capital	6.9.1	84,585	84,585
Share premium		197,366	197,366
Reserves and retained earnings		(12,820)	0
Other comprehensive income		(4,641)	(3,665)
Attributable net profit (loss)		7,891	(12,821)
Equity attributable to owners of the Company	1.5	**272,382**	**265,465**
Non-controlling interests		0	0
Total equity	1.5	**272,382**	**265,465**
Bonds	6.11	280,075	278,371
Convertible bonds	6.10	151,999	140,740
Other financial liabilities		1,556	45
Provisions and other non-current liabilities	6.12	165	252
Deferred revenue		213	273
Net employee defined benefit liabilities	6.13	2,105	1,549
Deferred tax liabilities	5.7.2	103,508	100,186
Non-current liabilities		**539,622**	**521,416**
Interest-bearing loans and borrowings (current)	6.11	13,368	13,128
Trade and other payables		79,911	52,979
Bank overdrafts and short-term borrowings and debt	6.11	47,060	76,358
Short-term provisions	6.12	3,006	3,505
Other liabilities	6.14	58,691	40,866
Current liabilities		**202,037**	**186,836**
Total equity and liabilities		**1,014,040**	**973,716**

1.2 Consolidated income statement

	Notes	*12 months to* **Dec. 31, 2015** *€k*	*12 months to* **Dec. 31, 2014** *€k*	*21 months to* **Dec. 31, 2014*** *€k*
Net sales		675,381	508,610	731,226
Commissions		(94,268)	(74,555)	(109,318)
Net sales after commissions	5.1	**581,113**	**434,055**	**621,908**
Cost of sales	5.2	(160,270)	(117,695)	(167,379)
Gross margin		**420,844**	**316,359**	**454,529**
Other operating income	5.4	2,093	7,065	10,570
Personnel costs	5.3	(147,281)	(118,292)	(166,535)
Other operating expenses	5.4	(169,139)	(131,358)	(184,282)
Depreciation, amortization and impairment		(38,051)	(26,773)	(35,961)
Recurring operating income		**68,467**	**47,001**	**78,321**
Other non-recurring income	5.5	4,631	5,022	6,129
Other non-recurring expenses	5.5	(15,586)	(13,475)	(34,864)
Operating profit		**57,511**	**38,548**	**49,587**
Financial income		25,873	12,408	12,853
Cost of net debt		(41,261)	(40,437)	(61,192)
Other financial expenses		(20,820)	(6,016)	(6,373)
Net financial expense	5.6	**(36,207)**	**(34,044)**	**(54,713)**
Profit/(loss) before tax		**21,304**	**4,504**	**(5,126)**
Income tax expense	5.7	(13,413)	(11,798)	(7,695)
Net profit/(loss) for the period		**7,891**	**(7,294)**	**(12,821)**
Attributable to owners of the Company		7,891	(7,294)	(12,821)
Attributable to non-controlling interests		-	-	-
Net profit/(loss) attributable to owners of the Company		**7,891**	**(7,294)**	**(12,821)**
Basic earnings/(loss) per share attributable to owners (€)	5.8	**0.0280**	**(0.0259)**	**(0.0455)**
Diluted earnings/(loss) per share attributable to owners (€)	5.8	**0.0280**	**(0.0259)**	**(0.0455)**

** 18 months of operating activity – see Note 2.3 – Statement of compliance and basis of preparation.*

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 3.5.1 – Transactions and balances).

1.3 Consolidated statement of comprehensive income

	12 months to **Dec. 31, 2015**	*12 months to* **Dec. 31, 2014**	*21 months to* **Dec. 31, 2014***
	€k	*€k*	*€k*
Net profit/(loss) for the period	**7,891**	**(7,294)**	**(12,821)**
Cumulative actuarial losses on defined benefit plans	(42)	(290)	(292)
Tax effect	9	110	110
Total other comprehensive income/(loss) that may not be reclassified to profit or loss	**(33)**	**(180)**	**(182)**
Gains/(losses) on derivative financial instruments (cash flow hedges)	(248)	370	282
Tax effect	96	(140)	(109)
Gains/(losses) on exchange differences on translation of foreign operations	(790)	(2,855)	(3,661)
Total other comprehensive income/(loss) that may be reclassified to profit or loss	**(942)**	**(2,625)**	**(3,488)**
Total comprehensive income/(loss)	**6,916**	**(10,099)**	**(16,491)**

** 18 months of operating activity – see Note 2.3 – Statement of compliance and basis of preparation.*

1.4 Consolidated statement of cash flows

	12 months to **Dec. 31, 2015** *€k*	*12 months to* **Dec. 31, 2014** *€k*	*21 months to* **Dec. 31, 2014*** *€k*
Profit/(loss) before tax	**21,304**	**4,504**	**(5,126)**
Depreciation and impairment of property, plant and equipment	30,029	21,736	29,601
Amortization and impairment of intangible assets	5,818	2,270	2,878
Other additions to/reversals from other recurring items	2,205	2,767	3,482
Other non-recurring income	(4,631)	(5,022)	(6,129)
Other non-recurring expenses	15,586	13,475	34,864
Financial income	(25,873)	(12,408)	(12,853)
Cost of net debt	41,261	40,437	61,192
Other financial expenses	20,820	6,016	6,373
Sub-total**	**106,518**	**73,774**	**114,282**
(Increase)/decrease in trade and other receivables and prepayments	(11,216)	(16,841)	(11,274)
(Increase)/decrease in inventories	(26,535)	(20,028)	(40,719)
Increase/(decrease) in trade and other payables	20,131	7,924	(2,985)
Change in working capital***	**(17,620)**	**(28,945)**	**(54,978)**
Income tax refunded/(paid)	10,582	(29,580)	(39,331)
Net cash flow from operating activities	**99,479**	**15,250**	**19,974**
Purchases of property, plant and equipment	(34,565)	(33,230)	(54,085)
Proceeds from sales of property, plant and equipment	401	1,138	1,216
Purchases of financial instruments	(2,035)	(2,097)	(84,990)
Proceeds from sales of financial instruments	729	1,161	1,630
Purchases of intangible assets	(3,774)	(9,682)	(18,656)
Proceeds from sales of intangible assets	2,445	4,130	5,085
Purchases of subsidiaries net of cash acquired****	-	(4,626)	(503,660)
Net cash flow used in investing activities	**(36,799)**	**(43,206)**	**(653,460)**
Capital increases	-	1,951	281,951
Interest received	-	-	2
Effects of consolidation scope changes	-	41	41
Issuance of bonds	-		276,000
Issuance of convertible bonds	-		125,000
Increase in long-term borrowings and debt	2,169	1,671	1,671
Decrease in long-term borrowings and debt	(500)	(432)	(83,504)
Increase in short term borrowings and debt	-	52,668	79,322
Decrease in short-term borrowings and debt	(31,250)	-	-
Other financial income and expenses	4,618	(306)	158
Interest paid	(28,236)	(31,074)	(44,612)
Net cash flow from/(used in) financing activities	**(53,199)**	**24,520**	**636,029**
Net change in cash	**9,482**	**(3,436)**	**2,543**
Net foreign exchange difference	(427)	822	991
Cash and cash equivalents at the beginning of the period	16,140	12,919	-
Bank credit balances at the beginning of the period	(12,608)	(6,771)	-
Net cash and cash equivalents at the beginning of the period	**3,533**	**6,148**	**-**
Cash and cash equivalents at the end of the period	27,149	16,140	16,140
Bank credit balances at the end of the period	(14,560)	(12,608)	(12,608)
Net cash and cash equivalents at the end of the period	**12,588**	**3,533**	**3,533**

** 18 months of operating activity – see Note 2.3 – Statement of compliance and basis of preparation.*

*** Recurring operating income before other income and expenses and before depreciation, amortization and impairment.*

**** Including in 2015 net other expense with a cash impact of €7,169k.*

***** In 2014, this caption relates to the acquisition of AZ Retail for €4,742k net of cash acquired totaling €116k (see Note 4.2 – 2014 acquisitions).*

1.5 Consolidated statement of changes in equity

€k	Share capital	Share premium	Reserves and retained earnings	Other comprehensive income/(loss)	Equity			Total equity
					Attributable net profit/(loss)	Equity attributable to owners of the Company	Non-controlling interests	
Balance at March 27, 2013								
Movements for the period ended December 31, 2014								
2014 net loss	-	-	-	-	(12,821)	(12,821)	-	**(12,821)**
Cumulative actuarial gains/(losses) on defined benefit plans, net of tax	-	-	-	(182)	-	(182)	-	**(182)**
Gains/(losses) on exchange differences on translation of foreign operations	-	-	-	(3,656)	-	(3,656)	-	**(3,656)**
Other comprehensive income	-	-	-	173	-	173	-	**173**
Total comprehensive income/(loss)	**-**	**-**	**-**	**(3,665)**	**(12,821)**	**(16,485)**	**-**	**(16,485)**
Dividends paid								
Capital increase	84,585	197,366	-	-	-	281,951	-	**281,951**
Total transactions with owners	**84,585**	**197,366**	**-**	**-**	**-**	**281,951**	**-**	**281,951**
Balance at December 31, 2014	**84,585**	**197,366**	**-**	**(3,665)**	**(12,821)**	**265,465**	**-**	**265,465**
Movements for the period ended December 31, 2015								
Appropriation of 2014 net loss			(12,821)		12,821	-	-	-
2015 net profit					7,891	7,891	-	7,891
Cumulative actuarial gains/(losses) on defined benefit plans, net of tax				(33)		(33)	-	(33)
Gains/(losses) on exchange differences on translation of foreign operations				(790)		(790)	-	(790)
Other comprehensive income/(loss)				(152)		(152)	-	(152)
Total comprehensive income/(loss)	**-**	**-**	**(12,821)**	**(975)**	**20,711**	**6,916**	**-**	**6,916**
Total transactions with owners								
Balance at December 31, 2015	**84,585**	**197,366**	**(12,821)**	**(4,640)**	**7,891**	**272,381**	**-**	**272,381**

2. GENERAL INFORMATION

2.1 Presentation of the Group

SMCP SAS ("the Company") was incorporated in France on March 27, 2013 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.

The consolidated group ("the Group") includes the parent company SMCP SAS and its subsidiaries (as presented in Note 9 – Scope of consolidation).

SMCP SAS is indirectly owned by KKR Retail Partner Midco SARL ("KKR") through its wholly-owned subsidiary Soho Holding France, which holds 69.75% of SMCP SAS shares. KKR SARL is a Luxembourg-based privately-held company (*société à responsabilité limitée*) whose registered office is located at 59 rue de Rollingergrund, L-2440 Luxembourg.

On June 20, 2013, SMCP SAS acquired the entire share capital of Groupe SMCP. With three distinct contemporary French fashion brands, Sandro, Maje and Claudie Pierlot, Groupe SMCP is a leading company in the affordable luxury sector.

The Group's business mainly involves the creation and sale of clothes and fashion accessories under the Sandro, Maje and Claudie Pierlot brands in fashion stores under the same names. The Group also owns the network of Suite 341 stores, which market and sell products of the three brands Sandro, Maje and Claudie Pierlot.

At December 31, 2015, SMCP operated 1,118 stores, of which 906 were directly operated and 212 were operated through partnerships. Its brands were present in 33 countries worldwide.

2.2 Significant events[101]

In 2015, the Group pressed ahead with the expansion of its operations in Asia and Europe, as well as with developing directly-operated e-tailing sites.

2.2.1 Planned disposal of SMCP shares

The Company is currently studying the planned disposal of the Group by KKR, its majority shareholder, either by the flotation of SMCP shares on the Euronext Paris stock exchange in the first half of 2016, or via an outright block acquisition by another majority shareholder.

2.2.2 Accounting impacts resulting from the redemption of the bond if the initial public offering goes ahead

If, in connection with its initial public offering (IPO), the Group were to redeem a portion of its senior secured notes at the time of the IPO and the remainder at June 15, 2016, this would have certain accounting impacts owing to the early redemption premiums provided for in the initial bond agreement.

[101] Mentioned in subsequent events in the consolidated financial statements at December 31, 2014 and September 30, 2015.

Assuming that:

- at the time of the IPO, the Group redeems an initial par value of €100 million, it would have to redeem an amount equal to spot price at the day of the initial public offering , but shall not exceed 108.875% of the par value, i.e., around €108.9 million including a "make-whole" premium of €8.9 million. This redemption would be funded by proceeds from the capital increase;

- as of June 15, 2016, the Group redeems the outstanding bonds (i.e., €190 million par value) by using the window provided for in the call agreement for a redemption at 104.438% of par, it would have to redeem an amount of €198.4 million (including an early redemption premium of €8.4 million). This redemption would be funded by means of the revolving cash facility (RCF).

The redemption premium would therefore represent a total of €17.3 million, it being specified that 2.8M€ of interests would be paid on the outstanding issues between the IPO and June 2016. If the IPO takes place at mid-April 2016, the interests due would amount to €2.8 million.

From an accounting perspective, these redemption premiums are recognized in accordance with IAS 39.AG8, which requires the value of the liability to be adjusted by means of an offsetting entry to net financial expense at the date on which redemption becomes likely.

The Group notes that its two redemptions are contingent on (i) completion of the IPO and (ii) the ability to raise sufficient funds at the time of the IPO to finance it. At the reporting date (December 31, 2015), the Group does not consider it has sufficient assurance regarding the effective completion of the planned share disposal to revise the cash flows related to the issue, since both of the aforementioned conditions are dependent on market conditions at the date of the IPO.

2.3 Statement of compliance and basis of preparation

The accounting policies applied by the Group are identical to those applied for the preparation of the 2014 consolidated financial statements, with the exception of the following standards, amendments and interpretations that were effective for the first time for financial periods beginning on or after January 1, 2015.

At January 1, 2015, the Group applied the following two interpretations which did not have a material impact on the consolidated financial statements for the periods presented:

New standards, amendments and interpretations	Main provisions
IFRIC 21 – Levies	IFRIC 21 provides guidance on when to recognize a liability for a levy.
Amendment to IAS 19 – Employee Benefits – Defined Benefit Plans: Employee Contributions	This amendment looks to simplify the accounting for contributions which are independent of the number of years of employee service.

The consolidated financial statements for the Group's first reporting period in 2014 covered 21 months, from March 27, 2013 to December 31, 2014. Comparative information for 2014 presented in these consolidated financial statements show movements in the accounts for the entire 21-month reporting period ("2014 – 21 months") as well as for the 12-month period from January 1, 2014 to December 31, 2014 ("2014 – 12 months"), as presented in the 2014 consolidated financial statements.

The 2015 consolidated financial statements were approved for issue by the Supervisory Board on February 17, 2016.

Significant events that occurred between December 31, 2015 and the date the consolidated financial statements were approved for issue are disclosed in accordance with IAS 10 in Note 8.4 – Subsequent events.

The consolidated financial statements are stated in thousands of euros unless otherwise indicated.

The consolidated financial statements for all periods presented were prepared in accordance with international financial reporting standards ("IFRS" – see Note 3.1) as adopted by the European Union and effective for reporting periods beginning on or after January 1, 2015. The Group did not early adopt any standards, amendments or interpretations. The applicable standards, amendments and interpretations can be viewed on the website of the European Union http://ec.europa.eu/finance/company-reporting/index_en.htm (see Note 2.4 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 or interpretations

The standards, amendments and interpretations effective for reporting periods beginning on or after January 1, 2016 and not early adopted by the Group are set out below:

New standards, amendments or interpretations	Effective date
IFRS 9 – Financial Instruments	Reporting periods beginning on or after January 1, 2018
IFRS 15 – Revenue from Contracts with Customers	Reporting periods beginning on or after January 1, 2017
Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortization	Reporting periods beginning on or after January 1, 2016
Amendment to IFRS 11 – Joint Arrangements	Reporting periods beginning on or after January 1, 2016
Amendments resulting from the IFRS annual improvement process (2012-2014 cycle)	Reporting periods beginning on or after January 1, 2016
Amendments to IFRS 10 and IAS 28 – Sales or Contributions of Assets Between an Investor and its Associate/Joint Venture	Reporting periods beginning on or after January 1, 2016
Amendments to IAS 1 – Disclosure Initiative	Reporting periods beginning on or after January 1, 2016
Amendments to IAS 27 – Equity Method in Separate Financial Statements	Reporting periods beginning on or after January 1, 2016

Subject to their definitive adoption by the European Union, these standards and amendments are effective for reporting periods beginning on or after January 1, 2016. The Group is currently assessing the potential impact of the first-time application of these texts.

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 6.3);
- measurement of deferred tax assets (Note 5.7.2);
- calculation of provisions for contingencies and charges (Note 6.12).

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, 2015 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, IFRS 11 – Joint Arrangements, 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.

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".

Income, expenses and changes in these items for the 21-month period ended December 31, 2014 and the 12-month period ended December 31, 2014 were translated into euros at the average exchange rate for the number of months of operating activity, i.e., the average exchange rate for (i) July 2013 to December 2014 and (ii) January to December 2014.

Income, expenses and changes in these items for the 12-month period ended December 31, 2015 were translated into euros at the average exchange rate for 2015.

3.5.2 Rates applicable at December 31

The rates used to translate foreign currency transactions into euros are indicated below:

		Dec. 31, 2015		Dec. 31, 2014	
		Closing	Average *12 months*	Closing	Average *12 months*
SWISS FRANC	EUR/CHF	1.0835	1.0676	1.2024	1.2146
EURO	EUR/EUR	1.0000	1.0000	1.0000	1.0000
POUND STERLING	EUR/GBP	0.7340	0.7260	0.7789	0.8061
U.S. DOLLAR	EUR/USD	1.0887	1.1096	1.2141	1.3267
CANADIAN DOLLAR	EUR/CAD	1.5116	1.4176	1.4063	1.4656
CHINESE RENMINBI	EUR/CNY	7.0608	6.9824	7.5358	8.1730
HONG KONG DOLLAR	EUR/HKD	8.4376	8.6023	9.4170	10.5970
SINGAPORE DOLLAR	EUR/SGD	1.5417	1.5251	1.6058	1.6058
DANISH KRONE	EUR/DKK	7.4626	7.4587	7.4453	7.4549
NORWEGIAN KRONE	EUR/NOK	9.6030	8.9417	9.0420	8.3491
SWEDISH KRONA	EUR/SEK	9.1895	9.3545	9.3897	9.0934
PATACA	EUR/MOP	8.6900	8.8604	9.6995	9.6995

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 Acquisitions

4.1.1 2015 acquisitions

None.

4.1.2 2014 acquisitions: AZ Retail

As part of its expansion drive in Asia, on April 30, 2014 the Group acquired AZ Retail Ltd, its local partner in Hong Kong since 2012, previously owned by Rue Madame Fashion Group. The Group exercised its purchase option to buy the entire share capital of AZ Retail Ltd for an HKD amount equivalent to €4,742k.

The purchase price allocation of the consideration transferred for AZ Retail was as follows:

	AZ Retail April 30, 2014
	€k
Consideration transferred (a)	**4,742**
Property, plant and equipment	478
Inventories	870
Current assets	1,424
Financial liabilities	(1,630)
Deferred tax liabilities	(17)
Other non-current liabilities	(92)
Current liabilities	(98)
Fair value of net identifiable assets acquired (b)	**934**
Goodwill (ab) – (b)	**3,808**

The goodwill recognized, amounting to HKD 40,562k (€3,808k) and relating to growth prospects on the local market, was allocated to the CGUs on the basis of each brand's contribution to the Group's business. The HKD amount is tracked in AZ Retail's financial statements.

The earnings of the acquiree since the acquisition date that were included in the consolidated income statement and consolidated statement of comprehensive income for 2014 are as follows:

- Net sales: €7,655k
- Net sales after commissions: €7,655k
- Net profit: €218k
- Foreign exchange gain recognized in the consolidated statement of comprehensive income: €128k

On a pro forma basis (assuming that the acquisition had been completed on January 1, 2014), consolidated net sales after commissions and consolidated net loss for 2014 would have totaled:

- Pro forma consolidated net sales: €511,276k
- Pro forma net sales after commissions: €436,721k
- Pro forma consolidated net loss: €7,617k

4.1.3 2013 acquisitions

a) Acquisition of Groupe SMCP

On June 20, 2013, SMCP SAS acquired all of the shares of Groupe SMCP. This company was previously owned by its founders, managers and LF Invest. The cash consideration for the purchase amounted to €503,814k.

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 for Groupe SMCP is set out below:

	GROUPE SMCP
	€k
Consideration transferred (a)	**503,814**
Trademarks	236,000
Leasehold rights	104,100
Other intangible assets	754
Property, plant and equipment	42,800
Equity-accounted securities	6,572
Deferred tax assets	8,200
Other non-current assets	7,500
Current assets	86,315
Cash at hand	11,218
Financial liabilities	(152,082)
Deferred tax liabilities	(100,000)
Other non-current liabilities	(2,300)
Current liabilities	(62,640)
Fair value of net identifiable assets acquired (b)	**186,437**
Goodwill (ab) – (b)	**317,377**

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 2013-2017 business plan and a royalty rate of between 5% and 8%. The discount rate used was 10%, while the long-term growth rate was estimated at 2%. Given the already solid reputation of these brands and the Group's plan to maintain and develop them over the long term, their useful life for accounting purposes was considered as indefinite within the meaning of IAS 38 – Intangible Assets.

- 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.

- Deferred taxes were recognized for temporary differences between reported values and values determined for tax purposes.

- Residual goodwill was recognized in an amount of €317,377k, mainly relating to the ability of the three brands to rapidly develop their businesses across the globe.

On a pro forma basis (assuming that the acquisition had been completed on January 1, 2013), net sales would have totaled €409,566k and consolidated net sales after commissions would have totaled €344,313k (excluding the Swiss entities).

b) Acquisition of Swiss entities previously accounted for by the equity method

In parallel to the acquisition described above, the Group also acquired the outstanding share capital that it did not already own in the Swiss entities, which were previously 50%-owned and accounted for by the equity method. The acquisition, for an amount of €9,388k, led to the recognition of €14,592k in goodwill. No disposal gain was recognized on the controlling interest acquired, since the equity-accounted shares were recognized at fair value in connection with the acquisition described in Note 4.1.1 above.

The earnings of the acquiree since the acquisition date that were included in the consolidated income statement and consolidated statement of comprehensive income are as follows:

- Net sales: €7,838k
- Net sales after commissions: €6,937k
- Net profit: €781k

4.2 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; and
- for which discrete financial information is available.

4.2.1 Group operating segments

SMCP's operations are managed through three operating and reportable segments as defined by IFRS 8. These correspond to the three main brands which each have their specific client 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 body is SMCP's Supervisory Board which reviews each brand's business activities and performance every month.

4.2.2 Financial information by operating segment

The tables below set out financial information by operating segment at December 31, 2015 and December 31, 2014 (respectively 12- and 21-month periods):

	Sandro	Maje	Claudie Pierlot	Other & holding cos.	12 months to Dec. 31, 2015
	€k	*€k*	*€k*	*€k*	*€k*
Retail sales (including VAT)	356,290	295,455	84,932	0	736,677
VAT on retail sales	(49,605)	(40,920)	(13,505)	0	(104,030)
Net sales**	328,339	271,907	75,135	0	675,381
Commissions	(44,751)	(36,689)	(12,828)	0	(94,268)
Net sales after commissions	283,588	235,218	62,307	0	581,113
EBITDA	54,523	45,062	7,964	(1,031)	106,518
Recurring operating income/(loss)	35,046	28,965	5,119	(662)	68,467
Goodwill	188,366	128,431	19,978	0	336,775
Intangible assets	190,627	131,915	28,798	873	352,213
Property, plant and equipment	25,843	23,196	7,472	12,598	69,109
Capital expenditure***	14,519	10,640	4,075	10,071	39,306

	Sandro	Maje	Claudie Pierlot	Other & holding cos.	12 months to Dec. 31, 2014
	€k	*€k*	*€k*	*€k*	*€k*
Retail sales (including VAT)	287,187	203,341	67,036		557,564
VAT on retail sales	(41,578)	(29,172)	(10,850)		(81,599)
Net sales**	262,639	186,871	58,901	198	508,610
Commissions	(37,946)	(26,701)	(9,909)		(74,555)
Net sales after commissions	224,694	160,171	48,993	198	434,055
EBITDA	41,093	23,879	5,805	2,997	73,774
Recurring operating income	26,180	15,213	3,699	1,909	47,001
Goodwill	188,088	128,242	19,949	0	336,279
Intangible assets	192,050	135,468	27,594	2,606	357,717
Property, plant and equipment	26,848	23,866	7,950	5,436	64,102
Capital expenditure***	15,058	20,424	4,952	5,205	45,638

	Sandro	Maje	Claudie Pierlot	Other & holding cos.	21 months to Dec. 31, 2014*
	€k	*€k*	*€k*	*€k*	*€k*
Retail sales (including VAT)	414,500	294,188	92,108		800,795
VAT on retail sales	(60,253)	(42,491)	(14,847)		(117,591)
Net sales**	377,149	272,554	81,324	198	731,226
Commissions	(55,941)	(39,556)	(13,820)		(109,317)
Net sales after commissions	**321,208**	**232,999**	**67,504**	**198**	**621,908**
EBITDA	62,081	41,872	7,476	2,853	114,281
Recurring operating income	**42,408**	**29,125**	**4,990**	**1,798**	**78,320**
Goodwill	188,088	128,242	19,949	0	336,279
Intangible assets	190,366	131,415	28,380	2,052	357,717
Property, plant and equipment	26,104	23,696	7,890	11,419	64,102
Capital expenditure***	27,423	33,647	9,726	7,173	77,968

** 18 months of operating activity – see Note 2.3 – Statement of compliance and basis of preparation.*
*** Net sales includes Retail sales and sales with Group partners.*
**** The capital expenditure breaks down as follows at December 31, 2015 (cf. 1.4 note Consolidated statement of cash flows):*
- purchases of property, plant and equipment: €34,565k;
- purchases of intangible assets: €2,035k;
- purchases of financial instruments: €3,774k;
- variation of accounts payable for fixed assets: (€1,068k).

Operating expenses of holding companies are rebilled to the brands pro rata to net sales, plus a mark-up.

4.2.3 Key performance indicators

SMCP's Supervisory Board 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, net sales after commissions and EBITDA.

"Net sales 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 net sales after commissions and trends therein are important indicators of Group performance.

EBITDA is not defined by IFRS but was defined by the Group as follows at December 31, 2015 and December 31, 2014:

	12 months to **Dec. 31, 2015**	*12 months to* **Dec. 31, 2014**	*21 months to* **Dec. 31, 2014***
	€k	*€k*	*€k*
Recurring operating income	**68,467**	**47,001**	**70,179**
Depreciation, amortization and impairment	38,051	26,773	46,978
EBITDA	**106,518**	**73,774**	**117,157**

** 18 months of operating activity – see Note 2.3 – Statement of compliance and basis of preparation.*

4.2.4 Financial information by geographic segment

The EMEA region in which the Group operates includes European countries except France (mainly the United Kingdom, Spain, Germany, Switzerland and Belgium), along with the Middle East (especially the United Arab Emirates).

The APAC region covers the Group's activities in Asia/Pacific (especially China and Hong Kong).

The tables below set out net sales after commissions by geographic region of delivery:

	France	EMEA	Americas	APAC	12 months to Dec. 31, 2015
	€k	*€k*	*€k*	*€k*	*€k*
Net sales	334,719	184,638	80,799	75,225	675,381
Commissions	(52,945)	(28,104)	(9,769)	(3,450)	(94,268)
Net sales after commissions	**281,774**	**156,534**	**71,030**	**71,775**	**581,113**
Total assets(1)	**292,399**	**81,626**	**33,053**	**34,187**	**441,264**

	France	EMEA	Americas	APAC	12 months to Dec. 31, 2014
	€k	*€k*	*€k*	*€k*	*€k*
Net sales	297,385	127,670	53,036	30,518	508,610
Commissions	(47,445)	(19,159)	(6,945)	(1,005)	(74,554)
Net sales after commissions	**249,940**	**108,511**	**46,092**	**29,513**	**434,055**
Total assets(1)	**278,142**	**67,849**	**36,215**	**19,231**	**401,437**

	France	EMEA	Americas	APAC	21 months to Dec. 31, 2014*
	€k	*€k*	*€k*	*€k*	*€k*
Net sales	435,690	182,616	75,077	37,842	731,225
Commissions	(70,480)	(27,724)	(10,107)	(1,005)	(109,316)
Net sales after commissions	**365,210**	**154,892**	**64,970**	**36,837**	**621,909**
Total assets(1)	**278,142**	**67,849**	**36,215**	**19,231**	**401,437**

** 18 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.

Net sales after commissions earned on wholesale and online sales is allocated on the basis of the customer's country of residence.

4.2.5 Information by major customers

The Group did not have any customers that individually accounted for over 10% of its net sales in the periods ended December 31, 2015 and December 31, 2014.

5. NOTES TO THE INCOME STATEMENT

5.1 Net sales after commissions

Sales of goods

"Net sales” consists of total sales (retail and 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.

"Net sales after commissions" corresponds to sales of goods (finished products) after deducting concession fees paid to department stores and commissions paid to affiliates. Net sales are 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 stores owned outright, including outlets used to market and sell collections from past seasons. Net sales are 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). Net sales are 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. Net sales are recognized on the delivery of the finished goods to the local partners.

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. Net sales are recognized in this case when the goods are dispatched. Commissions paid to third party websites are recognized within "Commissions" in the income statement.

	12 months to **Dec. 31, 2015**	*12 months to* **Dec. 31, 2014**	*21 months to* **Dec. 31, 2014***
	€k	*€k*	*€k*
Sales of goods	675,225	508,527	731,096
Income from services rendered	156	83	130
Net sales	**675,381**	**508,610**	**731,226**
Commissions	**(94,268)**	**(74,555)**	**(109,317)**
Net sales after commissions	**581,113**	**434,055**	**621,909**

** 18 months of operating activity – see Note 2.3 – Statement of compliance and basis of preparation.*

At December 31, 2015 and December 31, 2014, Group net sales can be analyzed as follows by distribution channel:

	12 months to Dec. 31, 2015	*12 months to* Dec. 31, 2014	*21 months to* Dec. 31, 2014*
	€k	*€k*	*€k*
Retail	632,646	475,963	683,705
- Directly-operated stores	*267,829*	*206,084*	*291,875*
- Concessions ("corners")	*262,364*	*204,611*	*298,665*
- Outlets	*37,421*	*24,817*	*34,745*
- Affiliates	*29,195*	*26,166*	*39,468*
- Online	*35,837*	*14,285*	*18,951*
Partnered retail sales	42,735	32,646	47,521
Net sales	**675,381**	**508,610**	**731,226**

** 18 months of operating activity – see Note 2.3 – Statement of compliance and basis of preparation.*

5.2 Cost of sales

	12 months to Dec. 31, 2015	*12 months to* Dec. 31, 2014	*21 months to* Dec. 31, 2014*
	€k	*€k*	*€k*
Raw materials consumed	(51,133)	(37,388)	(58,530)
Finished products consumed	(63,306)	(45,537)	(57,506)
Subcontracting and ancillary expenses	(45,831)	(34,770)	(51,343)
Cost of sales	**(160,270)**	**(117,695)**	**(167,379)**

** 18 months of operating activity – see Note 2.3 – Statement of compliance and basis of preparation.*

5.3 Personnel costs

	12 months to Dec. 31, 2015	*12 months to* Dec. 31, 2014	*21 months to* Dec. 31, 2014*
	€k	*€k*	*€k*
Wages and salaries	(109,714)	(86,681)	(121,672)
Social security charges	(30,549)	(26,481)	(37,922)
Other staff expenses	(2,107)	(1,795)	(2,446)
Employee profit-sharing	(4,912)	(3,335)	(4,495)
Personnel costs	**(147,281)**	**(118,292)**	**(166,535)**

** 18 months of operating activity – see Note 2.3 – Statement of compliance and basis of preparation.*

5.4 Other operating income and expenses

	12 months to Dec. 31, 2015	*12 months to* Dec. 31, 2014	*21 months to* Dec. 31, 2014*
	€k	*€k*	*€k*
Other income[(1)]	2,093	2,522	4,837
Net foreign exchange gains/(losses)[(2)]	(2,371)	1,586	1,756
Rental charges	(69,485)	(51,025)	(70,181)
Other external expenses[(3)]	(49,718)	(40,521)	(57,878)
Fees	(20,170)	(16,899)	(23,471)
Services provided	(14,267)	(8,631)	(11,708)
Purchases of small equipment and supplies not held in inventory	(6,388)	(7,272)	(11,518)
Other taxes	(6,737)	(4,054)	(5,548)
Other operating expenses, net	**(167,045)**	**(124,294)**	**(173,712)**

** 18 months of operating activity – see Note 2.3 – Statement of compliance and basis of preparation.*

(1) "Other income" for the two periods mainly relates to proceeds from the counterfeit lawsuits brought by the Group.

(2) "Net foreign exchange (losses)/gains" over the two periods relate to the Group's operating activity, mainly purchases of materials and finished goods and intragroup sales of finished goods.

(3) "Other external expenses" relate to sales shipment and marketing costs.

5.5 Other non-recurring 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;

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.

	12 months to **Dec. 31, 2015**	*12 months to* **Dec. 31, 2014**	*21 months to* **Dec. 31, 2014***
	€k	*€k*	*€k*
Other non-recurring income	4,631	5,022	6,129
Other non-recurring expenses	(15,586)	(13,475)	(32,864)
Other non-recurring expenses, net	**(10,955)**	**(8,453)**	**(26,735)**

** 18 months of operating activity – see Note 2.3 – Statement of compliance and basis of preparation.*

Other non-recurring income and expenses break down as follows:

	12 months to **Dec. 31, 2015**	*12 months to* **Dec. 31, 2014**	*21 months to* **Dec. 31, 2014***
	€k	*€k*	*€k*
Restructuring costs(1)	(4,536)	(5,476)	(7,241)
Impairment of fixed assets(2)	(1,356)	(2,916)	(2,916)
Acquisition costs	(171)	(164)	(18,742)
Other income/(expenses)(3)	(5,197)	(225)	(69)
Net gains on disposals of fixed assets(4)	306	328	234
Other non-recurring expenses, net	**(10,955)**	**(8,453)**	**(28,734)**

** 18 months of operating activity – see Note 2.3 – Statement of compliance and basis of preparation.*

(1) Restructuring costs totaling €4,536k in 2015 and €5,476k in 2014 (12 months) reflect reorganization measures. Restructuring costs mainly include:

- the costs of a new management structure in France (severance awards for senior management and managerial-grade staff): €2,158k in 2015 and €2,022k in 2014;

- the setting up of the new warehouse of the Group intended to manage the products of its collections in the Paris region of €912k;

- SMCP USA: in 2014, the Group replaced the local management team and began restructuring its operations in the United States. SMCP USA decided to close down certain stores, and a restructuring provision was set aside for €2,179k at December 31, 2014 (see Note 6.12 – Current and non-current provisions). In 2015, this provision was partially reversed.

(2) At December 31, 2015, the Group tested its leasehold rights in France for impairment. As a result of these tests, an impairment loss of €1,028k was recognized against these assets.

At December 31, 2014, the Group tested its property, plant and equipment for impairment. As a result, it recognized an impairment loss of €2,916k against its fixed assets (fixtures and fittings, etc.) for a number of stores opened in the United States by SMCP USA in 2012 and 2013.

(3) In 2015, net other non-recurring expenses mainly relate to costs incurred in connection with the planned share disposal (€4,413k, see Note 2.2.1. Planned disposal of SMCP shares).

(4) The net capital gains and losses arising on the sale of fixed assets relate to the retirement of the carrying amounts of fixtures and fittings and to capital gains and losses on the sale of leasehold rights of stores sold in the period concerned, representing gains of €306k in 2015 and of €328k in 2014.

5.6 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).

Dividends are recognized when their payment is approved by the relevant governance bodies of the distributing entity.

The Group posted net financial expense of €36.2 million in the period ended December 31, 2015 and of €34.0 million in the period ended December 31, 2014. Net financial expense mainly comprised:

- interest expenses on borrowings amounting to €41.3 million in 2015 and €40.4 million in 2014;

- an exchange gain of €4.3 million in 2015 and an exchange gain of €6.7 million in 2014.

5.7 Income tax

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.

Deferred taxes are recognized using the liability method with respect to temporary differences arising between the tax base of an asset or liability and its carrying amount in the consolidated financial statements. 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.

Tax provisions that could arise on transfers of non-distributable profits from subsidiaries are recognized only when there is a real intention to transfer such profits.

5.7.1 Income tax

Income tax includes the current tax expense for the period and deferred taxes arising on temporary differences:

	12 months to **Dec. 31, 2015**	*12 months to* **Dec. 31, 2014**	*21 months to* **Dec. 31, 2014***
	€k	*€k*	*€k*
Deferred tax	(1,630)	(7,347)	9,986
Current tax	(11,783)	(4,451)	(17,681)
Income tax expense	**(13,413)**	**(11,798)**	**(7,695)**

** 18 months of operating activity – see Note 2.3 – Statement of compliance and basis of preparation.*

5.7.2 Deferred tax position

In the event of a change in the tax rate, the deferred taxes are adjusted at the likely rate of taxation of the future profits. At December 31, 2015 and December 31, 2014, deferred taxes were consequently calculated based on a tax rate of 34.43% and 38.00%, respectively in France (see "Tax proof" below).

a) Deferred taxes at December 31, 2015 and December 31, 2014

	Dec. 31, 2013*	Change in the income statement	Change in other comprehensive income	Translation adjustments and other changes	Dec. 31, 2014	Change in the income statement	Change in other comprehensive income	Translation adjustments and other changes	Dec. 31, 2015
	€k				€k				€k
Restatement of pension liabilities	343	136	110	-	589	83	9	-	681
Elimination of internal gains and losses (margin on inventories)	8,531	52	-	586	9,169	256	-	(667)	8,758
Capitalization of tax loss carryforwards	10,148	(2,018)	-	383	8,513	(255)	-	479	8,737
Allocation of goodwill to trademarks and leasehold rights	(100,195)	-	-	-	(100,195)	394	-	-	(99,801)
Neutralization of start-up costs and acquisition costs	6,072	(1,029)	-	-	5,043	(1,672)	-	0	3,371
Cancellation of translation differences	(345)	(3,232)	-	-	(3,577)	(4,932)	-	1	(8,508)
Other restatements	(202)	(1,368)	(140)	18	(1,692)	4,496	94	125	3,023
Net deferred tax assets/(liabilities)	**(75,648)**	**(7,459)**	**(30)**	**987**	**(82,150)**	**(1,630)**	**103**	**(62)**	**(83,735)**

b) Tax proof

		12 months to Dec. 31, 2015 *€k*	12 months to Dec. 31, 2014 *€k*	21 months to Dec. 31, 2014* *€k*
Profit/(loss) before tax		**21,304**	**4,504**	**(5,126)**
Statutory tax rate in France	(1)	**38.00%**	**38.00%**	***38.00%***
Theoretical tax expense		**(8,096)**	**(1,711)**	**1,765**
Difference in income tax rates applied to earnings in countries other than that of the consolidating entity		2,974	879	1,089
Tax deductibility and under-capitalization ceiling	(2)	(3,719)	(2,901)	(4,160)
Other impacts		(587)	(1,282)	654
Deferred tax assets not recognized in the period	(3)	(478)	(4,033)	(2,909)
Income tax expense before CVAE tax on value added		**(9,906)**	**(9,049)**	**(3,561)**
CVAE tax on value added	(4)	(3,507)	(2,749)	(4,133)
Income tax expense		**(13,413)**	**(11,798)**	**(7,695)**

** 18 months of operating activity – see Note 2.3 – Statement of compliance and basis of preparation.*

(1) At December 31, 2015 and December 31, 2014, the statutory tax rate in France includes the 3.3% solidarity levy and the 10.7% surtax for companies with sales of over €250 million. Both of these taxes are calculated based on an income tax rate of 33.3%.

(2) Of which €3.4 million in respect of the tax deductibility ceiling for financial expenses.

(3) At December 31, 2015 and 2014, unrecognized deferred tax assets in the period relate to SMCP USA. After generating taxable profit in 2013, SMCP USA incurred a substantial loss in 2014 and a more moderate loss in 2015, following the restructuring measures initiated in 2014 which continued into 2015. The company decided not to capitalize additional tax loss carryforwards until the restructuring is completed and the company once again reports taxable profit.

(4) 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 of 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. However, since the 10.7% surtax is being discontinued as from December 30, 2016, the Group will utilize the tax loss carryforwards against taxable profit taxed at a rate of 34.43% and not 38%. The five-year plan was presented to the Supervisory Board on September 8, 2015.

At December 31, 2015, the Group's cumulative tax loss carryforwards represent deferred tax assets of €8,602k and mainly include:

- Claudie Pierlot SAS capitalized losses for an overall amount of €1,434k, representing a deferred tax asset of €494k;

- SMCP USA capitalized losses for an overall amount of €11,581k, representing a deferred tax asset of €4,632k;

- SMCP SAS (now head of the tax consolidation group in France) capitalized losses for an overall amount of €10,095k, representing a deferred tax asset of €3,476k.

d) Unrecognized deferred tax assets

Net deferred tax assets not recognized relate to tax losses generated and temporary differences at SMCP USA and represented a tax amount of €11,357k at December 31, 2015, breaking as follows:

	Cumulative at **Dec. 31, 2015**	*Cumulative at* **Dec. 31, 2014**
	€k	*€k*
Other net deferred tax assets carried forward indefinitely*	**11,357**	**6,862**
Other net deferred tax assets expiring in 1 to 5 years		
Other net deferred tax assets expiring in less than 1 year		
Total unrecognized net deferred tax assets	**11,357**	**6,862**

** In the United States, tax losses may be carried forward for up to 20 years. No tax losses expire before December 31, 2031. SMCP USA has not recognized tax loss carryforwards in the United States since 2014 (see point b) "Tax proof").*

5.8 Earnings per share

Earnings per share corresponds to attributable net profit divided by the weighted average number of outstanding shares of the parent company during the reporting period.

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 share options and free shares granted to employees.

Earnings per share is calculated as follows:

	12 months to **Dec. 31, 2015**	*12 months to* **Dec. 31, 2014**	*21 months to* **Dec. 31, 2014***
	€k	*€k*	*€k*
Attributable net profit	**7,891**	**(7,294)**	**(12,821)**
Financial expense saving on conversion of debt instruments, net of tax	8,050	Not applicable	Not applicable
Attributable net profit (diluted)	**15,941**	Not applicable	Not applicable
Weighted number of shares (basic)	281,950,934	281,950,934	281,950,934
Weighted number of shares (diluted)	406,950,934	281,950,934	281,950,934
Basic earnings/(loss) per share (€)	**0.0280**	**(0.0259)**	**(0.0455)**
Diluted earnings/(loss) per share (€)**	**0.0280**	**(0.0259)**	**(0.0455)**

** 18 months of operating activity – see Note 2.3 – Statement of compliance and basis of preparation.*

*** In view of the net loss recorded during the "2014 – 21 months" and "2014 – 12 months" periods, potential shares reflecting the convertible component of the bond are excluded from the calculation of diluted earnings per share for both periods concerned. In 2015, the impact of convertible bonds is not taken into account as it is accretive.*

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 tables below illustrate changes in this item over the two periods presented:

€k	Jan. 1, 2015	Changes in scope	Impairment/ Reversals	Translation differences	Dec. 31, 2015
Goodwill - gross value	336,279	-	-	497	336,775
Impairment	-	-	-	-	-
Goodwill - net	**336,279**	**-**	**-**	**497**	**336,775**

€k	March 27, 2013	Changes in scope	Impairment/ Reversals	Translation differences	Dec. 31, 2014
Goodwill - gross value		335,777	-	502	336,279
Impairment	-	-	-	-	-
Goodwill - net	**-**	**335,777**	**-**	**502**	**336,279**

Changes in consolidated goodwill in 2014 include the purchase price allocation for Groupe SMCP and the Swiss entities for €331,969k, as well as the acquisition of AZ Retail Ltd in Hong Kong for €4,310k.

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 Groupe SMCP, the fair value of trademarks was estimated using the royalties-on-sales method based on the 2013-2017 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, the term of the leases subject to leasehold rights ranges from 3 to 15 years. 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 sales, (ii) royalty rates, (iii) the long-term growth rate used to calculate terminal value and (iv) the discount rate.

The tables below illustrate changes in this item over the two periods presented:

€k	Jan. 1, 2015	Changes in scope	Acquisitions	Disposals	Impairment	Foreign exchange differences	Other items	Dec. 31, 2015
Trademarks	236,000	-	-	-	-	-	-	236,000
Leasehold rights	116,198	-	1,787	(2,723)	-	463	3,306	119,030
Other intangible assets	8,543	-	1,987	(25)	-	(546)	(3,306) (1)	6,653
Intangible assets	**360,740**	**-**	**3,774**	**(2,747)**	**-**	**(83)**	**(0)**	**361,683**
Impairment of brands	-	-	-	-	-	-	-	-
Amort./Impairment of leasehold rights	(440)	-	-	110	(4,391) (2)	4	(27)	(4,743)
Amort./impairment of other intangible assets	(2,583)	-	-	19	(2,098)	(59)	(7)	(4,728)
Amort./impairment of intangible assets	**(3,023)**	**-**	**-**	**130**	**(6,489)**	**(55)**	**(34)**	**(9,471)**
Carrying amount of intangible assets	**357,717**	**-**	**3,774**	**(2,618)**	**(6,489)**	**(138)**	**(34)**	**352,213**

(1) It concerns reclassifications from intangible assets in progress to intangible assets.
(2) The impairment breaks down as follows at December 31, 2015:
- on French leasehold rights: €1,028k of impairment and €359k of impairment reversal;
- on foreign leasehold rights (key money): €3,722k of amortization.

€k	March 27, 2013	Changes in scope	Acquisitions	Disposals	Impairment	Foreign exchange differences	Other items	Dec. 31, 2014
Trademarks	-	236,000		-	-	-	-	236,000
Leasehold rights	-	104,100	14,992	(2,876)	-	508	(526)	116,198
Other intangible assets	-	754	7,200	(49)	-	43	594	8,542
Intangible assets	**-**	**340,854**	**22,192**	**(2,925)**	**-**	**551**	**68**	**360,740**
Impairment of trademarks	-	-	-	-	-	-	-	-
Amort./Impairment of leasehold rights	-	-	-	-	(440)	-	-	(440)
Amort./impairment of other intangible assets	-	-	(168)	47	(2,618)	(37)	192	(2,584)
Amort./impairment of intangible assets	**-**	**-**	**(168)**	**47**	**(3,058)**	**(37)**	**192**	**(3,023)**
Carrying amount of intangible assets	**-**	**340,854**	**22,024**	**(2,877)**	**(3,058)**	**514**	**260**	**357,717**

The Group's three trademarks are Sandro, Maje and Claudie Pierlot, which were valued at €236 million at December 31, 2015.

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 tables below illustrate changes in this item over the two periods presented:

€k	Jan. 1, 2015	Changes in scope	Acquisitions	Disposals	Impairment	Foreign exchange differences	Other items	Dec. 31, 2015
Land	-		-	-	-		-	-
Buildings	50		-	-	-	-	(50)	-
Technical fittings, equipment and industrial tools	3,179		245	(210)	-	-	-	3,214
Property, plant and equipment in progress	2,401		8,344	-	-	16	(1,065)	9,696
Advances and down payments on property, plant and equipment	137		661	(5)	-	7	(649)	150
Other property, plant and equipment	91,154		24,247	(3,141)	-	4,524	1,764	118,548
Property, plant and equipment	**96,920**		**33,498**	**(3,356)**	**-**	**4,547**	**0**	**131,608**
Depr./impairment of buildings	(8)		-	-	-	-	8	-
Depr./impairment of technical fittings, equipment and industrial tools	(1,369)		-	127	(564)	-	-	(1,806)
Depr./impairment of other property, plant and equipment	(31,442)		-	1,589	(28,552)	(2,279)	(9)	(60,694)
Imp. of advances and down payments on property, plant and equipment	-		-	-	-	-	-	-
Depr./impairment of property, plant and equipment	**(32,819)**		**-**	**1,716**	**(29,116)**	**(2,279)**	**(1)**	**(62,500)**
Carrying amount of property, plant and equipment	**64,102**		**33,498**	**(1,641)**	**(29,116)**	**2,267**	**(1)**	**69,109**

€k	March 27, 2013	Changes in scope	Acquisitions	Disposals	Impairment	Foreign exchange differences	Other items	Dec. 31, 2014
Land	-	-	-	-	-	-	-	-
Buildings	-	-	50	-	-	-	-	50
Technical fittings, equipment and industrial tools	-	2,127	499	(308)	-	-	860	3,179
Property, plant and equipment in progress	-	888	5,517	(8)	-	22	(4,019)	2,401
Advances and down payments on property, plant and equipment	-	-	153	(19)	-	3	-	137
Other property, plant and equipment	-	40,263	47,589	(3,357)	0	3,189	3,470	91,154
Property, plant and equipment	**-**	**43,278**	**53,808**	**(3,693)**	**0**	**3,214**	**311**	**96,920**
Depr./impairment of buildings		-	-	-	(8)	-	-	(8)
Depr./impairment of technical fittings, equipment and industrial tools	-	-	-	248	(622)	-	(994)	(1,369)
Depr./impairment of other property, plant and equipment	-	-	(20)	1,601	(31,887)	(1,437)	301	(31,442)
Imp. of advances and down payments on property, plant and equipment	-	-	-	-	-	-	-	-
Depr./impairment of property, plant and equipment	**-**	**-**	**(20)**	**1,849**	**(32,517)**	**(1,437)**	**(693)**	**(32,819)**
Carrying amount of property, plant and equipment	**-**	**43,278**	**53,788**	**(1,843)**	**(32,517)**	**1,777**	**(381)**	**64,102**

Virtually all acquisitions in the periods presented relate to investments in distribution networks (fixtures and fittings).

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 amount, 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 Impairment testing of trademarks

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 2016-2020 business plan.

Key assumptions

The key assumptions applied in determining the fair value of trademarks in 2015 are shown below:

		CGU	
	Sandro	**Maje**	**Claudie Pierlot**
Criteria	2015	2015	2015
Calculation basis for recoverable amount		*Relief-from-royalty method*	
Source		*Business plan/DCF*	
Perpetuity growth rate	*2%*	*2%*	*2%*
Discount rate	*10%*	*10%*	*10%*
Normative tax rate	*34.43%*	*34.43%*	*34.43%*
Royalty rate	*8%*	*7%*	*5%*
Carrying amount of trademarks (€m)	**132**	**90**	**14**
Total carrying amount of trademarks (€m)		**236**	

The discount rate used to calculate fair value is the Group's post-tax weighted average cost of capital calculated on the following basis:

- cost of capital: a risk-free rate of 3.0%, equal to the average yield on ten-year government bonds over a one-month period, an industry beta of 0.85 and a market risk premium of 5.0%;
- cost of net debt: a spread of 0.9%; and
- an industry-average gearing ratio in order to weight the two components.

Results of trademark impairment testing

The Group analyzed sensitivity of the fair value of key assumptions for each of the three trademarks at December 31, 2015, in respect of:

- a 1.5-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 2016-2020 business plan.

None of these tests taken individually would lead to the recognition of an impairment loss against trademarks.

6.3.2 Impairment testing of leasehold rights

Key assumptions

Management valued leasehold rights using the direct method of valuation, based on one or more of the following inputs:

- current market prices (rental value per square meter);
- recent transaction values;
- information provided by brokers;
- offers received.

Results of impairment testing of leasehold rights

At December 31, 2015, management identified and recognized a €1,028k impairment loss against leasehold rights (€440k impairment loss at December 31, 2014) in France.

6.3.3 Goodwill impairment testing

Key assumptions

The key assumptions applied in determining the value in use of goodwill CGUs in 2015 are as follows:

		CGU	
	Sandro	**Maje**	**Claudie Pierlot**
Criteria	2015	2015	2015
Calculation basis for recoverable amount		*Value in use*	
Source		*Business plan/DCF*	
Perpetuity growth rate	*2%*	*2%*	*2%*
Discount rate	*8.5%*	*8.5%*	*8.5%*
Normative tax rate	*34.43%*	*34.43%*	*34.43%*
Goodwill – net (€m)	**188**	**128**	**20**
Total goodwill – net (€m)		**336**	

Other than those set out above, the Group's key assumptions include:

- changes in net sales, reflecting the Group's market penetration, presence and positioning;
- changes in EBITDA including requisite marketing and sales expenditure in line with changes in net sales;
- 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 2016 to 2020.

- The discount rates used factor in a specific premium reflecting the growth outlook, country risk and economic climate. This rate was estimated by an independent expert and for 2015 was determined at 8.5%.
- The perpetuity growth rates used were unchanged at 2%, since the economic situation did not prompt the Group to adjust the long-term outlook for its markets in its late 2014 and 2015 assessment.

Results of goodwill impairment testing

The Group analyzed sensitivity of the value in use of each goodwill CGU at December 31, 2015, in respect of:

- a 1.5-point change in the discount rate; or
- a 1-point change in the perpetuity growth rate; or

- a 2-point change in the EBITDA margin rate; or

- a 5-point reduction in the EBITDA growth rate over the business plan (2016-2020) period.

None of these tests taken individually would lead to the recognition of an impairment loss against goodwill at December 31, 2015.

The goodwill impairment testing realised in 2014 have not lead to any impairment loss against goodwill at December 31, 2014.

6.3.4 Impairment testing of property, plant and equipment

At December 31, 2015, the Group reversed impairment losses in the amount of €913k. An impairment loss of €2,916k was recognized at December 31, 2014 (see Note 5.5 – Other operating income and expenses).

6.4 Financial assets

Financial assets totaled €10,313k at December 31, 2014 and €12,640k at December 31, 2015, and mainly relate to loans, deposits and pledged mutual funds.

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.

Impairment rules for collections from past seasons are as follows:

- A new collection is launched every six months (autumn-winter and spring-summer).

- The current collection (Y) and the collections for the last two seasons (Y-1 and Y-2) are not impaired.

- Finished goods together with raw material inventories related to Y-3 are impaired based on a rate of 50%.

- Finished goods together with raw material inventories related to Y-4 are impaired based on a rate of 75%.

- Finished goods together with raw material inventories related to older collections are impaired based on a rate of 95%.

The tables below illustrate changes in this item over the two periods presented:

	Dec. 31, 2015 *€k*			Dec. 31, 2014 *€k*		
	Gross value	**Impairment**	**Carrying amount**	**Gross value**	**Impairment**	**Carrying amount**
Raw materials and other supplies	23,262	(2,623)	20,639	18,805	(1,155)	17,650
Finished products	106,644	(1,542)	105,102	81,233	(1,113)	80,120
Total inventories	**129,906**	**(4,165)**	**125,741**	**100,038**	**(2,268)**	**97,770**

The allowance for impairment of inventories reflects the technical and stylistic obsolescence of the Group's inventories at December 31, 2015 and 2014.

	Dec. 31, 2015 *€k*	Dec. 31, 2014 *€k*
Cumulative impairment at the beginning of the period	**(2,268)**	**(267)**
Impairment	(2,631)	(3,714)
Reversals	764	1,743
Foreign exchange differences	(30)	(30)
Cumulative impairment at the end of the period	**(4,165)**	**(2,268)**

6.6 Trade receivables

Subsequent measurement takes account of the probability that the receivables will be collected and a specific write-down is recorded for any doubtful receivables, as follows:

- disputed receivables are written down when there is certain and specific evidence showing that the receivables will not be collected;

- write-downs 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	Jan. 1, 2015	Changes in scope	Changes in gross value	Impairment	Reversals	Translation adjustment	Dec. 31, 2015
Trade receivables	31,400	-	4,404	-	-	355	**36,159**
Provisions for impairment	(380)	-	-	(185)	147	-	**(418)**
Trade receivables, net	**31,020**	**-**	**4,404**	**(185)**	**147**	**355**	**35,741**

€k	March 27, 2013	Changes in scope	Changes in gross value	Impairment	Reversals	Translation adjustment	Dec. 31, 2014
Trade receivables	**-**	**17,300**	**13,620**	**-**	**-**	**479**	**31,400**
Provisions for impairment	**-**	**-**	**(221)**	**(174)**	**15**	**-**	**(380)**
		-	**-**	**-**	**-**	**-**	
Trade receivables, net	**-**	**17,300**	**13,399**	**(174)**	**15**	**479**	**31,020**

Amounts owed by department stores are paid at 10 days. Amounts owed by local partners are paid at between 30 and 45 days. Bank guarantees are set up where appropriate.

6.7 Other receivables

At December 31, 2015, other receivables totaled €34,460k and primarily included tax receivables for €17,253k, 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 €5,364k.

At December 31, 2014, other receivables amounted to €39,788k and primarily included tax receivables for €12,245k, 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 €18 million.

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, 2015, consolidated cash and cash equivalents net of current bank overdrafts amounted to €12,588k compared to €3,533k at December 31, 2014:

	Dec. 31, 2015	Dec. 31, 2014
	€k	€k
Cash and cash equivalents	27,149	16,140
Current bank overdrafts	(14,560)	(12,608)
Cash net of current bank overdrafts	**12,588**	**3,533**

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, 2015, the Company's fully subscribed and paid-up share capital amounted to €84,585,280, or 281,950,934 shares each with a par value of €0.30.

At December 31, 2015, KKR Retail Partners Midco SARL indirectly held 69.75% of the share capital of SMCP SAS through its subsidiary SOHO Holding France, itself wholly-owned.

	Dec. 31, 2014							Dec. 31, 2015						
Shareholders	**Ordinary shares**	**Class A preferred shares**	**Class B preferred shares**	**Class D preferred shares**	**Total number of shares**	**Composition of share capital (€)**	**% of capital**	**Ordinary shares**	**Class A preferred shares**	**Class B preferred shares**	**Class D preferred shares**	**Total number of shares**	**Composition of share capital (€)**	**% of capital**
Soho Holding France SAS	1,062,695	224,950	195,813,033		**197,100,678**	**59,130,203**	*69.91%*	987,588		194,936,729	750,000	**196,674,317**	**59,002,295**	*69.75%*
Manco 1		1,321,571	1,768,715		**3,090,286**	**927,086**	*1.10%*		1,546,521	2,645,019		**4,191,540**	**1,257,462**	*1.49%*
Manco 2	309,036				**309,036**	**92,711**	*0.11%*	411,161				**411,161**	**123,348**	*0.15%*
Senior management	507,546	30,907,676	48,143,954	1,891,758	**81,450,934**	**24,435,280**	*28.89%*	480,528	30,907,676	48,143,954	1,141,758	**80,673,916**	**24,202,175**	*28.61%*
Total share capital	1,879,277	32,454,197	245,725,702	**1,891,758**	**281,950,934**	**84,585,280**	*100%*	**1,879,277**	**32,454,197**	**245,725,702**	**1,891,758**	**281,950,934**	**84,585,280**	**100%**

6.9.2 Rights attached to shares

Voting rights

Each ordinary share and class B and D preferred share carries one voting right as from the issuance date, which is proportionate to the capital they represent. Class A and C preferred shares do not carry any voting rights. There are no class C shares outstanding.

Financial rights attached to shares

For all dividend payments (including interim dividends), class A, B and D preferred shares entitle their holder to a cumulative statutory annual dividend calculated on a daily basis by multiplying amount A (as defined below) by an annual rate equal to 8%.

6.10 Convertible bond (Bonds 2023)

On June 20, 2013, the Company issued convertible bonds for an aggregate amount of €125,000k, each with a par value of €1.00. The convertible bonds fall due in 2023. They pay interest at 8% capitalized on an annual basis and due at maturity. The bonds were subscribed in full by KKR Retail Partners (Luxembourg) & Cy SCA.

Convertible bond holders can exercise their conversion option after certain trigger events including the admittance of the Company's shares to listing on a regulated securities market and up to 30 days before the bonds fall due. Each convertible bond entitles the holder to one preferred share for a par value of €0.30 and a premium of €0.70 (i.e., a total subscription price of €1). Subject to certain conditions, preferred shares entitle the holder to a priority dividend and a priority right to payment equal to the subscription price plus any unpaid dividend. On conversion into shares, the financial liability is reclassified within equity and no capital gain or loss is recognized.

If these events occur, holders of 2023 convertible bonds may also ask for their bonds to be redeemed at a price of €1 per instrument, plus any accrued interest.

Accrued interest on convertible bonds totaled €6,199k and €5,740k, respectively, for 2015 and for the 12 months to December 31, 2014. These expenses are recognized in borrowings and debt, which stood at €145,800k at December 31, 2015 and €135,000k at December 31, 2014.

6.11 Senior secured notes (Bonds 2020)

On September 16, 2013, the Company issued senior secured notes for a principal amount of €290 million, redeemable at maturity on June 15, 2020. These notes pay six-monthly interest at 8.875%, due on February 1 and August 1 of each year. The 2020 notes are admitted to trading on the Euro MTF market in Luxembourg.

The early redemption options available to the Company are as follows:

- At any time before June 15, 2016, the Company can redeem all or part of the notes by paying a "make-whole premium". This premium is equal to the higher of:
    - 1% of the principal amount; and
    - the difference (if positive), calculated at the redemption date, between:
        - (i) the present value, calculated at the yield on German government bonds +50bps at this date, of:
            - a. the amount redeemable at June 15, 2016 determined as shown in the paragraph below in the event of a redemption as of June 15, 2016 (excluding interest recognized but not paid), plus
            - b. interest accruing up to June 15, 2016 (excluding interest recognized but not paid);
        - (ii) the principal amount of the debt.

- As from June 15, 2016, the Company can redeem all or part of the notes ahead of maturity by paying an early redemption premium which progressively reduces over time, such that redemption of the principal amount payable will range from 104.438% of par (if the notes are redeemed in the 12 months after June 15, 2016), 102.219% of par (if the notes are redeemed in the 12 months after June 15, 2017), and 100% of par (if the notes are redeemed after June 15, 2018).

- At any time before June 15, 2016, the Company can redeem up to 40% of the total principal amount of the senior secured notes by issuing equity instruments, equal to spot price at the day of the initial public offering, but shall not exceed 108.875% of the par value, i.e., the redemption amount scheduled is €108.9 million including a "make-whole" premium of €8.9 million. This redemption would be funded by proceeds from the capital increase (see Note 2.2.2 Accounting impacts resulting from the redemption of the convertible bond if the initial public offering goes ahead, plus any accrued interest outstanding up to the redemption date, which should be at the latest 180 days after the issuance of the equity instruments).

The issuance costs of €13,999k are deducted from the nominal amount of the liability and are amortized over the term of the borrowing. The effective interest rate is 10.08%.

Accrued interest on bonds totaled €11,410k and €11,345k, respectively, for 2015 and for the 12 months to December 31, 2014. The increase in borrowings and debt, from €278,371 at December 31, 2014 to €280,075k at December 31, 2015, reflects the amortization of issuance costs as well as the capitalization of accrued interest.

The senior credit agreement requires compliance with a financial covenant regarding the net debt ratio (defined as total consolidated debt over consolidated EBITDA) as a condition for any drawdowns whenever the credit drawn at the last test date represents at least 25% of the aggregate credit commitment. However, any failure to comply with this commitment does not give rise to default or early repayment. By virtue of the foregoing commitment, the net debt ratio for a rolling 12-month test period must not exceed the ratio indicated in the column opposite said period in the table below:

Test period expiring	**Ratio**
December 31, 2015	7.82:1
March 31, 2016	7.33:1
June 30, 2016	7.61:1
September 30, 2016	7.47:1
December 31, 2016	7.58:1
Each reporting date thereafter	7.58:1

Each year, the Group is required to comply with net debt covenants for its revolving cash facilities (RCF) and its bilateral bank agreements, relating to the level of its "Operating net debt" as presented below. The Group has complied with all these covenants since they came into effect.

Each quarter, the Group calculates consolidated net debt for the purpose of the aforementioned net debt ratio, as follows:

	Dec. 31, 2015	Dec. 31, 2014
	€k	*€k*
Cash and cash equivalents	27,149	16,140
Current bank overdrafts	(14,560)	(12,608)
Cash net of current bank overdrafts	**12,588**	**3,533**
Short-term borrowings and debt	(32,500)	(63,750)
Bank borrowings	(1,500)	-
Other loans and borrowings	(2,014)	(1,828)
Accrued interest on bonds	(11,410)	(11,345)
Net operating debt	**(34,836)**	**(73,390)**
Bonds (2020)	(280,075)	(278,371)
Convertible bonds (2023)	(145,800)	(135,000)
Accrued interest on convertible bonds	(6,199)	(5,740)
Consolidated net debt	**(466,910)**	**(492,501)**

6.12 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 tables below illustrate changes in this item over the two periods presented:

€k	Jan. 1, 2015	Additions	Reversals (utilized provisions)	Reversals (surplus provisions)	Foreign exchange differences	Other comprehensive income	Other	Dec. 31, 2015
Provisions for disputes	14	70	(22)	(1)	-	-	-	**61**
Provisions for contingencies	-	-	-	-	-	-	-	**-**
Provisions for pension liabilities	1,549	559	(44)	-	-	41	-	**2,105**
Other provisions for contingencies and charges	238	30	(179)	-	15	-	-	**104**
Total non-current provisions	**1,801**	**659**	**(245)**	**(1)**	**15**	**41**	**-**	**2,270**
Provisions for disputes	1,124	466	(484)	(80)	1	-	-	**1,027**
Provisions for contingencies	2,381	-	(663)	-	262	-	-	**1,979**
Other provisions for contingencies and charges	-	-	-	-	-	-	-	**-**
Total current provisions	**3,505**	**466**	**(1,147)**	**(80)**	**262**	**-**	**-**	**3,006**

€k	March 27, 2013	Additions	Reversals (utilized provisions)	Reversals (surplus provisions)	Foreign exchange differences	Other comprehensive income	Other	Dec. 31, 2014
Provisions for disputes	**-**	1,155	(242)	(95)	0	-	(805)	**14**
Provisions for contingencies	**-**	8	-	-	-	-	(8)	**-**
Provisions for pension liabilities	**-**	1,257	-	-	-	292	-	**1,549**
Other provisions for contingencies and charges	**-**	1,138	(914)	-	14	-	-	**238**
Total non-current provisions	**-**	**3,558**	**(1,156)**	**(95)**	**14**	**292**	**(813)**	**1,801**
Provisions for disputes	**-**	785	(466)	-	1	-	805	**1,124**
Provisions for contingencies	**-**	2,179	-	-	202	-	-	**2,381**
Other provisions for contingencies and charges	**-**	-	-	-	-	-	-	**-**
Total current provisions	**-**	**2,964**	**(466)**	**-**	**203**	**-**	**805**	**3,505**

At December 31, 2014, SMCP USA booked a restructuring provision for €2,179k, a portion of which had been utilized at December 31, 2015 (see Note 5.5). Provisions for disputes include provisions for labor-related risks and tax audits.

6.13 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, 2015.

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 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 recognized immediately in the income statement, unless plan amendments are conditional on the employees remaining in service for a specified period of time (vesting period). In this case, past service costs are amortized on a straight-line basis over the vesting period.

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 1.5% for managerial-grade staff and supervisors and 1% for other employees;
- 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 2% and a discount rate of 2.0% for 2015 and 1.8% for 2014.

	Dec. 31, 2015	Dec. 31, 2014
	€k	*€k*
Projected benefit obligation at the beginning of the period	**1,549**	**949**
Changes in scope		
Current service cost	488	273
Estimated interest cost	26	37
Projected benefit obligation at the end of the period	**2,063**	**1,259**
Other comprehensive income	42	290
Project benefit obligation and expense for the period	**2,105**	**1,549**
Projected benefit obligation	2,105	1,549
Liability recognized on the statement of financial position	**2,105**	**1,549**
Service cost	**488**	**273**
Current service cost	488	273
Net interest cost	**26**	**37**
Interest cost	26	37
Net cost for the period	**514**	**310**

6.14 Other liabilities

Other liabilities amount to €59,691k at December 31, 2015 and to €40,866k at December 31, 2014, and are mainly composed of taxes, duties and other payroll-related liabilities totaling €49,980k and €37,706k, respectively.

6.15 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.

ln "Non-current financial assets" (Note 5.5), 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, 2015 and December 31, 2014 was determined using Level 2 of the fair value hierarchy.

The carrying amounts of recognized assets and liabilities that are designated as hedged items in fair value hedges and carried at amortized cost are adjusted to reflect changes in the fair values attributable to the risks hedged in effective hedging relationships.

The table below provides a breakdown of fair value and of financial assets and liabilities according to the measurement categories defined by IAS 39:

				Dec. 31, 2015		Dec. 31, 2014	
				€k		€k	
	Notes	IAS 39 category	Fair value hierarchy	Carrying amount	Fair value	Carrying amount	Fair value
Pledged assets		FV PL	1	725	725	797	797
Loans and receivables		L&R		11,915	11,915	9,516	9,516
Non-current financial assets	6.4			**12,640**	**12,640**	**10,313**	**10,313**
Other non-current assets		L&R		**423**	**423**	**2,318**	**2,318**
Trade receivables	6.6	L&R		**35,741**	**35,741**	**31,020**	**31,020**
Derivative instruments eligible for hedge accounting		FV OCI/ FV PL	2	686	686	338	338
Other derivative instruments not eligible for hedge accounting		FV P&L	2	54	54	-	-
Other current financial assets	6.4	L&R		**15**	**15**	**233**	**233**
Cash and cash equivalents	6.8	L&R		**27,149**	**27,149**	**16,140**	**16,140**
Bonds (2020)	6.11	Amortized costs	2	**280,075**	**311,460**	**278,371**	**313,200**
Convertible bonds (2023)	6.10	Amortized costs	2	**151,999**	**163,247**	**140,740**	**152,655**
Other financial liabilities		Amortized costs		**1,556**	**1,556**	**45**	**45**
Accrued interest on bonds		FV P&L	2	-	-	11,345	11,345
Other accrued interest		Amortized costs		13,368	13,368	1,783	1,783
Interest-bearing liabilities (current)	6.11			**13,368**	**13,368**	**13,128**	**13,128**
Trade and other payables		Amortized costs		**79,911**	**79,911**	**52,979**	**52,979**
Bank overdrafts		Amortized costs		14,560	14,560	12,608	12,608
Short-term borrowings and debt		Amortized costs		32,500	32,500	63,750	63,750
Bank overdrafts and short-term borrowings and debt	6.11			**47,060**	**47,060**	**76,358**	**76,358**

	Notes	IAS 39 category	Fair value hierarchy	Dec. 31, 2015		Dec. 31, 2014	
				€k		€k	
				Carrying amount	Fair value	Carrying amount	Fair value
Derivative instruments eligible for hedge accounting		FV OCI/ FV PL	2	701	701	388	388
Other derivative instruments not eligible for hedge accounting		FV P&L	2	9	9	- 41	- 41
Other liabilities	5.13			**710**	**710**	**429**	**429**

At December 31, 2015 and 2014, the fair values of high-yield bonds were estimated based on their market value, taking into account changes in credit risk for the convertible bond.

6.16 Financial instruments and market risk management

6.16.1 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.

6.16.2 Foreign exchange risk

The Group is primarily exposed to changes in the U.S. dollar and the Chinese renminbi, since a significant portion of its purchases are made in these currencies, whereas its presentation 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 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 forward 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.

6.16.3 Interest rate risk

The Group's main financing is through long-term fixed-rate borrowings (8.875% on the high yield debt and 8% on the convertible bond) recognized at amortized cost. These borrowings are not sensitive to fluctuations in interest rates. Short-term refinancing facilities are at floating rates indexed to Euribor.

6.16.4 Sensitivity to interest rate risk

Based on the Group's financial commitments at December 31, 2015, a 0.5% rise in interest rates would have an impact of €253k.

6.16.5 Derivatives used to manage foreign exchange risk

Foreign currency transactions and foreign exchange risk hedging

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 remeasured to fair value. 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 identifies certain derivative financial instruments as hedges of a particular risk associated with a recognized liability or a highly-probable future transaction (cash flow hedging).

At the inception of the transaction, the Group documents the relationship between the hedging instrument and the hedged item, as well as its risk management objectives and hedging strategy. At the inception of the hedge and on an ongoing basis, the Group also documents its assessment of whether the derivatives used are highly effective in offsetting changes in fair values or cash flows of hedged items.

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.

Dec. 31, 2015	Nominal amount hedged	Fair value (MtM)	Impact on other comprehensive income/(loss)	Impact on the income statement	Hedge accounting
	(in k curr. units)	*€k*	*€k*	*€k*	
Short USD	(900)	(16)	(15)	(1)	CFH
Short USD	(1,145)	(37)	-	(37)	FVH
Short USD	(3,005)	(63)	-	(63)	Trading
Short GBP	7,620	254	289	(35)	CFH
Short GBP	1,205	6	-	6	FVH
Short CHF	9,320	106	75	31	CFH
Short CHF	1,690	27	-	27	FVH
Short HKD	42,500	(71)	(62)	(9)	CFH
Short HKD	8,000	4	-	4	FVH
Short CNY	60,500	(222)	(248)	25	CFH
Short CNY	(23,000)	(83)	-	(83)	FVH
Long CNH	20,600	7	-	7	FVH
Forward contracts	**-**	**(86)**	**39**	**(126)**	
	-				
Short USD	1,200	(11)	-	(14)	CFH
Short USD	1,300	(7)	-	(5)	Trading
Short GBP	4,000	160	76	24	CFH
Short GBP	2,050	(28)	-	32	Trading
Short CHF	900	4	(1)	(2)	CFH
Short CHF	450	(7)	-	1	Trading
Short HKD	12,500	1	(13)	(12)	CFH
Short HKD	8,500	(27)	-	(2)	Trading
Short CNY	35,000	(128)	(67)	(86)	CFH
Short CNY	13,000	6	-	(18)	FVH
Short CNY	16,000	(51)	-	(1)	Trading
Tunnels (zero-cost collars)	**-**	**(87)**	**(5)**	**(82)**	
	-				
USD	8,200	(5)	-	(5)	FVH
Short CHF	7,585	13	-	13	FVH
Short CAD	450	10	-	10	FVH
Short GBP	11,820	169	-	169	FVH
Short HKD	101,250	(13)	-	(13)	FVH
Short NOK	18,260	29	-	29	FVH
Short SGD	2,690	(15)	-	(15)	FVH
Short CNH	13,500	20	-	20	FVH
Short SEK	3,450	(4)	-	(4)	FVH
Currency swaps		**204**	**-**	**204**	
Total		**30**	**34**	**(4)**	

Dec. 31, 2014	Nominal amount hedged	Fair value (MtM)	Impact on other comprehensive income/(loss)	Impact on the income statement	Hedge accounting
	(in k curr. units)	*€k*	*€k*	*€k*	
Long USD	5,350	115	236	(122)	CFH
Short GBP	1,450	(48)	(43)	(5)	CFH
Short HKD	-				
Forward contracts	**-**	**67**	**193**	**(127)**	
	-				
Long USD	1,900	97	92	5	CFH
Short GBP	1,300	(24)	(3)	(21)	CFH
Tunnels (zero-cost collars)	**-**	**73**	**89**	**(16)**	
	-				
USD	29,500	(101)	-	(101)	
GBP	10,690	(131)	-	(131)	
Currency swaps		**(231)**	**-**	**(231)**	
USD					
GBP					
Options (plain vanilla)		**-**	**-**	**-**	
Total		**(92)**	**282**	**(374)**	

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 U.S. dollar 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 reporting 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.

Dec. 31, 2015	Equity		Income statement	
€k	*Increase*	*Decrease*	*Increase*	*Decrease*
USD (+/-10% change)	(48)	(18)	(1,198)	918
GBP (+/-10% change)	(1,033)	1,930	(1,797)	1,946
CHF (+/-10% change)	(830)	1,014	(826)	930
HKD (+/-10% change)	(704)	559	(1,396)	1,285
CNY (+/-10% change)	914	(1,558)	(752)	363
CAD (+/-10% change)	-	-	(20)	40
SGD (+/-10% change)	-	-	(188)	158
NOK (+/-10% change)	-	-	(160)	218
SEK (+/-10% change)	-	-	(41)	34
Net cash flow sensitivity	**(1,702)**	**1,927**	**(6,378)**	**5,890**

Dec. 31, 2014	Equity		Income statement	
€k	*Increase*	*Decrease*	*Increase*	*Decrease*
USD (+/-10% change)	703	(45	(3,207)	2,771
GBP (+/-10% change)	(327)	199	(1,576)	1,236
Net cash flow sensitivity	**375**	**154**	**(4,783)**	**4,006**

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. 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, 2015.

Dec. 31, 2015	Equity		Income statement	
€k	*Increase*	*Decrease*	*Increase*	*Decrease*
USD (+/-10% change)	1,828	(2,234)	644	(787)
GBP (+/-10% change)	(590)	721	(197)	241
HKD (+/-10% change)	(28)	34	(111)	136
CNY (+/-10% change)	68	(84)	(549)	670
Sensitivity to exchange rates	1,279	(1,563)	(213)	261

6.16.6 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, 2015, the Group had access to undrawn committed credit lines totaling €83.8 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, 2015 and December 31, 2014.

At December 31, 2015, the Group’s borrowings and debt mainly comprised the €290 million, 8.875% senior secured notes due in 2020. These were subscribed on June 17, 2013 at the time of the Groupe SMCP acquisition.

€k	**2016**	**2017**	**2018**	**2019**	**2020**	**Over 5 years**	**Total**
Bonds (2020)					290,000		290,000
Accrued interest on bonds	25,738	25,738	25,738	25,738	22,449		125,401
Convertible bonds (2023) *						269,865	269,865
Other loans and borrowings	2,980	505				45	3,530
Bank overdrafts and short-term borrowings and debt	47,060						47,060
Gross debt	**75,778**	**26,243**	**25,738**	**25,738**	**312,449**	**269,910**	**735,856**
Trade and other payables	79,911						79,911
Other liabilities	58,691						58,691
Other financial liabilities	**138,602**	**-**	**-**	**-**	**-**	**-**	**138,602**
Total financial liabilities at December 31, 2015	**214,380**	**26,243**	**25,738**	**25,738**	**312,449**	**269,910**	**874,458**

€k	**2015**	**2016**	**2017**	**2018**	**2019**	**Over 5 years**	**Total**
Bonds (2020)						290,000	290,000
Accrued interest on bonds	25,738	25,738	25,738	25,738	25,738	22,449	151,139
Convertible bonds (2023)*						269,865	269,865
Other loans and borrowings	1,783					45	1,828
Bank overdrafts and short-term borrowings and debt	76,359						76,359
Gross debt	**103,880**	**25,738**	**25,738**	**25,738**	**25,738**	**582,359**	**789,191**
Trade and other payables	52,979						52,979
Other liabilities	40,866						40,866
Other financial liabilities	**93,942**	**-**	**-**	**-**	**-**	**-**	**93,942**
Total financial liabilities at December 31, 2014	**197,822**	**25,738**	**25,738**	**25,738**	**25,738**	**582,359**	**883,133**

** Of which capitalized interest for €145 million.*

6.16.7 Credit risk

The Group has a low credit risk. A large part of its business is retail for which customers pay cash. General stores and affiliates are billed once or twice per month and pay within a few days. Department store partners are billed at each delivery and payment is made either on delivery or at a later date.

Given the distribution channels for SMCP's three brands, many goods are paid for on delivery (at the point of sale or in stores). The Group's affiliates or department store partners have short payment terms.

7. OFF-BALANCE SHEET COMMITMENTS

7.1 Commitments received

	Dec. 31, 2015	Dec. 31, 2014
	€k	*€k*
Sureties	2,323	1,755
Undrawn credit lines	83,800	55,000
Commitments received	**86,123**	**56,755**

7.2 Commitments given

	Dec. 31, 2015	Dec. 31, 2014
	€k	*€k*
Market transactions	-	-
Letters of credit	8,280	9,204
Pledge of leasehold rights(1)	39,552	40,431
Sureties	-	-
Guarantee commitments	10,865	8,480
Commitments given	**58,697**	**58,115**

(1) SMCP SAS has negotiated three-year medium-term loans for a total amount of €45 million, maturing in 2016 and 2017. These medium-term facilities are guaranteed by a pledge of leasehold rights.

Commitments given under operating leases at December 31, 2015 and December 31, 2014 are as follows:

	Dec. 31, 2015	Dec. 31, 2014
	€k	*€k*
Operating leases	**235,633**	**208,397**
Less than one year	58,461	40,642
From 1 to 5 years	124,002	102,775
Over 5 years	53,171	64,980

In France, store leases have a term of nine years with an exit option in the third and sixth years. 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)	
	Dec. 31, 2015	**Dec. 31, 2014**	**Dec. 31, 2015**	**Dec. 31, 2014**
France	2,107	1,924	1,908	1,747
Europe (except France)	956	836	776	682
America	429	416	353	358
Asia	384	221	374	214
Total headcount	**3,876**	**3,397**	**3,411**	**3,001**

(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 indicates 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 paid to Statutory Auditors

In accordance with Article R.233-14 paragraph 17 of the French Commercial Code (*Code de commerce*), the total fees paid to the Statutory Auditors at December 31, 2015 and December 31, 2014 amounted to €2,011k and €646k, respectively, breaking down as follows:

Statutory audit of the consolidated financial statements of SMCP SAS and its subsidiaries:

	12 months to **Dec. 31, 2015**	*12 months to* **Dec. 31, 2014**	*21 months to* **Dec. 31, 2014 ***
	€k	*€k*	*€k*
KPMG	986	264	497
E&Y	1,025	382	613
Other	-	-	22
Total fees**	**2,011**	**646**	**1,132**

** 18 months of operating activity – see Note 2.3 – Statement of compliance and basis of preparation.*
*** Of which €1,118k in respect of audit procedures related to the planned share disposal.*

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).

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 or with associated companies are those which took place between the Group and (a) KKR Retail Partner Midco SARL ("KKR"), as well as (b) entities directly or indirectly held by KKR.

There were no transactions between the Group and Soho Holding France in the 2015 or 2014 reporting periods.

8.3.2 Transactions with KKR

The Group was billed management fees by KKR amounting to €500k in respect of 2015, unchanged on 2014.

Bonds convertible into shares representing €125,000k, fully subscribed by KKR, accrued capitalized interest totaling €26,999k at December 31, 2015 and €15,740k at December 31, 2014.

8.3.3 Transactions with entities owned directly or indirectly by KKR

The Group was billed consultancy fees by KKR Capstone, an entity owned by KKR, amounting to €583k in respect of 2015 and €927k in respect of 2014.

8.3.4 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, 2015 and December 31, 2014, as shown below:

	12 months to Dec. 31, 2015				
	Consultancy services	Termination indemnities	Executive management services	Rental charges	Affiliation agreements
	(1)	(2)		(3)	(4)
	€k	€k	€k	€k	€k
*Elie Kouby SASU, managed by Elie Kouby***	*785*	*398*			
*Evelyne Chétrite SASU, managed by Evelyne Chétrite***	*250*		*705*		
*Judith Milgrom, managed by Judith Milgrom***	*250*		*705*		
*AMJM, managed by Alain Moyal and Judith Milgrom***				*613*	
*Company managed by Lévana Gampel, daughter of Judith Milgrom***					*607*
*Lesko, managed by Elie Kouby***					*575*
Total for the period	**1,285**	**398**	**1,410**	**613**	**1 182**
Total transactions for the period			**4,888**		

	12 months to Dec. 31, 2014					21 months to Dec. 31, 2014				
	Consultancy services	Termination indemnities	Executive management services	Rental charges	Affiliation agreements	Consultancy services	Termination indemnities	Executive management services	Rental charges	Affiliation agreements
	(1)	(2)		(3)	(4)	(1)	(2)		(3)	(4)
	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k
*Elie Kouby SASU, managed by Elie Kouby***	*548*		*124*			*594*		*519*		
*Frédéric Biousse SASU, managed by Frédéric Biousse***	*395*	*1,312*	*124*			*441*	*1,312*	*519*		
*Evelyne Chétrite SASU, managed by Evelyne Chétrite***	*250*		*525*			*375*		*878*		
*Judith Milgrom, managed by Judith Milgrom***	*250*		*512*			*375*		*865*		
*AMJM, managed by Alain Moyal and Judith Milgrom***				*875*					*1,661*	
*Company managed by Lévana Gampel, daughter of Judith Milgrom***					*199*					*1,135*
*Lesko, managed by Elie Kouby***					*144*					*747*
Total for the period	**1,443**	**1,312**	**1,285**	**875**	**343**	**1,785**	**1,312**	**2,781**	**1,661**	**1,882**
Total transactions for the period			**5,259**					**9,421**		

(1) Consultancy services relating to strategy, market positioning and the creation of collections.

(2) Termination indemnity relating to consultancy service agreements.

(3) Leases relating to the Maje registered office and to a Maje store, both in Paris.

(4) Affiliation agreements regarding two Maje stores in Paris and a Sandro store in Toulouse, drawn up with companies respectively managed by a member of the family of one of the Group's senior managers and by one of the Group's senior managers.

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:

	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2014*
	€k	*€k*	*€k*
Gross fixed salary	3,789	3,535	4,635
Variable salary	3,162	1,197	1,584
Social security charges	2,466	1,723	2,338
Termination indemnities	850	315	459
Fringe benefits	145	170	191
Total short-term benefits	**10,415**	**6,940**	**9,207**

** 18 months of operating activity – see Note 2.3 – Statement of compliance and basis of preparation.*

The portion of pension provisions recognized in respect of senior management at December 31, 2015 and December 31, 2014 was as follows:

	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2014*
	€k	*€k*	*€k*
Retirement indemnities	187	66	66
Total retirement indemnities	**187**	**66**	**66**

** 18 months of operating activity – see Note 2.3 – Statement of compliance and basis of preparation.*

The Group has also negotiated severance packages with some of these managers to be paid if they leave the Group. Total commitments represented €658k at December 31, 2015 and €2,210k at December 31, 2014.

8.4 Scope of consolidation

The table below shows the scope of consolidation at December 31, 2015 and December 31, 2014:

Entity	Dec. 31, 2015		Dec. 31, 2014	
	% interest*	Consolidation method	% interest*	Consolidation method
SMCP SAS	**100.00%**	**FC**	**100.00%**	**FC**
GROUPE SMCP	100.00%	FC	100.00%	FC
SMCP LOGISTIQUE	100.00%	FC	100.00%	FC
SMCP DEVELOPPEMENT	100.00%	FC	100.00%	FC
SMCP SERVICES	100.00%	FC	100.00%	FC
SANDRO ANDY	100.00%	FC	100.00%	FC
SMCP BELGIQUE	100.00%	FC	100.00%	FC
SMCP DEUTSCHLAND	100.00%	FC	100.00%	FC
PAP SANDRO ESPANA	100.00%	FC	100.00%	FC
SANDRO FRANCE	-	Merged	100.00%	FC
SANDRO ITALIA	100.00%	FC	100.00%	FC
SMCP UK	100.00%	FC	100.00%	FC
SANDRO SUISSE	100.00%	FC	100.00%	FC
SMCP IRELAND	100.00%	FC	100.00%	FC
MAJE	100.00%	FC	100.00%	FC
MAJE BOUTIQUE	-	Merged	100.00%	FC
SMCP LUXEMBOURG	100.00%	FC	100.00%	FC
MAJE GERMANY	100.00%	FC	100.00%	FC
MAJE SPAIN	100.00%	FC	100.00%	FC
MAJE STORES	100.00%	FC	100.00%	FC
MAJE SUISSE	100.00%	FC	100.00%	FC
MAJBEL	100.00%	FC	100.00%	FC
CLAUDIE PIERLOT	100.00%	FC	100.00%	FC
CLAUDIE PIERLOT SUISSE	100.00%	FC	100.00%	FC
341 SMCP	100.00%	FC	100.00%	FC
SMCP USA	100.00%	FC	100.00%	FC
SMCP CANADA	100.00%	FC	100.00%	FC
SMCP ASIA	100.00%	FC	100.00%	FC
SMCP SHANGHAI TRADING CO.	100.00%	FC	100.00%	FC
SMCP NETHERLANDS	100.00%	FC	100.00%	FC
SMS	100.00%	FC	100.00%	FC
SMCP HONG-KONG	100.00%	FC	100.00%	FC
SMCP FASHION SINGAPORE PTE	100.00%	FC	100.00%	FC
AZ RETAIL	100.00%	FC	100.00%	FC
SMCP DENMARK	100.00%	FC	100.00%	FC
SMCP NORWAY	100.00%	FC	100.00%	FC
SMCP MACAU	100.00%	FC	100.00%	FC
SMCP SWEDEN	100.00%	FC	100.00%	FC

** Percentage interest is identical to percentage ownership.*

Abbreviations used: FC = Full consolidation

8.5 Subsequent events

The Group incorporated a subsidiary, SMCP Portugal, in order to begin operations in that country during the first half of 2016.

20.1.6.2 The Statutory Auditors' reports for the financial year ended December 31, 2015

This is a free translation into English of a report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction and construed in accordance with French law and the relevant professional auditing standards applicable in France.

« To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meetings, we hereby report to you, for the year ended December 31, 2015, on:

- *the audit of the accompanying consolidated financial statements of SMCP S.A.S.;*
- *the justification of our assessments;*
- *the specific verification required by law.*

These consolidated financial statements have been approved by the supervisory board. Our role is to express an opinion on these consolidated 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, 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 consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the group as at December 31, 2015 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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:

Trademarks and goodwill are subject to annual impairment tests, according to the accounting policies and principles described in notes 6.3.1 and 6.3.3 to the consolidated financial statements. We have examined the terms and conditions for implementing these tests, as well as the data and assumptions used. We have also verified that the information disclosed in notes 6.3.1 and 6.3.3 to the consolidated financial statements is appropriate, especially regarding the sensitivity analysis.

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, March 3, 2016

The statutory auditors

French original signed by

KPMG Audit *Département de KPMG SA*	*ERNST & YOUNG et Autres*
Valéry Foussé	*Jean-Philippe Bertin »*

20.1.7 SMCP Holding S.A.S.'s consolidated financial statements for the 21-month financial year ended December 31, 2014, the twelve-month period ended December 31, 2014 and the nine-month period ended December 31, 2013 and the corresponding reports of the Statutory Auditors

20.1.7.1 SMCP Holding S.A.S.'s consolidated financial statements for the 21-month financial year ended December 31, 2014, the twelve-month period ended December 31, 2014 and the nine-month period ended December 31, 2013

1. CONSOLIDATED FINANCIAL STATEMENTS

1.1 Consolidated statement of financial position

1.1.1 Assets

		Dec. 31, 2014	Dec. 31, 2013*
		€k	*€k*
	Notes	**Net**	**Net**
Goodwill	6.1.1	336,279	331,969
Trademarks	6.1.2	236,000	236,000
Other intangible assets	6.1.2	121,717	115,736
Property, plant and equipment	6.2	64,102	54,710
Non-current financial assets	6.4	10,313	8,066
Other non-current assets		2,318	1
Deferred tax assets	5.7.2	18,036	24,547
Non-current assets		**788,765**	**771,030**
Inventories	6.5	97,770	78,695
Trade receivables	6.6	31,020	22,261
Other receivables	6.7	39,788	11,878
Other current financial assets	6.4	233	18
Cash and cash equivalents	6.8	16,140	12,919
Current assets		**184,951**	**152,772**
Total assets		**973,716**	**896,801**

*6 months of operating activity – see Note 2.3 - Statement of compliance and basis of preparation

1.2 Equity and liabilities

	Notes	Dec. 31, 2014 *€k* Net	Dec. 31, 2013* *€k* Net
Share capital	6.9	84,585	84,000
Share premium		197,366	196,000
Reserves and retained earnings		0	0
Other comprehensive income		(3,665)	(865)
Attributable net profit loss**		(12,821)	(5,527)
Equity attributable to owners of the Company		**265,465**	**273,608**
Non-controlling interests		0	0
Total equity		**265,465**	**273,608**
Bonds	6.11	278,371	276,797
Convertible bonds	6.10	140,740	130,315
Other financial liabilities		45	45
Provisions and other non-current liabilities	6.12	252	500
Deferred revenue		273	0
Net employee defined benefit liabilities	6.13	1,549	949
Deferred tax liabilities	5.7.2	100,186	100,195
Non-current liabilities		**521,416**	**508,800**
Interest-bearing loans and borrowings (current)	6.11/6.15	13,128	14,637
Trade and other payables		52,979	46,035
Bank overdrafts and short-term borrowings and debt	6.8/6.11	76,358	17,271
Short-term provisions	6.12	3,505	835
Other liabilities	6.14	40,866	35,615
Current liabilities		**186,836**	**114,393**
Total equity and liabilities		**973,716**	**896,801**

**6 months of operating activity – see Note 2.3 - Statement of compliance and basis of preparation*

*** Attributable net loss for the period ended December 31, 2014 corresponds to the net loss for the 21-month reporting period.*

1.3 Consolidated income statement

	Notes	12 months to Dec. 31, 2014 €k	9 months to Dec. 31, 2013* €k	21 months to Dec. 31, 2014** €k
Net sales		508,610	222,616	731,226
Commissions		(74,555)	(34,762)	(109,318)
Net sales after commissions	5.1	**434,055**	**187,853**	**621,908**
Cost of sales	5.2	(117,695)	(49,684)	(167,379)
Gross margin		**316,359**	**138,169**	**454,529**
Other operating income	5.4	7,065	3,505	10,570
Personnel costs	5.3	(118,292)	(48,243)	(166,535)
Other operating expenses	5.4	(131,358)	(52,924)	(184,282)
Depreciation, amortization and impairment		(26,773)	(9,188)	(35,961)
Recurring operating income		**47,001**	**31,320**	**78,321**
Other non-recurring income	5.5	5,022	1,107	6,129
Other non-recurring expenses	5.5	(13,475)	(21,389)	(34,864)
Operating profit		**38,548**	**11,038**	**49,587**
Financial income		12,408	444	12,853
Cost of net debt		(40,437)	(20,755)	(61,192)
Other financial expenses		(6,016)	(357)	(6,373)
Net financial expense	5.6	**(34,044)**	**(20,669)**	**(54,713)**
Profit/(loss) before tax		**4,504**	**(9,630)**	**(5,126)**
Income tax expense	5.7	(11,798)	4,103	(7,695)
Net profit/(loss) for the period		**(7,294)**	**(5,526)**	**(12,821)**
Attributable to owners of the Company		(7,294)	(5,526)	(12,821)
Attributable to non-controlling interests		-	-	-
Net profit/(loss) attributable to owners of the Company		**(7,294)**	**(5,526)**	**(12,821)**
Basic earnings/(loss) per share attributable to owners (€)	5.8	**(0.0259)**	**(0.0196)**	**(0.0455)**
Diluted earnings/(loss) per share attributable to owners (€)	5.8	**(0.0259)**	**(0.0196)**	**(0.0455)**

**6 months of operating activity – see Note 2.3 - Statement of compliance and basis of preparation*

*** 18months of operating activity – see Note 2.3 - Statement of compliance and basis of preparation.*

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 3.5.1 – Transactions and balances).

1.4 Consolidated statement of comprehensive income

	12 months to **Dec. 31, 2014** *€k*	*9 months to* **Dec. 31, 2013*** *€k*	*21 months to* **Dec. 31, 2014**** *€k*
Net loss for the period	**(7,294)**	**(5,526)**	**(12,821)**
Cumulative actuarial losses on defined benefit plans	(290)	(2)	(292)
Tax effect	110	-	110
Total other comprehensive loss that may not be reclassified to profit or loss	**(180)**	**(2)**	**(182)**
Gains/(losses)/on derivative financial instruments (cash flow hedges)	370	(88)	282
Tax effect	(140)	31	(109)
Exchange losses on translation of foreign operations	(2,855)	(806)	(3,661)
Total other comprehensive loss that may not be reclassified to profit or loss	**(2,625)**	**(863)**	**(3,488)**
Total comprehensive loss	**(10,099)**	**(6,391)**	**(16,491)**
Of which:			
Attributable to owners of the Company	(10,099)	(6,391)	(16,491)
Attributable to non-controlling interests	-	-	-

1.5 Consolidated statement of cash flows

	12 months to **Dec. 31, 2014** *€k*	*9 months to* **Dec. 31, 2013*** *€k*	*21 months to* **Dec. 31, 2014**** *€k*
Profit/(loss) before tax	**4,504**	**(9,630)**	**(5,126)**
Depreciation and impairment of property, plant and equipment	21,736	7,865	29,601
Amortization and impairment of intangible assets	2,270	608	2,878
Other additions to/reversals from other recurring items	2,767	715	3,482
Other non-recurring income	(5,022)	(1,107)	(6,129)
Other non-recurring expenses	13,475	21,389	34,864
Financial income	(12,408)	(445)	(12,853)
Cost of net debt	40,437	20,755	61,192
Other financial expenses	6,016	357	6,373
Sub-total**	**73,774**	**40,508**	**114,282**
(Increase)/decrease in trade and other receivables and prepayments	(16,841)	5,567	(11,274)
(Increase)/decrease in inventories	(20,028)	(20,691)	(40,719)
Increase/(decrease) in trade and other payables	7,924	(10,909)	(2,985)
Change in working capital***	**(28,945)**	**(26,033)**	**(54,978)**
Income tax refunded/(paid)	(29,580)	(9,751)	(39,331)
Net cash flow from operating activities	**15,250**	**4,724**	**19,974**
Purchases of property, plant and equipment	(33,230)	(20,855)	(54,085)
Proceeds from sales of property, plant and equipment	1,138	78	1,216
Purchases of financial instruments	(2,097)	(82,893)	(84,990)
Proceeds from sales of financial instruments	1,161	469	1,630
Purchases of intangible assets	(9,682)	(8,974)	(18,656)
Proceeds from sales of intangible assets	4,130	955	5,085
Purchases of subsidiaries net of cash acquired****	(4,626)	(499,034)	(503,660)
Net cash flow used in investing activities	**(43,206)**	**(610,254)**	**(653,460)**
Capital increases	1,951	280,000	281,951
Interest received	-	2	2
Effects of consolidation scope changes	41	-	41
Issuance of bonds	-	276,000	276,000
Issuance of convertible bonds	-	125,000	125,000
Increase in long-term borrowings and debt	1,671	-	1,671
Decrease in long-term borrowings and debt	(432)	(83,073)	(83,504)
Increase in short term borrowings and debt	52,668	26,654	79,322
Decrease in short-term borrowings and debt	-	-	-
Other financial income and expenses	(306)	464	158
Interest paid	(31,074)	(13,538)	(44,612)
Net cash flow from/(used in) financing activities	**24,520**	**611,509**	**636,029**
Change in net cash and cash equivalents	**(3,436)**	**5,979**	**2,543**
Net foreign exchange difference	822	169	991
Cash and cash equivalents at the beginning of the period	12,919	-	-
Bank credit balances at the beginning of the period	(6,771)	-	-
Net cash and cash equivalents at the beginning of the period	**6,148**	**-**	**-**
Cash and cash equivalents at the end of the period	16,140	12,919	16,140
Bank credit balances at the end of the period	(12,608)	(6,771)	(12,608)
Net cash and cash equivalents at the end of the period	**3,533**	**6,148**	**3,533**

* 6 months of operating activity – see Note 2.3 – Statement of compliance and basis of preparation.

*** 18 months of operating activity – see Note 2.3 – Statement of compliance and basis of preparation.*

**** Recurring operating income before other income and expenses and before depreciation and amortization expense.*

***** In 2014, this caption relates to the acquisition of AZ Retail for €4,742k net of cash acquired totaling €116k (see Note 4.2 – 2014 acquisitions). In 2013, this caption relates to the acquisition of (i) Groupe SMCP for €503,814k, including €12,567k of cash acquired, and (ii) the Swiss entities for €9,388k, including €1,601k of cash acquired (see Note 4.1 – 2013 acquisitions).*

1.6 Consolidated statement of changes in equity

						Equity		
€k	Share capital	Share premium	Reserves and retained earnings	Other comprehensive income/(loss)	Attributable net profit/(loss)	Equity attributable to owners of the Company	Non-controlling interests	Total equity
Balance at March 27, 2013								
2014 net loss	-	-	-	-	(5,526)	(5,526)	-	**(5,526)**
Cumulative actuarial losses on defined benefit plans, net of tax	-	-	-	(2)	-	(2)	-	**(2)**
Exchange losses on translation of foreign operations	-	-	-	(806)	-	(806)	-	**(806)**
Other comprehensive income	-	-	-	(57)	-	(57)	-	**(57)**
Total comprehensive loss	-	-	-	**(865)**	**(5,526)**	**(6,391)**	-	**(6,391)**
Capital increase	84,000	196,000	-	-	-	280,000	-	**280,000**
Total transactions with owners	**84,000**	**196,000**	-	-	-	**280,000**	-	**280,000**
Balance at December 31, 2013	**84,000**	**196,000**	-	**(865)**	**(5,526)**	**273,609**	-	**273,609**
Movements for the period ended December 31, 2014	-	-						
2014 net loss	-	-	-		(7,294)	(7,294)	-	**(7,294)**
Cumulative actuarial losses on defined benefit plans, net of tax	-	-	-	(180)		(180)	-	**(180)**
Exchange losses on translation of foreign operations	-	-	-	(2,850)		(2,850)	-	**(2,850)**
Other comprehensive income	-	-	-	230		230	-	**230**
Total comprehensive loss	-	-	-	**(2,800)**	**(7,294)**	**(10,094)**	-	**(10,094)**
Dividend paid			-	-				
Capital increase	585	1,366	-	-		1,951	-	**1,951**
Total transactions with owners	**585**	**1,366**	-			**1,951**	-	**1,951**
Balance at December 31, 2014	**84,585**	**197,366**	-	**(3,665)**	**(12,821)**	**265,465**	-	**265,465**

2. GENERAL INFORMATION

2.1 Presentation of the Group

SMCP SAS ("the Company") was incorporated in France on March 27, 2013 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.

The consolidated group ("the Group") includes the parent company SMCP SAS and its subsidiaries (as presented in Note 8.4 – Scope of consolidation).

SMCP SAS is indirectly owned by KKR Retail Partner Midco SARL ("KKR") through its wholly-owned subsidiary Soho Holding France, which holds 69.91% of SMCP SAS shares. KKR SARL is a Luxembourg-based privately-held company (*société à responsabilité limitée*) whose registered office is located at 59 rue de Rollingergrund, L-2440 Luxembourg.

On June 20, 2013, SMCP SAS acquired the entire share capital of Groupe SMCP. With three distinct contemporary French fashion brands, Sandro, Maje and Claudie Pierlot, Groupe SMCP is a leading company in the affordable luxury sector.

The Group's business mainly involves the creation and sale of clothes and fashion accessories under the Sandro, Maje and Claudie Pierlot brands in fashion stores under the same names. The Group also owns the network of Suite 341 stores, which market and sell products of the three brands Sandro, Maje and Claudie Pierlot.

At December 31, 2014, SMCP operated 979 stores, of which 805 were directly operated and 174 were operated through partnerships. Its brands were present in 33 countries worldwide.

2.2 Significant events

Building on its strong position on the French market, the Group continued to expand its international footprint in the period ended December 31, 2013, opening 195 store (excluding partnerships) across the world, including 124 in Europe (52 in France), 50 in the United States, 11 in Asia and 10 in Canada. In June 2013, the Group also acquired an additional 50% of the Swiss entities from its Swiss partner SMS Holding. These entities were previously 50%-owned by the Group and accounted for by the equity method.

In the period ended December 31, 2014, the Group continued to develop its business in Asia, creating SMCP Fashion Singapore, SMCP Hong Kong and SMCP Macau, all of which are wholly owned by SMCP Asia. In April 2014, the Group also acquired AZ Retail Limited, its local partner in Hong Kong since 2012 (see Note 4.2.1 – AZ Retail acquisition).

2.3 Statement of compliance and basis of preparation

The consolidated financial statements for the Group's first reporting period covered 21 months, from March 27, 2013 to December 31, 2014. In connection with the base registration document (*document de base*) required for the admission of the Company's shares for trading on the Euronext Paris regulated market, the Group has presented movements in accounts for the entire 21-month reporting period and for two separate periods within those 21 months: (i) a 9-month period from March 27, 2013 (date of incorporation of SMCP SAS) to December 31, 2013 ("2013 – 9 months") and (ii) a 12-month period from January 1, 2014 to December 31, 2014 ("2014 – 12 months"). A statement of financial position at December 31, 2013 is also presented.

Significant events that occurred between December 31, 2014 and January 19, 2016 are disclosed in accordance with IAS 10 in Note 8.5 – Subsequent events, and only relate to the "2014 – 12 months" period. The assumptions used were the same as those used to prepare the financial statements for the "2013 – 9 months" period.

Since Groupe SMCP was acquired on June 21, 2013, the consolidated income statement and statement of cash flows for the "2013 – 9 months" period presents only six months and nine days of operating activity.

The consolidated financial statements for the two aforementioned reporting periods were approved by the Supervisory Board on January 19, 2016.

They are stated in thousands of euros (€k) unless otherwise indicated.

The consolidated financial statements of the Group for the year ended December 31, 2014 and the "2013 – 9 months" and "2014 – 12 months" periods were prepared in accordance with international financial reporting standards ("IFRS" – see Note 3.1) as adopted by the European Union and effective for reporting periods beginning on or after January 1, 2014. The Group did not early adopt any standards, amendments or interpretations. The applicable standards, amendments and interpretations can be viewed on the website of the European Union http://ec.europa.eu/finance/company-reporting/index_en.htm (see Note 2.4 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.

New standards, amendments and interpretations applied at January 1, 2014 did not have a material impact on the financial statements and are described in Note 3.1 below.

3. ACCOUNTING PRINCIPLES AND METHODS

3.1 New standards, amendments or interpretations

New standards, amendments or interpretations
IFRS 10 – Consolidated Financial Statements
IFRS 11 – Joint Arrangements
IFRS 12 – Disclosure of Interests in Other Entities
Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities
Amendments to IAS 28 – Investments in Associates and Joint Ventures
Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets
Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting

The standards, amendments and interpretations effective for reporting periods beginning on or after January 1, 2015 and not early adopted by the Group are set out below:

New standards, amendments or interpretations	Effective date
IFRIC 21 – Levies	Reporting periods beginning on or after January 1, 2015
Amendment to IAS 19 – Employee Benefits – Defined Benefit Plans: Employee Contributions	Reporting periods beginning on or after January 1, 2015
IFRS 9 – Financial Instruments	Reporting periods beginning on or after January 1, 2018
IFRS 15 – Revenue from Contracts with Customers	Reporting periods beginning on or after January 1, 2017
Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortization	Reporting periods beginning on or after January 1, 2016
Amendment to IFRS 11 – Joint Arrangements	Reporting periods beginning on or after January 1, 2016
Amendments resulting from the IFRS annual improvement process (2010-2012, 2011-2013 and 2012-2014 cycles)	Reporting periods beginning on or after January 1, 2015
Amendments to IFRS 10 and IAS 28	Reporting periods beginning on or after January 1, 2016
Amendments to IAS 27 – Equity Method in Separate Financial Statements	Reporting periods beginning on or after January 1, 2016

Subject to their definitive adoption by the European Union, these standards and amendments are effective for reporting periods beginning on or after January 1, 2015. The Group is currently assessing the potential impact of the first-time application of these texts.

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 6.3);

- measurement of deferred tax assets (Note 5.7.2);

- calculation of provisions for contingencies and charges (Note 6.12).

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, 2014 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, IFRS 11 – Joint Arrangements, 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.

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".

Income, expenses and changes in these items for the two periods presented were translated into euros at the average exchange rate for the number of months of operating activity, i.e., the average exchange rate for (i) July to December 2013 and (ii) January to December 2014.

3.5.2 Rates applicable at December 31

The rates used to translate foreign currency transactions into euros are indicated below:

		Dec. 31, 2014		Dec. 31, 2013	
		Closing	Average	Closing	Average
					July-Dec
SWISS FRANC	EUR/CHF	1.2024	1.2146	1.2276	1.2320
EURO	EUR/EUR	1.0000	1.0000	1.0000	1.0000
POUND STERLING	EUR/GBP	0.7789	0.8061	0.8337	0.8472
U.S. DOLLAR	EUR/USD	1.2141	1.3267	1.3791	1.3424
CANADIAN DOLLAR	EUR/CAD	1.4063	1.4656	1.4671	1.4016
CHINESE YUAN	EUR/CNY	7.5358	8.1730	8.3491	8.1998
HONG KONG DOLLAR	EUR/HKD	9.4170	10.5970	10.6932	10.4096
SINGAPORE DOLLAR	EUR/SGD	1.6058	1.6058	N/A	N/A
DANISH KRONE	EUR/DKK	7.4453	7.4549	N/A	N/A
NORWEGIAN KRONE	EUR/NOK	9.0420	8.3491	N/A	N/A
PATACA	EUR/MOP	9.6995	9.6995	N/A	N/A

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 2013 acquisitions

4.1.1 Acquisition of Groupe SMCP

On June 20, 2013, SMCP SAS acquired all of the shares of Groupe SMCP. This company was previously owned by its founders, managers and LF Invest. The cash consideration for the purchase amounted to €503,814k.

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 for Groupe SMCP is set out below:

	Groupe SMCP ***€K***
Consideration transferred (a)	**503,814**
Trademarks	236,000
Leasehold rights	104,100
Other intangible assets	754
Property, plant and equipment	42,800
Equity-accounted securities	6,572
Deferred tax assets	8,200
Other non-current assets	7,500
Current assets	86,315
Cash at hand	11,218
Financial liabilities	(152,082)
Deferred tax liabilities	(100,000)
Other non-current liabilities	(2,300)
Current liabilities	(62,640)
Fair value of net identifiable assets acquired (b)	**186,437**
Goodwill (a) – (b)	**317,377**

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 2013-2017 business plan and a royalty rate of between 5% and 8%. The discount rate used was 10%, while the long-term growth rate was estimated at 2%. Given the already solid reputation of these brands and the Group's plan to maintain and develop them over the long term, their useful life for accounting purposes was considered as indefinite within the meaning of IAS 38 – Intangible Assets.

- 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.

- Deferred taxes were recognized for temporary differences between reported values and values determined for tax purposes.

- Residual goodwill was recognized in an amount of €317,377k, mainly relating to the ability of the three brands to rapidly develop their businesses across the globe.

On a pro forma basis (assuming that the acquisition had been completed on January 1, 2013), net sales would have totaled €409,566k and consolidated net sales after commissions would have totaled €344,313k (excluding the Swiss entities).

4.1.2 Acquisition of Swiss entities previously accounted for by the equity method

In parallel to the acquisition described above, the Group also acquired the outstanding share capital that it did not already own in the Swiss entities, which were previously 50%-owned and accounted for by the equity method. The acquisition, for an amount of €9,388k, led to the recognition of €14,592k in goodwill. No disposal gain was recognized on the controlling interest acquired, since the equity-accounted shares were recognized at fair value in connection with the acquisition described in Note 4.1.1 above.

The earnings of the acquiree since the acquisition date that were included in the consolidated income statement and consolidated statement of comprehensive income are as follows:

- Net sales: €7,838k

- Net sales after commissions: €6,937k

- Net profit: €781k

4.2 2014 acquisitions

4.2.1 AZ Retail acquisition

As part of its expansion drive in Asia, on April 30, 2014 the Group acquired AZ Retail Ltd, its local partner in Hong Kong since 2012, previously owned by Rue Madame Fashion Group. The Group exercised its purchase option to buy the entire share capital of AZ Retail Ltd for an HKD amount equivalent to €4,742k.

The purchase price allocation of the consideration transferred for AZ Retail was as follows:

	AZ Retail April 30, 2014
	€K
Consideration transferred (a)	**4,742**
Property, plant and equipment	478
Inventories	870
Current assets	1,424
Financial liabilities	(1,630)
Deferred tax liabilities	(17)
Other non-current liabilities	(92)
Current liabilities	(98)
Fair value of net identifiable assets acquired (b)	**934**
Goodwill (a) – (b)	**3,808**

The goodwill recognized, amounting to HKD 40,562k (€3,808k) and relating to growth prospects on the local market, was allocated to the CGUs on the basis of each brand's contribution to the Group's business. The HKD amount is tracked in AZ Retail's financial statements.

The earnings of the acquiree since the acquisition date that were included in the consolidated income statement and consolidated statement of comprehensive income are as follows:

- Net sales: €7,655k
- Net sales after commissions: €7,655k
- Net profit: €218k
- Foreign exchange gain recognized in the consolidated statement of comprehensive income: €128k

On a pro forma basis (assuming that the acquisition had been completed on January 1, 2014), consolidated net sales after commissions and the consolidated net loss would have totaled:

- Pro forma consolidated net sales: €511,276k
- Pro forma net sales after commissions: €436,721k
- Pro forma consolidated net loss: €7,617k

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 discrete 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 main brands, which each have their specific client 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 body is SMCP's Supervisory Board which reviews each brand's business activities and performance every month.

4.3.2 Financial information by operating segment

The tables below set out financial information by operating segment at December 31, 2014 (12 months), December 31, 2013 and December 31, 2014 (21 months):

	Sandro	**Maje**	**Claudie Pierlot**	**Other & holding cos.**	**12 months to Dec. 31, 2014**
	€k	*€k*	*€k*	*€k*	*€k*
Retail sales (including VAT)	287,187	203,341	67,036		557,564
VAT on sales	(41,578)	(29,172)	(10,850)		(81,599)
Net sales**	262,639	186,871	58,901	198	508,610
Commissions	(37,946)	(26,701)	(9,909)		(74,555)
Net sales after commissions	**224,694**	**160,171**	**48,993**	**198**	**434,055**
EBITDA	41,093	23,879	5,805	2,997	73,774
Recurring operating income/(loss)	**26,180**	**15,213**	**3,699**	**1,909**	**47,001**
Goodwill	188,088	128,242	19,949	0	**336,279**
Intangible assets	192,050	135,468	27,594	2,606	357,717
Property, plant and equipment	26,848	23,866	7,950	5,436	64,102
Capital expenditure	15,058	20,424	4,952	5,205	45,638

	Sandro	Maje	Claudie Pierlot	Other & holding cos.	9 months to Dec. 31, 2013*
	€k	*€k*	*€k*	*€k*	*€k*
Retail sales (including VAT)	127,313	90,847	25,072		243,232
VAT on sales	(18,675)	(13,319)	(3,997)		(35,991)
Net sales**	114,509	85,683	22,423		222,616
Commissions	(17,995)	(12,855)	(3,912)		(34,762)
Net sales after commissions	**96,514**	**72,828**	**18,511**		**187,854**
EBITDA	20,988	17,994	1,670	(144)	40,508
Recurring operating income/(loss)	**16,228**	**13,913**	**1,292**	**(112)**	**31,320**
Goodwill	185,678	126,598	19,693	0	331,969
Intangible assets	190,488	132,438	27,144	1,665	351,736
Property, plant and equipment	25,098	18,278	7,425	3,910	54,710
Capital expenditure	12,365	13,223	4,774	1,968	32,330

	Sandro	Maje	Claudie Pierlot	Other & holding cos.	21 months to Dec. 31, 2014***
	€k	*€k*	*€k*	*€k*	*€k*
Retail sales (including VAT)	414,500	294,188	92,108		800,795
VAT on sales	(60,253)	(42,491)	(14,847)		(117,591)
Net sales**	377,149	272,554	81,324	198	731,226
Commissions	(55,941)	(39,556)	(13,820)		(109,317)
Net sales after commissions	**321,208**	**232,999**	**67,504**	**198**	**621,909**
EBITDA	62,081	41,872	7,476	2,853	114,281
Recurring operating income/(loss)	**42,408**	**29,125**	**4,990**	**1,798**	**78,320**
Goodwill	188,088	128,242	19,949		**336,279**
Intangible assets	192,050	135,468	27,594	2,606	357,717
Property, plant and equipment	26,848	23,866	7,950	5,436	64,102
Capital expenditure	27,423	33,647	9,726	7,173	77,968

* 6 months of operating activity – see Note 2.3 – Statement of compliance and basis of preparation.

** Net sales include Retail sales and sales with Group partners.

*** 18 months of operating activity – see Note 2.3 – Statement of compliance and basis of preparation.

Operating expenses of holding companies are rebilled to the brands pro rata to net sales, plus a mark-up.

For 2013, its first year of operating activity, SMCP SAS incurred significant, non-rebillable one-off fees which had a negative impact on EBITDA in this period.

4.3.3 Key performance indicators

SMCP's Supervisory Board assesses the performance of the three segments in order to take operating decisions, mainly by reference to the following key indicators: net sales including VAT, net sales after commissions and EBITDA.

"Net sales 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 net sales after commissions and trends therein are important indicators of Group performance.

EBITDA is not defined by IFRS but was defined by the Group as follows at December 31, 2014 and December 31, 2013:

	12 months to **Dec. 31, 2014** ***€k***	9 months to **Dec. 31, 2013*** ***€k***	31 months to **Dec. 31, 2014**** ***€k***
Recurring operating income	**47,001**	**31,320**	**78,320**
Depreciation and amortization expense	26,773	9,188	35,961
EBITDA	**73,774**	**40,508**	**114,281**

* 6 months of operating activity – see Note 2.3 – Statement of compliance and basis of preparation.

** 18 months of operating activity – see Note 2.3 – Statement of compliance and basis of preparation.

4.3.4 Financial information by geographic segment

The EMEA region in which the Group operates includes European countries except France (mainly the United Kingdom, Spain, Germany, Switzerland and Belgium), along with the Middle East (especially the United Arab Emirates).

The APAC region covers the Group's activities in Asia/Pacific (especially China and Hong Kong).

The tables below set out net sales after commissions by geographic region of delivery:

	France *€k*	**EMEA** *€k*	**Americas** *€k*	**APAC** *€k*	**12 months to Dec. 31, 2014** *€k*
Net sales	297,385	127,670	53,036	30,518	508,610
Commissions	(47,445)	(19,159)	(6,945)	(1,005)	(74,554)
Net sales after commissions	**249,940**	**108,511**	**46,092**	**29,513**	**434,055**
Total assets (1)	**278,142**	**67,849**	**36,215**	**19,231**	**401,437**

	France *€k*	**EMEA** *€k*	**Americas** *€k*	**APAC** *€k*	**9 months to Dec. 31, 2013*** *€k*
Net sales	138,305	54,946	22,041	7,325	222,616
Commissions	(23,035)	(8,565)	(3,162)		(34,762)
Net sales after commissions	**115,270**	**46,381**	**18,878**	**7,325**	**187,854**
Total assets (1)	**239,058**	**51,722**	**33,842**	**4,210**	**328,832**

	France *€k*	**EMEA** *€k*	**Americas** *€k*	**APAC** *€k*	**21 months to Dec. 31, 2014**** *€k*
Net sales	435,690	182,616	75,077	37,842	731,225
Commissions	(70,480)	(27,724)	(10,107)	(1,005)	(109,316)
Net sales after commissions	**365,210**	**154,892**	**64,970**	**36,837**	**621,908**
Total assets (1)	**278,142**	**67,849**	**36,215**	**19,231**	**401,437**

* 6 months of operating activity – see Note 2.3 – Statement of compliance and basis of preparation.

** 18 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.

Net sales 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 net sales in the periods ended December 31, 2013 and December 31, 2014.

5. NOTES TO THE INCOME STATEMENT

5.1 Net sales after commissions

Sales of goods

"Net sales" consists of total sales (retail and department store sales) 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.

"Net sales after commissions" corresponds to sales of goods (finished products) after deducting concession fees paid to department stores and commissions paid to affiliates (IAS 18). Net sales are 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 stores owned outright, including outlets used to market and sell collections from past seasons. Net sales are 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). Net sales are 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. Net sales are recognized on the delivery of the finished goods to the local partners.

Online sales include net sales made by the Group on its own websites as well as via third party websites, particularly those operated by department stores. Net sales are recognized in this case when the goods are dispatched. Commissions paid to third party websites are recognized within "Commissions" in the income statement.

	12 months to **Dec. 31, 2014**	*9 months to* **Dec. 31, 2013***	*21 months to* **Dec. 31, 2014****
	€k	*€k*	*€k*
Sales of goods	508,527	222,569	731,096
Income from services rendered	83	47	130
Net sales	**508,610**	**222,616**	**731,226**
Commissions	**(74,555)**	**(34,763)**	**(109,317)**
Net sales after commissions	**434,055**	**187,853**	**621,909**

** 6 months of operating activity – see Note 2.3 – Statement of compliance and basis of preparation.*

*** 18 months of operating activity – see Note 2.3 – Statement of compliance and basis of preparation.*

At December 31, 2014 and December 31, 2013, Group net sales can be analyzed as follows by distribution channel:

	12 months to **Dec. 31, 2014**	*9 months to* **Dec. 31, 2013***	*21 months to* **Dec. 31, 2014****
	€k	*€k*	*€k*
Retail sales	475,963	207,741	683,705
- Directly-operated stores	*206,084*	85,791	*291,875*
- Corner concessions	*204,611*	94,054	*298,665*
- Outlets	*24,817*	9,928	*34,745*
- Affiliates	*26,166*	13,302	*39,468*
- Online	*14,285*	4,667	*18,951*
Partnered retail	32,646	14,874	47,521
Net sales	**508,610**	**222,616**	**731,226**

** 6 months of operating activity – see Note 2.3 – Statement of compliance and basis of preparation.*
*** 18 months of operating activity – see Note 2.3 – Statement of compliance and basis of preparation.*

5.2 Cost of sales

	12 months to **Dec. 31, 2014**	*9 months to* **Dec. 31, 2013***	*21 months to* **Dec. 31, 2014****
	€k	*€k*	*€k*
Raw materials consumed	(37,388)	(21,142)	(58,530)
Finished products consumed	(45,537)	(11,969)	(57,506)
Subcontracting and ancillary expenses	(34,770)	(16,573)	(51,343)
Cost of sales	**(117,695)**	**(49,684)**	**(167,379)**

** 6 months of operating activity – see Note 2.3 – Statement of compliance and basis of preparation.*
*** 18 months of operating activity – see Note 2.3 – Statement of compliance and basis of preparation.*

5.3 Personnel costs

	12 months to Dec. 31, 2014	**9 months to Dec. 31, 2013***	**21 months to Dec. 31, 2014****
	€k	*€k*	*€k*
Wages and salaries	(86,681)	(34,991)	(121,672)
Social security charges	(26,481)	(11,441)	(37,922)
Other staff expenses	(1,795)	(651)	(2,446)
Employee profit-sharing	(3,335)	(1,160)	(4,495)
Personnel costs	**(118,292)**	**(48,243)**	**(166,535)**

** 6 months of operating activity – see Note 2.3 - Statement of compliance and basis of preparation.*

*** 18 months of operating activity – see Note 2.3 - Statement of compliance and basis of preparation.*

5.4 Other operating income and expenses

	12 months to Dec. 31, 2014	9 months to Dec. 31, 2013*	21 months to Dec. 31, 2014**
	€k	*€k*	*€k*
Other income (1)	2,522	2,315	4,837
Net foreign exchange gains (2)	1,586	170	1,756
Rental charges	(51,025)	(19,156)	(70,181)
Other external expenses (3)	(40,521)	(17,357)	(57,878)
Fees	(16,899)	(6,572)	(23,471)
Services provided	(8,631)	(3,077)	(11,708)
Purchases of small equipment and supplies not held in inventory	(7,272)	(4,246)	(11,518)
Other taxes	(4,054)	(1,494)	(5,548)
Other operating expenses, net	**(124,294)**	**(49,419)**	**(173,712)**

** 6 months of operating activity – see Note 2.3 - Statement of compliance and basis of preparation.*

*** 18 months of operating activity – see Note 2.3 - Statement of compliance and basis of preparation.*

(1) "Other income" for the two periods mainly relates to proceeds from the counterfeit lawsuits brought by the Group.

(2) "Net foreign exchange gains" over the two periods relate to the Group's operating activity, mainly purchases of materials and finished goods and intragroup sales of finished goods.

(3) "Other external expenses" relate to sales shipment and marketing costs.

5.5 Other non-recurring 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;

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.

	12 months to Dec. 31, 2014	9 months to Dec. 31, 2013*	21 months to Dec. 31, 2014**
	€k	*€k*	*€k*
Other non-recurring income	5,022	1,107	6,129
Other non-recurring expenses	(13,475)	(21,389)	(34,864)
Other non-recurring expenses, net	**(8,453)**	**(20,282)**	**(28,735)**

** 6 months of operating activity – see Note 2.3 - Statement of compliance and basis of preparation.*

*** 18 months of operating activity – see Note 2.3 - Statement of compliance and basis of preparation.*

Other income and expenses break down as follows:

		12 months to Dec. 31, 2014	9 months to Dec. 31, 2013*	21 months to Dec. 31, 2014**
		€k	*€k*	*€k*
Restructuring costs	(1)	(5,476)	(1,765)	(7,241)
Impairment of fixed assets	(2)	(2,916)	-	(2,916)
Acquisition costs	(3)	(164)	(18,578)	(18,742)
Other items		(225)	156	(69)
Net gains/(losses) on disposals of fixed assets	(4)	328	(94)	234
Other non-recurring expenses, net		**(8,453)**	**(20,282)**	**(28,735)**

** 6 months of operating activity – see Note 2.3 - Statement of compliance and basis of preparation.*

*** 18 months of operating activity – see Note 2.3 - Statement of compliance and basis of preparation.*

(1) Restructuring costs totaling €5,476k in the year to December 31, 2014 and €1,765k in the nine months to December 31, 2013 relate to restructuring recognized in "Other non-recurring expenses" to allow a clearer understanding of the Group's operating performance. Restructuring costs mainly include:

- the costs of a new management structure in France (severance awards for senior management and managerial-grade staff): €3,297k in the year to December 31, 2014 and €1,600k in the nine months to December 31, 2013;

- SMCP USA: in 2014, the Group replaced the local management team and began restructuring its operations in the United States. SMCP USA decided to close down certain stores, and a restructuring provision was set aside for €2,179k at December 31, 2014 (see Note 6.12 – Current and non-current provisions).

(2) At December 31, 2014, the Group tested its property, plant and equipment for impairment. As a result, it recognized an impairment loss of €2,916k against its fixed assets (fixtures and fittings, etc.) for a number of stores opened in the United States by SMCP USA in 2012 and 2013.

(3) Acquisition costs in 2013 relate to fees paid to various intermediaries, lawyers and counsel involved in SMCP SAS' purchase of Groupe SMCP.

(4) The net capital gains and losses arising on the sale of fixed assets relate to the retirement of the carrying amounts of fixtures and fittings and to capital gains and losses on the sale of leasehold rights of stores sold in the period concerned, representing gains of €328k in 2014 and losses of €94k in 2013.

5.6 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).

Dividends are recognized when their payment is approved by the relevant governance bodies of the distributing entity.

The Group posted net financial expense of €21 million in the period ended December 31, 2013 and of €34.9 million in the period ended December 31, 2014, mainly comprising:

- interest expenses on borrowings amounting to €21.1 million in 2013 and €41.3 million in 2014;

- foreign exchange gains of €0.4 million in 2013 and €6.4 million in 2014.

5.7 Income tax

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.

Deferred taxes are recognized using the liability method with respect to temporary differences arising between the tax base of an asset or liability and its carrying amount in the consolidated financial statements. 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.

Tax provisions that could arise on transfers of non-distributable profits from subsidiaries are recognized only when there is a real intention to transfer such profits.

5.7.1 Income tax

Income tax includes the current tax expense for the period and deferred taxes arising on temporary differences:

	12 months to Dec. 31, 2014	9 months to Dec. 31, 2013*	21 months to Dec. 31, 2014**
	€k	*€k*	*€k*
Deferred tax	(7,347)	17,333	9,986
Current tax	(4,451)	(13,230)	(17,681)
Income tax expense	**(11,798)**	**4,103**	**(7,695)**

** 6 months of operating activity – see Note 2.3 - Statement of compliance and basis of preparation.*

*** 18 months of operating activity – see Note 2.3 - Statement of compliance and basis of preparation.*

5.7.2 Deferred tax position

At December 31, 2014 and December 31, 2013, deferred taxes were calculated based on a tax rate of 38.00% and 36.10%, respectively (see "Tax proof" below). In the event of a change in the tax rate, deferred taxes are adjusted in the period in which the change occurs and the adjustments are recognized in the income statement.

a) Deferred taxes at December 31, 2013 and December 31, 2014

	Change in the Income statement	Change in other comprehensive Income	Translation adjustments and other changes	Dec. 31 2013	Change in the income statement	Change in other comprehensive income	Translation adjustments and other changes	Dec. 31 2014
				€k				*€k*
Restatement of pension liabilities	10		333	343	136	110		589
Elimination of internal gains and losses (margin on inventories)	2,028		6,503	8,531	52		586	9,169
Capitalization of tax loss carry forwards	8,943		1,205	10,148	(2,018)		383	8,513
Allocation of goodwill to trademarks and leasehold rights			(100,195)	(100,195)				(100,195)
Cancellation of start-up costs	6,048		24	6,072	(1,029)			5,043
Cancellation of translation differences	(300)		(45)	(34)	(3,232)			(3,577)
Other restatements	(376)	31	143	(202)	(1,368)	(140)	18	(1,692)
Net deferred tax assets/(liabilities)	**16,353**	**31**	**(92,032)**	**(75,648)**	**(7,459)**	**(30)**	**987**	**(82,150)**

b) Tax proof

		12 months to Dec. 31, 2014	9 months to Dec. 31, 2013*	21 months to Dec. 31, 2014**
		€k	*€k*	*€k*
Profit/(loss) before tax		**4,504**	**(9,630)**	**(5,126)**
Statutory tax rate in France	(1)	**38.00%**	**36.10%**	**38.00%**
Theoretical tax expense		**(1,711)**	**3,476**	**1,765**
Difference in income tax rates applied to earnings in countries other than of the consolidating entity	(2)	879	210	1,089
Non-deductible or non-taxable income and expenses		(2,901)	**(1,259)**	**(4,160)**
Impacts of temporary differences		**(1,282)**	**1,936**	**654**
Deferred tax assets not recognized in the period		**(4,033)**	**(1,124)**	**(2,909)**
Income tax expense before CVAE tax on value added		**(9,049)**	**5,487**	**(3,561)**
CVAE tax on value added	(3)	(2,749)	(1,384)	(4,133)

Income tax expense	**(11,798)**	**4,103**	**(7,695)**

** 6 months of operating activity – see Note2.3 – Statement of compliance and basis of preparation.*
*** 18 months of operating activity – see note 2.3 – Statement of compliance and basis of preparation.*

(1) At December 31, 2014 and December 31, 2013, the statutory tax rate in France includes the 3.3% solidarity levy and the 10.7% surtax for companies with sales of over €250 million. Both of these taxes are calculated based on an income tax rate of 33.3%.

(2) At December 31, 2014, unrecognized deferred tax assets in the period relate to SMCP USA. After generating profit in 2013, SMCP USA incurred a substantial loss in 2014 following the restructuring measures initiated in that year which will continue into 2015. The company decided not to capitalize additional tax loss carryforwards until the restructuring is completed and the company once again reports taxable profit.

(3) 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 of 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. The Supervisory Board approved the five-year business plan on November 18, 2014 and the budget on December 17, 2014.

At December 31, 2014, the Group's cumulative tax loss carryforwards represent deferred tax assets of €8,471k and mainly include:

- Claudie Pierlot SAS capitalized losses for an overall amount of €3,741k, representing a deferred tax asset of €1,422k;
- SMCP USA capitalized losses for an overall amount of €10,385k, representing a deferred tax asset of €4,154k;
- SMCP SAS (now head of the tax consolidation group in France) capitalized losses for an overall amount of €7,023k, representing a deferred tax asset of €2,669k.

d) Unrecognized deferred tax assets

Net deferred tax assets not recognized relate to tax losses generated by SMCP USA and represented a tax amount of €2,360k at December 31, 2014, as follows:

	Cumulative at **Dec. 31, 2014** *€k*
Other net deferred tax assets expiring in more than 5 years	2,360
Other net deferred tax assets expiring in 1 to 5 years	
Other net deferred tax assets expiring in less than 1 year	
Total unrecognized net deferred tax assets	**2,360**

5.8 Earnings per share

Earnings per share corresponds to attributable net profit divided by the weighted average number of outstanding shares of the parent company during the reporting period.

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 share options and free shares granted to employees.

Earnings per share is calculated as follows:

	12 months to Dec. 31, 2014	**9 months to Dec. 31, 2013***	**21 months to Dec. 31, 2014****
Attributable net loss (€K)	(7,294)	(5,526)	(12,821)
Weighted number of basic shares	281,950,934	280,000,000	281,950,934
Basic loss per share (€)	**(0.0259)**	**(0.0196)**	**(0.0455)**
Total fees	**(0.0259)**	**(0.0196)**	**(0.0455)**

** 6 months of operating activity – see Note2.3 – Statement of compliance and basis of preparation.*

*** 18 months of operating activity – see note 2.3 – Statement of compliance and basis of preparation.*

****In view of the net loss recorded during the two periods, potential shares reflecting the convertible component of the bond are excluded from the calculation of diluted earnings per share.*

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 the changes in goodwill over the two periods presented:

€k	March 27, 2013	Acquisitions*	Impairment/ Reversals	Translation differences	Other changes	Dec. 31, 2013
Goodwill - gross value	-	331,969	-		0	331,969
Impairment	-	-	-		-	-
Goodwill - net	**-**	**331,969**	**-**		**0**	**331,969**

€k	Jan. 1, 2014	Acquisitions**	Impairment/ Reversals	Translation differences	Other changes	Dec. 31, 2014
Goodwill - gross value	331,969	3,808	-	502	0	336,279
Impairment	-	-	-		-	-
Goodwill - net	**331,969**	**3,808**	**-**	**502**	**0**	**336,279**

** Acquisition of the entire share capital of Groupe SMCP and 50% of the share capital of the Swiss entities.*
*** Acquisition of the entire share capital of AZ Retail Ltd, the Group's partner based in Hong Kong.*

In the period ended December 31, 2014, changes in consolidated goodwill amounted to €4,310k and relate to the acquisition of AZ Retail Ltd in Hong Kong. Goodwill at December 31, 2013 includes the finalized purchase price allocation for Groupe SMCP and the Swiss entities.

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 Groupe SMCP, the fair value of trademarks was estimated using the royalties-on-sales method based on the 2013-2017 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*) 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.

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	Indefinite
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 net sales, (ii) royalty rates, (iii) the long-term growth rate used to calculate terminal value and (iv) the discount rate.

The table below illustrates changes in intangible assets over the two periods presented:

€k	**March 27, 2013**	**Changes in scope**	**Acquisitions**	**Disposals**	**Impairment**	**Foreign exchange differences**	**Other items**	**Dec. 31, 2013**
Trademarks	-	236,000		-	-	-	-	236,000
Leasehold rights	-	104,100	9,501	(320)	-	47		113,328
Other intangible assets	-	754	-	2,428	-	(32)	-	3,150
Intangible assets		**340,854**	**11,929**	**(320)**	**-**	**15**		**352,478**
Impairment of trademarks	-	-	-	-	-	-	-	-
Impairment of leasehold rights	-	-	-	-	-	-	-	-
Amort./impairment of intangible assets	-	-	-		(773)	14	-	(759)
Amort./impairment of intangible assets	**-**	**-**	**-**		**(773)**	**14**	**(0)**	**(759)**
Subscribed, unpaid capital	-	-	8	-	-	(0)	10	17
	-	-	-	-	-	-	-	-
Carrying amount of intangible assets		**340,854**	**11,937**	**(320)**	**(773)**	**28**	**10**	**351,736**

€k	Jan. 1, 2014	Changes in scope	Acquisitions	Disposals	Impairment	Foreign exchange differences	Other items	Dec. 31, 2014
Trademarks	236,000	-	-	-	-	-	-	236,000
Leasehold rights	113,328	-	5,491	(2,556)	-	461	(526)	116,198
Other intangible assets	3,150	-	4,764	(49)	-	75	592	8,533
Intangible assets	**352,478**	**-**	**10,255**	**(2,605)**	**-**	**536**	**66**	**360,730**
Impairment of trademarks	-	-	-	-	-	-	-	-
Impairment of leasehold rights	-	-	-	-	(440)	-	-	(440)
Amort./impairment of intangible assets	(759)	-	(168)	47	(1,845)	(51)	192	(2,583)
Amort./impairment of intangible assets	**(759)**	**-**	**(168)**	**47**	**(2,285)**	**(51)**	**192**	**(3,023)**
Subscribed, unpaid capital	17	-	-	-	-	(0)	(8)	10
	-	-	-	-	-	-	-	-
Carrying amount of intangible assets	**351,736**		**10,087**	**(2,557)**	**(2,285)**	**485**	**250**	**357,717**

The Group's three trademarks are Sandro, Maje and Claudie Pierlot, which were valued at €236 million at December 31, 2014.

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. 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	5
Miscellaneous fixtures and fittings	4-9
Office equipment, furniture	4-6

The table below illustrates changes in property, plant and equipment over the two periods presented:

€k	March 27, 2013	Changes in scope	Acquisitions	Disposals	Impairment	Foreign exchange differences	Other items	Dec. 31, 2013
Land	-		-	-	-		-	-
Buildings	-	-	50	-	-	-	-	50
Technical fittings, equipment and industrial tools	-	2,127	94	(225)	-	-	(1,767)	230
Property, plant and equipment in progress	-	888	927	(8)	-	0	(388)	1,419
Advances and down payments on property, plant and equipment	-	-	-	-	-	-	-	-
Other property, plant and equipment	-	39,785	19,235	(629)	0	(731)	2,952)	60,613
Property, plant and equipment	**-**	**42,800**	**20,306**	**(862)**	**0**	**(730)**	**797**	**62,312**
Depr./impairment of buildings	-	-	-	-	(1)	-	-	(1)
Depr./impairment of technical fittings, equipment and industrial tools	-	-	-	209	(7)	-	34	235
Depr./impairment of other property, plant and equipment	-	-	-	420	(7,857)	225	(624)	(7,835)
Imp. of advances and down payments on property, plant and equipment	-	-	-	-	-	-	-	-
Depr./impairment of property, plant and equipment	**-**	**-**	**-**	**629**	**(7,865)**	**225**	**(590)**	**(7,601)**
Carrying amount of property, plant and equipment	**-**	**42.800**	**20,306**	**(233)**	**(7,865)**	**(505)**	**207**	**54,710**

€k	Jan. 1, 2014	Changes in scope	Acquisitions	Disposals	Impairment	Foreign exchange differences	Other items	Dec. 31, 2014
Land	-	-	-	-	-	-	-	-
Buildings	50	-	-	-	-	-	-	50
Technical fittings, equipment and industrial tools	230	-	405	(83)	-	-	2,627	3,179
Property, plant and equipment in progress	1,419	-	4,590	-	-	22	(3,631)	2,401
Advances and down payments on property, plant and equipment	-	-	153	(19)	-	3	-	137
Other property, plant and equipment	60,613	478	28,354	(2,728)	-	3,919	518	91,154
Property, plant and equipment	**62,312**	**478**	**33,502**	**(2,830)**	**-**	**3,945**	**(486)**	**96,920**
Depr./impairment of buildings		-	-	-	(7)	-	-	(8)
Depr./impairment of technical fittings, equipment and industrial tools	235	-	-	39	(615)	-	(1,028)	(1,369)
Depr./impairment of other property, plant and equipment	(7,835)	-	(20)	1,181	(24,030)	(1,663)	925	(31,442)
Imp. of advances and down payments on property, plant and equipment	-	-	-	-	-	-	-	-
Depr./impairment of property, plant and equipment	**(7,601)**	**-**	**(20)**	**1,220**	**(24,652)**	**(1,663)**	**(103)**	**(32,819)**
Carrying amount of property, plant and equipment	**54,710**	**478**	**33,482**	**(1,610)**	**(24,652)**	**2,282**	**(589)**	**64,102**

Virtually all acquisitions in the two periods presented relate to investments in distribution networks (fixtures and fittings).

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.

At the end of 2013, since SMCP SAS had only recently acquired Groupe SMCP, the fair value paid in the transaction described in Notes 4.1.1 and 4.1.2 was deemed to be sufficient in light of the carrying amount of all non-current assets purchased as part of this transaction.

6.3.1 Impairment testing of trademarks

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 2014 budget and the 2015-2019 business plan.

Key assumptions

The key assumptions applied in determining the fair value of trademarks in 2014 are shown below:

		CGU	
	Sandro	**Maje**	**Claudie Pierlot**
Criteria	2014	2014	2014
Calculation basis for recoverable amount		*Relief-from-royalty method*	
Source		*Business plan/DCF*	
Perpetuity growth rate	*2%*	*2%*	*2%*
Discount rate	*10%*	*10%*	*10%*
Normative tax rate	*34.43%*	*34.43%*	*34.43%*
Royalty rate	*8%*	*7%*	*5%*
Carrying amount of trademarks (€m)	**132**	**90**	**14**
Total carrying amount of trademarks (€m)		**236**	

The discount rate used to calculate fair value is the Group's post-tax weighted average cost of capital calculated on the following basis:

- cost of capital: a risk-free rate of 2.1%, equal to the average yield on ten-year government bonds over a one-month period, an industry beta of 1.03 and a market risk premium of 5.5%;
- cost of net debt: a spread of 0.9%; and
- an industry-average gearing ratio in order to weight the two components.

Results of trademark impairment testing

The sensitivity of the fair value of key assumptions was analyzed for each of the Group's three trademarks.

At December 31, 2014, a 1-point change in the discount rate or perpetuity growth rate, a 5-point reduction in the sales growth rate, or a 1-point reduction in the royalty rate, would not lead to any trademark impairment.

The annual revenue growth rates used range from 12% to 17% depending on the brand and year concerned.

6.3.2 Impairment testing of leasehold rights

Key assumptions

Management valued leasehold rights using the direct method of valuation, based on one or more of the following inputs:

- current market prices (rental value per square meter);
- recent transaction values;
- information provided by brokers;

o offers received.

Results of impairment testing of leasehold rights

At December 31, 2014, management identified and recognized a €440k impairment loss against leasehold rights.

6.3.3 Goodwill impairment testing

Key assumptions

The key assumptions applied in determining the value in use of goodwill CGUs in 2014 are as follows:

		CGU	
	Sandro	**Maje**	**Claudie Pierlot**
Criteria	2014	2014	2014
Calculation basis for recoverable amount		*Value in use*	
Source		*Business plan/DCF*	
Perpetuity growth rate	*2%*	*2%*	*2%*
Discount rate	*10%*	*10%*	*10%*
Normative tax rate	*34.43%*	*34.43%*	*34.43%*
Goodwill – net (€m)	**188**	**128**	**20**
Total goodwill – net (€m)		**336**	

Other than those set out above, the Group's key assumptions include:

- changes in net sales, reflecting the Group's market penetration, presence and positioning;
- changes in EBITDA including requisite marketing and sales expenditure in line with changes in net sales;
- 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 2015 to 2019.

The discount and perpetuity growth rates used were reviewed as follows:

- the discount rates used factor in a specific premium reflecting the growth outlook, country risk and economic climate, and remained stable at 10%;
- the perpetuity growth rates used were unchanged at 2%, since the economic situation did not prompt the Group to adjust the long-term outlook for its markets in its late 2014 assessment.

Results of goodwill impairment testing

No impairment losses were recognized at December 31, 2014 as a result of the goodwill impairment tests performed in 2014.

The Group has analyzed sensitivity of the value in use of each goodwill CGU.

At December 31, 2014, a 1-point change in the discount rate or in the long-term growth rate or a 5-point reduction in the EBITDA growth rate would not lead to any goodwill impairment.

The annual EBITDA growth rates used range from 14% to 25% depending on the trademark and year concerned.

6.3.4 Impairment testing of property, plant and equipment

An impairment loss of €2,916k was recognized at December 31, 2014 (see Note 5.5 – Other operating income and expenses).

6.4 Financial assets

Financial assets totaled €10,546k at December 31, 2014 and €8,084k at December 31, 2013, and mainly relate to pledged SICAV mutual funds.

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 is based on purchase price or production cost. Production cost is determined by including all costs that are directly attributable to the products.

Impairment rules for collections from past seasons are as follows:

- A new collection is launched every six months (autumn-winter and spring-summer).
- The current collection (Y) and the collections for the last two seasons (Y-1 and Y-2) are not impaired.
- Finished goods together with raw material inventories related to Y-3 are impaired based on a rate of 50%.
- Finished goods together with raw material inventories related to Y-4 are impaired based on a rate of 75%.
- Finished goods together with raw material inventories related to older collections are impaired based on a rate of 95%.

The table below illustrates changes in inventories over the two periods presented:

	Dec. 31, 2014 €k			Dec. 31, 2013 €k		
	Gross value	**Impairment**	**Carrying amount**	**Gross value**	**Impairment**	**Carrying amount**
Raw materials and other supplies	18,805	(1,155)	17,650	14,275	(78)	14,197
Finished products	81,233	(1,113)	80,120	64,687	(189)	64,498
Total inventories	**100,038**	**(2,268)**	**97,770**	**78,962**	**(267)**	**78,695**

The allowance for impairment of inventories reflects the technical and stylistic obsolescence of the Group's inventories at December 31, 2013 and 2014.

	Dec. 31, 2014 €k	Dec. 31, 2013 €k
Cumulative impairment at the beginning of the period	**(267)**	**-**
Impairment	(3,714)	(875)
Reversals	1,743	605
Foreign exchange differences	(30)	3
Cumulative impairment at the end of the period	**(2,268)**	**(267)**

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 write-down is recorded for any doubtful receivables, as follows:

- disputed receivables are written down when there is certain and specific evidence showing that the receivables will not be collected;

- write-downs 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	March 27, 2013	Changes in scope	Changes in gross value	Impairment	Reversals	Translation adjustment	Other changes	Dec. 31, 2013
Trade receivables	-	17,300	5,368	-	-	(62)	-	**22,607**
Provisions for impairment	-		(221)	(125)	-	-	-	**(346)**
Trade receivables, net	**-**	**17,300**	**5,147**	**(125)**	**-**	**(62)**	**-**	**22,261**

€k	Jan. 1, 2014	Changes in scope	Changes in gross value	Impairment	Reversals	Translation adjustment	Other changes	Dec. 31, 2014
Trade receivables	**22,607**	**-**	**8,252**	**-**	**-**	**541**	**-**	**31,400**
Provisions for impairment	**(346)**	**-**	**-**	**(49)**	**15**	**-**	**-**	**(380)**
		-	**-**	**-**	**-**			
Trade receivables, net	**22,261**	**-**	**8,252**	**(49)**	**15**	**541**	**-**	**31,020**

Amounts owed by department stores are paid at 10 days. Amounts owed by local partners are paid at between 30 and 45 days. Bank guarantees are set up where appropriate.

6.7 Other receivables

Other receivables totaled €39,788k at December 31, 2014 and primarily included tax receivables for €12,245k, 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 €18 million.

At December 31, 2013, other receivables totaled €11,878k and mainly included €6,161k of tax receivables, particularly VAT recoverable by the Group from the tax authorities in the countries in which it operates.

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, 2014, consolidated cash and cash equivalents net of current bank overdrafts amounted to €3,533k compared to €6,148k at December 31, 2013:

	Dec. 31, 2014	**Dec. 31, 2013**
	€k	*€k*
Cash and cash equivalents	16,140	12,919
Current bank overdrafts	(12,608)	(6,771)
Cash and cash equivalents net of current bank overdrafts	**3,533**	**6,148**

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, 2014, the Company's fully subscribed and paid-up share capital amounted to €84,585,280, or 281,950,934 shares each with a par value of €0.30. All shares carry the same voting and dividend rights.

At December 31, 2014, KKR Retail Partners Midco SARL indirectly held 69.91% of the share capital of SMCP SAS through its subsidiary SOHO Holding France, itself wholly-owned.

	Dec. 31, 2013						Dec. 31, 2014							
Shareholders	**Ordinary shares**	**Class A preferred shares**	**Class B preferred shares**	**Total number of shares**	**Composition of share capital (€)**	**% of capital**	**Ordinary shares**	**Class A preferred shares**	**Class B preferred shares**	**Class D preferred shares**	**Total number of shares**	**Composition of share capital (€)**	**% of capital**
Soho Holding France SAS	1,135,023	534,254	196,226,987	**197,896,264**	**59,368,879**	*70.19%*	1,062,695	224,950	195,813,033		**197,100,678**	**59,130,203**	*69.91%*
Manco 1		1,012,267	1,354,761	**2,367,028**	**710,108**	*0.84%*		1,321,571	1,768,715		**3,090,286**	**927,086**	*1.10%*
Manco 2	236,708			**236,708**	**71,012**	*0.08%*	309,036				**309,036**	**92,711**	*0.11%*
Senior management	448,370	30,907,676	48,143,954	**79,500,000**	**23,850,000**	*28.20%*	507,546	30,907,676	48,143,954	1,891,758	**81,450,934**	**24,435,280**	*28.89%*
Total share capital	1,820,101	32,454,197	245,725,702	**280,000,000**	**84,000,000**	*100%*	**1,879,277**	**32,454,197**	**245,725,702**	**1,891,758**	**281,950,934**	**84,585,280**	*100%*

At July 1, 2014, the shareholders of SMCP SAS decided to issue new shares without preemptive subscription rights to two new senior managers of the Group.

Rights attached to shares

Voting rights

Each ordinary share and class B and D preferred share carries one voting right as from the issuance date, which is proportionate to the capital they represent. Class A and C preferred shares do not carry any voting rights. There are no class C shares outstanding.

Financial rights attached to shares

For all dividend payments (including interim dividends), class A, B and D preferred shares entitle their holder to a cumulative statutory annual dividend calculated on a daily basis by multiplying amount A (as defined below) by an annual rate equal to 8%.

6.10 Convertible bond

On June 20, 2013, the Company issued convertible bonds for an aggregate amount of €125,000k, each with a par value of €1.00. The convertible bonds fall due in 2023. They pay interest at 8% capitalized on an annual basis and due at maturity. The bonds were subscribed in full by KKR Retail Partners (Luxembourg) & Cy SCA.

Convertible bond holders can exercise their conversion option after certain trigger events including the admittance of the Company's shares to listing on a regulated securities market and up to 30 days before the bonds fall due. Each convertible bond entitles the holder to one preferred share for a par value of €0.30 and a premium of €0.70 (i.e., a total subscription price of €1). Subject to certain conditions, preferred shares entitle the holder to a priority dividend and a priority right to payment equal to the subscription price plus any unpaid dividend. On conversion into shares, the financial liability is reclassified within equity and no capital gain or loss is recognized.

If these events occur, holders of 2023 convertible bonds may also ask for their bonds to be redeemed at a price of €1 per instrument, plus any accrued interest.

Interest expenses totaled €5,740k in 2014 and €5,315k in 2013. These expenses increase the amount recognized in borrowings and debt, which stood at €135,000k at December 31, 2014 and €125,000k at December 31, 2013.

6.11 Senior secured notes

On September 16, 2013, the Company issued senior secured notes for a principal amount of €290 million, redeemable at maturity on June 15, 2020. These notes pay six-monthly interest at 8.875%, due on February 1 and August 1 of each year. The 2020 notes are admitted to trading on the Euro MTF market in Luxembourg.

The early redemption options available to the Company are as follows:

- At any time before June 15, 2016, the Company can redeem all or part of the notes by paying a "make-whole premium". This premium is equal to the higher of:
    - 1% of the principal amount; and
    - the difference (if positive), calculated at the redemption date, between:
        (i) the present value, calculated at the yield on German government bonds +50bps at this date, of:
            a. the amount redeemable at June 15, 2016 determined as shown in the paragraph below in the event of a redemption as of June 15, 2016 (excluding interest recognized but not paid), plus
            b. interest accruing up to June 15, 2016 (excluding interest recognized but not paid);
        (ii) the principal amount of the debt.

As from June 15, 2016, the Company can redeem all or part of the notes ahead of maturity by paying an early redemption premium which progressively reduces over time, such that redemption of the principal amount payable will range from 104.438% of par (if the notes are redeemed in the 12 months after June 15, 2016), 102.219% of par (if the notes are redeemed in the 12 months after June 15, 2017), and 100% of par (if the notes are redeemed after June 15, 2018).

At any time before June 15, 2016, the Company can redeem up to 40% of the total principal amount of the senior secured notes by issuing equity instruments, at 108.875% of par (plus any accrued interest outstanding up to the redemption date, which should be at the latest 180 days after the issuance of the equity instruments).

The issuance costs of €13,999k are deducted from the nominal amount of the liability and are amortized over the term of the borrowing. The effective interest rate is 10.08%.

Interest expenses totaled €11,345k for the 2014 period and €14,666k for the 2013 period. The increase in borrowings and debt at December 31, 2014 and December 31, 2013, respectively amounting to €278,371k and €276,797k, reflects the amortization of "Accrued expenses" and the capitalization of accrued interest.

The senior credit agreement requires compliance with a financial covenant regarding the net debt ratio (defined as total consolidated debt over consolidated EBITDA) as a condition for any drawdowns whenever the credit drawn at the last test date represents at least 25% of the aggregate credit commitment. However, any failure to comply with this commitment does not give rise to default or early repayment. By virtue of the foregoing commitment, the net debt ratio for a rolling 12-month test period must not exceed the ratio indicated in the column opposite said period in the table below:

Test period expiring	**Ratio**
December 31, 2014	8.46:1
March 31, 2015	7.85:1
June 30, 2015	7.84:1
September 30, 2015	7.66:1
December 31, 2015	7.82:1
March 31, 2016	7.33:1
June 30, 2016	7.61:1
September 30, 2016	7.47:1
December 31, 2016	7.58:1
Each reporting date thereafter	7.58:1

Each year, the Group is required to comply with net debt covenants for its revolving cash facilities (RCF) and its bilateral bank agreements, relating to the level of its "Operating net debt" as presented below. The Group has complied with all these covenants since they came into effect.

Each quarter, the Group calculates consolidated net debt for the purpose of the aforementioned net debt ratio, as follows:

	Dec. 31, 2014	Dec. 31, 2013
	€k	*€k*
Cash and cash equivalents	16,140	12,919
Bank overdrafts	(12,608)	(6,771)
Cash and cash equivalents net of current bank overdrafts	**3,533**	**6,148**
Short-term borrowings and debt	(63,750)	(10,500)
Other loans and borrowings	(1,828)	(16)
Accrued interest on bonds	(11,345)	(14,666)
Operating net debt	**(73,390)**	**(19,034)**
Bonds	(278,371)	(276,797)
Convertible bonds	(135,000)	(125,000)
Accrued interest on convertible bonds	(5,740)	(5,315)
Consolidated net debt	**(492,501)**	**(426,146)**

6.12 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 provisions over the two periods presented:

€k	March 27, 2013	Impairment	Reversals (utilized provisions)	Reversals (surplus provisions)	Foreign exchange differences	Other items	Dec. 31, 2013
Provisions for disputes	-	1,141	(242)		(3)	(835)	62
Provisions for contingencies	-	8	-		-		8
Provisions for pension liabilities	-	947	-		-	2	949
Other provisions for contingencies and charges	-	988	(558)		-	-	430
Total non-current provisions	**-**	**3,084**	**(800)**		**(3)**	**(833)**	**1,449**
Provisions for disputes	-	-			-	835	835
Provisions for contingencies	-	-			-	-	-
Other provisions for contingencies and charges	-	-	-	-	-	-	-
Total current provisions	**-**	**-**			**-**	**835**	**835**

€k	Jan. 1, 2014	Impairment	Reversals (utilized provisions)	Reversals (surplus provisions)	Foreign exchange differences	Other items	Dec. 31, 2014
Provisions for disputes	62	14	-	(95)	3	30	14
Provisions for contingencies	8	-	-	-	-	(8)	-
Provisions for pension liabilities	949	310	-	-	-	290	1,549
Other provisions for contingencies and charges	430	150	(356)	-	14	-	238
Total non-current provisions	**1,449**	**474**	**(356)**	**(95)**	**17**	**312**	**1,801**
Provisions for disputes	835	785	(466)	-	1	30	**1,124**
Provisions for contingencies	-	2,179	-	-	202	-	**2,381**
Other provisions for contingencies and charges	-	-	-	-	-	-	**-**
Total current provisions	**835**	**2,964**	**(466)**	**-**	**203**	**(30)**	**3,505**

At December 31, 2014, SMCP USA booked a restructuring provision for €2,179k (see Note 5.5). Provisions for disputes include provisions for labor-related risks and tax audits.

6.13 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, 2014.

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 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 recognized immediately in the income statement, unless plan amendments are conditional on the employees remaining in service for a specified period of time (vesting period). In this case, past service costs are amortized on a straight-line basis over the vesting period.

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 1.5% for managerial-grade staff and supervisors and 1% 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 2% and a discount rate of 1.8% for 2014 and 3.3% for 2013.

	Dec. 31, 2014	Dec. 31, 2013
	€k	*€k*
Projected benefit obligation at the beginning of the period	**949**	**-**
Changes in scope		823
Current service cost	273	111
Estimated interest cost	37	15
Projected benefit obligation at the end of the period	**1,259**	**949**
Other comprehensive income	290	-
Project benefit obligation and expense for the period	**1,549**	**949**
Projected benefit obligation	1,549	949
Liability recognized on the statement of financial position	**1,549**	**949**
Service cost	**273**	**111**
Current service cost	273	111
Net interest cost	**37**	**15**
Interest cost	37	15
Net cost for the period	**310**	**126**

6.14 Other liabilities

Other liabilities amount to €40,866k at December 31, 2014 and to €35,615k at December 31, 2013, and are mainly composed of taxes, duties and other payroll-related liabilities totaling €37,706k and €28,590k, respectively.

6.15 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.

ln "Non-current financial assets" (Note 5.5), 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, 2013 and December 31, 2014 was determined using Level 2 of the fair value hierarchy.

The carrying amounts of recognized assets and liabilities that are designated as hedged items in fair value hedges and carried at amortized cost are adjusted to reflect changes in the fair values attributable to the risks hedged in effective hedging relationships.

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	Dec. 31, 2014 €k Carrying amount	Dec. 31, 2014 €k Fair value	Dec. 31, 2013 €k Carrying amount	Dec. 31, 2013 €k Fair value
Pledged assets		FV PL	1	797	797	535	535
Loans and receivables		L&R		9,516	9,516	7,531	7,531
Non-current financial assets	6.4			**10,313**	**10,313**	**8,066**	**8,066**
Other non-current assets		L&R		**2,318**	**2,318**	**1**	**1**
Trade receivables	6.6	L&R		**31,020**	**31,020**	**22,261**	**22,261**
Derivative instruments eligible for hedge accounting		FV OCI/ FV PL	2	338	338	8	8
Other derivative instruments not eligible for hedge accounting		FV P&L	2	-	-	1	1
Miscellaneous receivables		L&R		3,283	3,283	2,578	2,578
Other receivables	6.7			**3,621**	**6,621**	**2,586**	**2,586**
Other current financial assets	6.4	L&R		**233**	**233**	**18**	**18**
Cash and cash equivalents	6.8	L&R		**16,140**	**16,140**	**12,919**	**12,919**
Bonds	6.11	Amortized costs	2	**278,371**	**313,200**	**276,797**	**276,797**
Convertible bonds	6.10	Amortized costs	2	**140,740**	**152,655**	**130,315**	**130,315**
Other financial liabilities		Amortized costs		**45**	**45**	**45**	**45**
Accrued interest on bonds		Amortized costs	2	11,345	11,345	14,666	14,666
Other accrued interest		Amortized costs		1,783	1,783	(29)	(29)
Interest-bearing liabilities (current)	6.11			**13,128**	**13,128**	**14,636**	**14,636**
Trade and other payables		Amortized costs		**52,979**	**52,979**	**46,035**	**46,035**
Bank overdrafts		Amortized costs		12,608	12,608	6,771	6,771
Short-term borrowings and debt		Amortized costs		63,750	63,750	10,500	10,500
Bank overdrafts and short-term borrowings and debt	6.11			**76,358**	**76;358**	**17,270**	**17,270**
Derivative instruments eligible for hedge accounting		FV OCI/ FV PL	2	388	388	97	97
Other derivative instruments not eligible for hedge accounting		FV P&L	2	41	41	21	21
Other liabilities	5.13			**429**	**429**	**118**	**118**

At December 31, 2014, the fair values of high-yield bonds were estimated based on their market value, taking into account changes in credit risk for the convertible bond. Since no information was available at December 31, 2013, fair value corresponds to the carrying amount.

6.16 Financial instruments and market risk management

6.16.1 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.

6.16.2 Foreign exchange risk

The Group is primarily exposed to changes in the U.S. dollar, since a significant portion of its purchases are made in this currency, whereas its presentation 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 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 forward 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.

6.16.3 Interest rate risk

The Group's main financing is through long-term fixed-rate borrowings (8.875% on the high yield debt and 8% on the convertible bond) recognized at amortized cost. These borrowings are not sensitive to fluctuations in interest rates. Short-term refinancing facilities are at floating rates indexed to Euribor.

6.16.4 Sensitivity to interest rate risk

Based on the Group's financial commitments at December 31, 2014, a 0.5% rise in interest rates would have an impact of €248k.

6.16.5 Derivatives used to manage foreign exchange risk

Foreign currency transactions and foreign exchange risk hedging

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 remeasured to fair value. 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 identifies certain derivative financial instruments as hedges of a particular risk associated with a recognized liability or a highly probable future transaction (cash flow hedging).

At the inception of the transaction, the Group documents the relationship between the hedging instrument and the hedged item, as well as its risk management objectives and hedging strategy. At the inception of the hedge and on an ongoing basis, the Group also documents its assessment of whether the derivatives used are highly effective in offsetting changes in fair values or cash flows of hedged items.

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.

Dec. 31, 2014	Nominal amount hedged	Fair value (MtM)	Impact on other comprehensive income/(loss)	Impact on the income statement	Hedge accounting
	Currency units	*€k*	*€k*	*€k*	
Long USD	5,350	115	236	(122)	CFH
Short GBP	1,450	(48)	(43)	(5)	CFH
Short HKD	-				
Forward contracts	**-**	**67**	**193**	**(127)**	
	-				
Long USD	1,900	97	92	5	CFH
Short GBP	1,300	(24)	(3)	(21)	CFH
Tunnels (zero-cost collars)	**-**	**73**	**89**	**(16)**	
	-				
USD	29,500	(101)	-	(101)	
GBP	10,690	(131)	-	(131)	
Currency swaps		**(231)**	**-**	**(231)**	
USD					
GBP					
Options (plain vanilla)		**-**	**-**	**-**	
Total		**(92)**	**282**	**(374)**	

Dec. 31, 2013	Nominal amount hedged	Fair value (MtM)	Impact on other comprehensive income/(loss)	Impact on the income statement	Hedge accounting
	Currency units	*€k*	*€k*	*€k*	
Long USD	5,650	(66)	(67)	1	CFH
Short GBP		-	-	-	
Short HKD	1,000	-	-	-	
Forward contracts		**(66)**	**(67)**	**1**	
Long USD		-	-	-	
Short GBP		-	-	-	
Tunnels (zero-cost collars)		**-**	**-**	**-**	
USD		-	-	-	
GBP		-	-	-	
Currency swaps		**-**	**-**	**-**	
Long USD	1,900	(43)	(20)	(23)	
GBP					
Options (plain vanilla)		**(43)**	**(20)**	**(23)**	
Total		**(109)**	**(87)**	**(22)**	

Cash flow hedges	**CFH**

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 U.S. dollar 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 reporting 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.

Dec. 31 2014	**Equity**		**Income statement**	
€k	*Increase*	*Decrease*	*Increase*	*Decrease*
USD (+/-10% change)	703	(45)	(3,207)	2,771
GBP (+/-10% change)	(327)	199	(1,576)	1,236
Net cash flow sensitivity	**375**	**154**	**(4,783)**	**4,006**

Dec. 31 2013	**Equity**		**Income statement**	
€k	*Increase*	*Decrease*	*Increase*	*Decrease*
USD (+/-10% change)	405	(622)	11	(70)
GBP (+/-10% change)	*N/A*	*N/A*	9	(10)
Net cash flow sensitivity	**405**	**(622)**	**20**	**(80)**

6.16.6 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, 2014, the Group had access to undrawn committed credit lines totaling €55 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, 2013 and December 31, 2014.

At December 31, 2014, the Group's borrowings and debt mainly comprised the €290 million, 8.875% senior secured notes due in 2020. These were subscribed on June 17, 2013 at the time of the Groupe SMCP acquisition.

€k	**2015**	**2016**	**2017**	**2018**	**2019**	**Over 5 years**	**Total**
Bonds						290,000	290,000
Accrued interest on bonds	25,738	25,738	25,738	25,738	25,738	22,449	151,136
Convertible bonds*						269,865	269,865
Other loans and borrowings	1,783					45	1,828
Bank overdrafts and short-term borrowings and debt	76,359						76,359
Gross debt	**103,880**	**25,738**	**25,738**	**25,738**	**25,738**	**582,359**	**789,188**
Trade and other payables	52,979						52,979
Other liabilities	40,866						40,866
Other financial liabilities	**93,845**						**93,845**

Total financial liabilities at December 31, 2014	**197,725**	**25,738**	**25,738**	**25,738**	**25,738**	**582,359**	**883,033**

€k	2014	2015	2016	2017	2018	Over 5 years	Total
Bonds						290,000	290,000
Accrued interest on bonds	28,883	25,738	25,738	25,738	25,738	48,186	180,020
Convertible bonds*						269,865	269,865
Other loans and borrowings	(29)					45	16
Bank overdrafts and short-term borrowings and debt	17,271						17,271
Gross debt	**46,125**	**25,738**	**25,738**	**25,738**	**25,738**	**608,096**	**757,172**
Trade and other payables	46,035						46,035
Other liabilities	35,615						35,615
Other financial liabilities	**81,650**						**81,650**
Total financial liabilities at December 31, 2014	**127,775**	**25,738**	**25,738**	**25,738**	**25,738**	**608,096**	**838,822**

6.16.7 Credit risk

The Group has a low credit risk. A large part of its business is retail for which customers pay cash. General stores and affiliates are billed once or twice per month and pay within a few days. Department store partners are billed at each delivery and payment is made either on delivery or at a later date.

Given the distribution channels for SMCP's three brands, many goods are paid for on delivery (at the point of sale or in stores). The Group's affiliates or department store partners have short payment terms.

7. OFF-BALANCE SHEET COMMITMENTS

7.1 Commitments received

	Dec. 31, 2014	Dec. 31, 2013
	€k	€k
Sureties	1,755	1,610
Undrawn credit lines	55,000	77,500
Commitments received	**56,755**	**79,110**

7.2 Commitments given

	Dec. 31, 2014	Dec. 31, 2013
	€k	€k
Market transactions	-	5,438
Letters of credit	9,204	14,091
Pledge of leasehold rights(1)	40,431	7,183
Sureties	-	3,910
Guarantees commitments	8,480	3,029
Commitments given	**58,115**	**33,651**

SMCP SAS has negotiated a three-year medium-term loan for a total amount of €45 million. This medium-term facility is guaranteed by a pledge of leasehold rights. At December 31, 2013, the effective pledge represented only €7,183k.

At the beginning of 2014, SMCP SAS pledged other assets for the remaining €34.5 million of the loan.

It also pledged SICAV mutual funds (see Note 6.4).

Commitments given under operating leases at December 31, 2013 and December 31, 2014 are as follows:

	Dec. 31, 2014	Dec. 31, 2013
	€k	€k
Operating leases	208,397	174,190
Less than one year	40,642	35,124
From 1 to 5 years	102,775	87,305
Over 5 years	64,980	51,761

In France, store leases have a term of nine years with an exit option in the third and sixth years. 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)	
	Dec. 31, 2014	Dec.31 2013	2014	2013
France	1,924	1,728	1,747	1,552
Europe (except France)	836	687	682	597
America	416	316	358	223
Asia	221	56	214	52
Total headcount	**3,397**	**2,787**	**3,001**	**2,424**

(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 indicates 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 paid to Statutory Auditors

In accordance with Article R233-14 §17 of the French Commercial Code (*Code de commerce*), the total fees paid to the Statutory Auditors at December 31, 2013 and December 31, 2014 amounted to €486k and €646k, respectively, breaking down as follows:

Statutory audit of the condensed consolidated financial statements of SMCP SAS and its subsidiaries:

	12 months to Dec. 31, 2014	9 months to Dec. 31, 2013*	21 months to Dec. 31, 2014**
	€k	*€k*	*€k*
KPMG	264	233	497
E&Y	382	231	613
Other	-	22	1,132
Total fees	**646**	**486**	**1,132**

* 6 months of operating activity – see Note 2.3 - Statement of compliance and basis of preparation

** 18 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).

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 or with associated companies are those which took place between the Group and (a) KKR Retail Partner Midco SARL ("KKR"), as well as (b) entities directly or indirectly held by KKR.

There were no transactions between the Group and Soho Holding France in the 2014 or 2013 reporting periods.

a) Transactions with KKR

The Group was billed management fees by KKR amounting to €500k in respect of 2014 and €265k in respect of 2013.

Bonds convertible into shares representing €125,000k, fully subscribed by KKR, accrued capitalized interest totaling €15,740k at December 31, 2014, of which €10,425k relates to the 2014 reporting period and €5,315k to the 2013 reporting period.

b) Transactions with entities owned directly or indirectly by KKR

The Group was billed consultancy fees by KKR Capstone, an entity owned by KKR, amounting to €927k in respect of 2014 and €245k in respect of 2013.

8.3.2 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, 2014 and December 31, 2013, as shown below:

	12 months to Dec. 31, 2014					21 months to Dec. 31, 2013*			
	Consultancy services	Termination indemnities	Executive management services	Rental charges	Affiliation agreements	Consultancy services	Executive management services	Rental charges	Affiliation agreements
	(1)	(2)		(3)	(4)	(1)		(3)	(4)
	€k	€k	€k	€k	€k	€k	€k	€k	€k
*Elie Kouby SASU, managed by Elie Kouby***	*548*		*124*			*46*	*395*		
*Frédéric Biousse SASU, managed by Frédéric Biousse***	*395*	*1,312*	*124*			*46*	*395*		
*Evelyne Chétrite SASU, managed by Evelyne Chétrite***	*250*		*525*			*125*	*353*		
*Judith Milgrom, managed by Judith Milgrom***	*250*		*512*			*125*	*353*		
*AMJM, managed by Alain Moyal and Judith Milgrom***				*875*				*786*	
*Company managed by Lévana Gampel, daughter of Judith Milgrom***					*199*				*936*
*Lesko, managed by Elie Kouby***					*144*				*603*
Total for the period	**1,443**	**1,312**	**1,286**	**875**	**343**	**341**	**1,494**	**786**	**1,539**
Total transactions for the period			**5,258**				**4,304**		

** 6 months of operating activity – see Note2.3 – Statement of compliance and basis of preparation.*
*** Member of Group senior management.*

(1) Consultancy services relating to strategy, market positioning and the creation of collections.

(2) Termination indemnity relating to consultancy service agreements.

Leases relating to the Maje registered office and to a Maje store, both in Paris.

Affiliation agreements regarding two Maje stores in Paris and a Sandro store in Toulouse, drawn up with companies respectively managed by a member of the family of one of the Group's senior managers and by one of the Group's senior managers.

b) Executive compensation

Total compensation paid to members of the Executive Committee and Supervisory Board in respect of their functions within the Group, breaks down as follows:

	Dec. 31, 2014	Dec. 31, 2013*	Dec. 31, 2014**
	€k	*€k*	*€k*
Gross fixed salary	3,535	1,100	4,635
Variable salary	1,197	387	1,584
Social security charges	1,723	615	2,338
Termination indemnities	315	144	459
Fringe benefits	170	21	191
Total short-term benefits	**6,625**	**2,123**	**8,748**

** 6 months of operating activity – see Note2.3 – Statement of compliance and basis of preparation.*
*** 18 months of operating activity – see note 2.3 – Statement of compliance and basis of preparation.*

The portion of pension provisions recognized in respect of senior management at December 31, 2013 and December 31, 2014 was as follows:

	Dec. 31, 2015	Dec. 31, 2015	Dec. 31, 2014**
		€k	
Retirement indemnities	66	25	91
Total retirement indemnities	**66**	**25**	**91**

** 6 months of operating activity – see Note2.3 – Statement of compliance and basis of preparation.*
*** 18 months of operating activity – see note 2.3 – Statement of compliance and basis of preparation.*

The Group has also negotiated severance packages with some of these managers to be paid if they leave the Group. Total commitments represented €2,210k at December 31, 2014 and €330k at December 31, 2013.

8.4 Scope of consolidation

The table below shows the scope of consolidation at December 31, 2013 and December 31, 2014:

Entity	Dec. 31, 2014		Dec. 31, 2013	
	% interest*	Consolidation method	% interest*	Consolidation method
SMCP SAS	**100.00%**	**FC**	**100.00%**	**FC**
GROUPE SMCP	100.00%	FC	100.00%	FC
SMCP LOGISTIQUE	100.00%	FC	100.00%	FC
SMCP DEVELOPPEMENT	100.00%	FC	100.00%	FC
SMCP SERVICES	100.00%	FC	100.00%	FC
SANDRO ANDY	100.00%	FC	100.00%	FC
SMCP BELGIQUE	100.00%	FC	100.00%	FC
SMCP DEUTSCHLAND	100.00%	FC	100.00%	FC
SANDRO ESPANA	100.00%	FC	100.00%	FC
SANDRO FRANCE	100.00%	FC	100.00%	FC
SANDRO ITALIA	100.00%	FC	100.00%	FC
SMCP UK	100.00%	FC	100.00%	FC
SANDRO SUISSE	100.00%	FC	100.00%	FC
SMCP IRELAND	100.00%	FC	100.00%	FC
MAJE	100.00%	FC	100.00%	FC
MAJE BOUTIQUE	100.00%	FC	100.00%	FC
SMCP LUXEMBOURG	100.00%	FC	100.00%	FC
MAJE GERMANY	100.00%	FC	100.00%	FC
MAJE SPAIN	100.00%	FC	100.00%	FC
MAJE STORES	100.00%	FC	100.00%	FC
MAJE SUISSE	100.00%	FC	100.00%	FC
MAJBEL	100.00%	FC	100.00%	FC
CLAUDIE PIERLOT	100.00%	FC	100.00%	FC
CLAUDIE PIERLOT SUISSE	100.00%	FC	100.00%	FC
341 SMCP	100.00%	FC	100.00%	FC
SMCP USA	100.00%	FC	100.00%	FC
SMCP CANADA	100.00%	FC	100.00%	FC
SMCP ASIA	100.00%	FC	100.00%	FC
SMCP SHANGHAI TRADING CO.	100.00%	FC	100.00%	FC
SMCP NETHERLANDS	100.00%	FC	100.00%	FC
SMS	100.00%	FC	100.00%	FC
SMCP HONG-KONG	100.00%	FC	-	NC
SANDRO MAJE CP SINGAPORE	100.00%	FC	-	NC
AZ RETAIL	100.00%	FC	-	NC
SMCP DENMARK	100.00%	FC	-	NC
SMCP NORWAY	100.00%	FC	-	NC
SMCP MACAU	100.00%	FC	-	NC
SMCP SWEDEN	100.00%	FC	-	NC

** Percentage interest is identical to percentage ownership.*

Abbreviations used: FC = Full consolidation, NC = Not consolidated

8.5 Subsequent events

See section 6.4 "Subsequent events" of the condensed interim consolidated financial statements for the nine months ended September 30, 2015.

20.1.7.2 The Statutory Auditors' reports for the 21-month financial year ended December 31, 2014, the twelve-month period ended December 31, 2014 and the nine-month period ended December 31, 2013

This is a free translation into English of a report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction and construed in accordance with French law and the relevant professional auditing standards applicable in France.

"To the Chairman,

In our capacity as statutory auditors of SMCP S.A.S., in accordance with Commission Regulation (EC) n°809/2004 in the context of initial public offering and an admission of equity securities of your company to trading on the regulated market of Euronext Paris, we hereby report to you on the audit of the accompanying consolidated financial statements of SMCP S.A.S. of the first financial twenty-one month period ended December 31, 2014, the twelve-month period ended December 31, 2014 and the nine-month period ended December 31, 2013, prepared under International Financial Reporting Standards as adopted by the European Union.

The preparation of these consolidated financial statements is the responsibility of the supervisory board. Our role is to express an opinion on these consolidated financial statements based on our audit.

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 and other means of testing, 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 consolidated financial statements established for the registration document, present fairly, in all material respects, the assets, liabilities and financial position of the group as at December 31, 2014 and December 31, 2013 and the results of its operations for the first financial twenty-one month period ended December 31, 2014, the twelve-month period ended December 31, 2014 and the nine-month period ended December 31, 2013 in accordance with International Financial Reporting Standards as adopted by the European Union.

Paris-La Défense, January 25, 2016

The statutory auditors

French original signed by

KPMG Audit	*ERNST & YOUNG et Autres*

A Department of KPMG S.A.

Valéry Foussé *Jean-Philippe Bertin"*

20.2 Date of latest financial information

June 30, 2017.

20.3 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 term; the Group's free cash flow will be used to support its growth strategy.

20.4 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, 2016, the total amount of provisions for disputes involving the Group was €2.3 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 logistician (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 ofthe 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. The forthcoming hearing is scheduled on September 20, 2017.

20.5 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 June 30, 2017.

21. ADDITIONAL INFORMATION

As at the date of registration of this registration document, the Company is incorporated as a simplified joint-stock company. A member's general meeting will be held prior to approval by the AMF of the prospectus relating to the admission of the Company's shares to trading on the regulated market of Euronext Paris in order to approve the conversion of the Company to a *société anonyme* (joint-stock company) and to update its Articles of Association, with effect at the latest from the date of approval by the AMF.

This general meeting of shareholders will also resolve on the adoption of new Articles of Association with effect at the latest at the settlement date of the Company's shares in connection with their admission to trading on the regulated market of Euronext Paris. This chapter includes an outline of the main provisions of these Articles of Association, as they relate to the Board of Directors and particularly its operating procedures and its powers, as well as an outline of the main provisions of the internal rules of the Board of Directors that the Company intends to implement at the same aforesaid date of effect.

21.1 Share capital

21.1.1 Paid up Share Capital and Authorized but Unissued Share Capital

As at the date of registration of this registration document, the Company's share capital amounts to €58,168,480.70 divided into 581,684,807 shares with a nominal value of €0.1, fully paid-up, breaking down as follows:

- 575,671,602 ordinary shares;
- 6,013,205 class 1 preference shares;

Class 1 shares are preference shares in accordance with Article L.228-11 of the French Commercial Code, issued in October 2016 for certain managers and employees of the Group (see section 18.1 of this registration document). These preference shares have the same characteristics than ordinary shares, except for a cumulative preferential statutory dividend right (*droit à un dividende préciputaire cumulatif*).

It is anticipated that, as at the date of settlement-delivery of the shares in connection with their admission to trading on the Euronext Paris regulated market, the class 1 preference shares issued by the Company will be converted into ordinary shares as described in section 7.1.2.

The Company also allocated 14,681,853 class G preference shares, of which 12,768,753 shares in October 2016, 1,520,100 shares in December 2016 and 393,000 shares in February 2017 (conditions of such shares being described in section 21.2.3.2 of this registration document). As at the date of registration of this registration document, all of the class G preference shares are under acquisition process.

A general meeting of the Company's shareholders will be held prior to approval by the AMF of the prospectus relating to the admission of the Company's shares to trading on the regulated market of Euronext Paris, but after the transformation of the Company into a joint-stock company (*société anonyme*) in order to adopt the following financial delegations:

Nature of the delegation	Maximum period	Maximum nominal amount
Authorization to transact in the Company's shares [(1)]	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
Authorization granted to the Board of Directors to reduce the share capital by cancelling treasury shares [(1)]	26 months	Subject to a limit of 10% of the share capital every 24 months
Delegation of power to the Board of Directors to increase the share capital through the incorporation of reserves, profits or premiums or any other sum that may be capitalized [(1)]	26 months	20% of the capital
Delegation of power to the Board of Directors to resolve to increase the share capital by issuing shares and/or equity securities granting access to other equity securities and/or giving entitlement to the allotment of securities debt and/or securities granting access to equity securities to be issued with maintenance of the preferential subscription right [(1)]	26 months	40% of the capital [(2)] €500 million in the case of debt securities[(3)]
Delegation of power to the Board of Directors to resolve to increase the share capital by issuing shares and/or equity securities granting access to other equity securities and/or giving entitlement to the allotment of securities debt and/or securities granting access to equity securities to be issued by means of a public offering with cancellation of the preferential subscription right [(1)(6)]	26 months	15% of the capital [(2) (5)] €500 million in the case of debt securities[(3)]
Delegation of power to the Board of Directors to resolve on the issue with cancellation of the preferential subscription right of shares and/or equity securities granting access to other equity securities and/or giving entitlement to the allotment of securities debt and/or securities granting access to equity securities to be issued through private placement as referred to in Article L. 411-2 II of the French Monetary and Financial Code [(1)]	26 months	15% of the capital [(2) (5)] €500 million in the case of debt securities[(3)]
Authorization granted to the Board of Directors in the event of an issue with cancellation of the preferential subscription right, by means of a public offering or the private placement referred to in Article L. 411-2-II of the Monetary and Financial Code, in order to set the issue price according to the terms laid down by the General Meeting [(1)(7)]	26 months	15% of the capital per annum
Authorization granted to the Board of Directors to increase the number of securities to be issued in the event of an increase in capital with or without preferential subscription rights [(1)]	26 months	Limit laid down by the applicable regulations (currently 15% of the initial issue) [(2)]
Delegation of power to the Board of Directors to issue shares or equity securities granting access to other equity securities and/or giving entitlement to the allotment of securities debt and/or securities granting access to equity securities to be issued without preferential subscription rights in return for contributions in kind [(1)]	26 months	10% of the capital [(2)] €500 million in the case of debt securities[(3)]
Delegation of power to the Board of Directors to resolve on the issue of shares reserved for members	26 months	3% of the capital [(2) (4)]

Nature of the delegation	Maximum period	Maximum nominal amount
of a company savings plan with cancellation of the preferential subscription right to the benefit of such members [(1)]		
Delegation of power to the Board of Directors with a view to increasing the share capital by issuing shares with cancellation of the preferential subscription right to the benefit of a specific class of beneficiaries (employees and corporate officers of the Company and companies associated with it) [(1)(8)]	18 months	3% of the capital [(2) (4)]
Authorization granted to the Board of Directors to freely allocate new or existing shares to employees and corporate officers of the Company and companies associated with it [(1)]	38 months	3% of the capital [(2) (4)]
Authorization granted to the Board of Directors to grant share purchase or subscription options to eligible Group employees or corporate officers [(1)]	38 months	3% of the capital [(2) (4)]

(1) Resolution adopted subject to the condition precedent that the settlement of the Company's shares in connection with their admission to trading on the Euronext Paris regulated market is definitively set.

(2) The overall maximum nominal amount of the capital increases that may be made under this delegation is offset against the amount of the overall limit of 40% of the capital with regard to immediate and/or future increases in capital.

(3) The overall maximum nominal amount of the issues of debt securities that may be made under this delegation is offset against the amount of the overall limit of €500 million with regard to issues of debt securities.

(4) The overall maximum nominal amount of the capital increases that may be made under this delegation is offset against the amount of the overall limit of transactions reserved for employees of 3% of the Company's capital.

(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).

(7)The issue price of the shares will be at least equal, at the option of the Board of Directors', (i) at the weighted average price of the share of the Company traded on the regulated market of Euronext Paris, the day preceding the date of determination of the share price, eventually reduced by a discount of up to 10% or (ii) at the weighted average prices of the share of the Company traded on the regulated market of Euronext Paris on a maximum six-month period preceding the day on which the share's price will be determined, eventually reduced by a discount of up to 10%.

(8)The maximum discount regarding the weighted average price of the share during the twenty trading sessions preceding the decision setting out the opening date of the subscription must not exceed 20%.

21.1.2 Non-equity securities

As at 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 at the date of registration of this registration document, the Company does not hold any of its own shares and no shares of the Company are held by any of its subsidiaries or by a third party on its behalf.

The members' general meeting to be held at the latest on the day that approval is obtained from the AMF on the prospectus relating to the admission of the Company's shares to trading on the

Euronext Paris regulated market will authorize the Board of Directors, for a period of 18 months as from the date of the general meeting and subject to the condition precedent that the settlement of the Company's shares is definitively set for their admission to trading on the regulated market of Euronext Paris, with the option to sub-delegate under the statutory and regulatory conditions, pursuant to Articles L. 225-209 *et seq.* of the French Commercial Code, to buy, in one or more instalments and at the times that it will set, a number of Company shares not exceeding 10% of the total number of shares comprising the share capital, at any time whatsoever, or 5% of the total number of shares comprising the share capital in the case of shares acquired by the Company with a view to their retention and their subsequent remittance for payment or exchange in connection with a merger, demerger or contribution transaction, it being stipulated that the number of shares held by the Company may not lead the Company to hold more than 10% of the shares comprising its share capital at any time whatsoever, under any circumstances.

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 *et seq.* of the Commercial Code; or (iii) any savings plan pursuant to Articles L. 3331-1 *et seq.* of the Employment Code or any free allocation of shares under the provisions of Articles L. 225-197-1 *et seq.* 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 may not exceed, excluding expenses, 200% of the price of the shares of the Company as set in connection with their admission to trading on the Euronext Paris regulated market, as such price will be mentioned in the Company's standard press release on the final specifications of the Company's share offer and their admission to trading on the Euronext Paris regulated market.

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 at the date of this registration document, the Company did not issued any securities granting access to the capital other than the ordinary shares and the class 1 preference 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 increases	100	100	581,684,802 shares divided into: 575,671,600 ordinary shares 6,013,202 class 1 preference shares	0.1	0.1	58,168,480.20

September 13, 2017	Capital increases	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	0.1	0.1	58,168,480.70

In the context of the project of admission of the Company's shares to trading on the regulated market of Euronext Paris, the Company intends to proceed to a reverse stock split. Consequently, the shareholders general meeting of the Company held on September 13, 2017 (i) approved a capital increase in cash of the Company's shrae capital by issuing two ordinary shares and three Class 1 Preference Shares subscribed by European MidSoho Sàrl and (ii) the reverse stock split of the Company's existing shares with effect at the pricing date. The 575,671,602 ordinary shares and the 6,013,205 existing Class 1 Preference Shares of the Company, with a par value of €0.10 each, will be exchanged against 52,333,782 new ordinary shares and 546,655 new Class 1 Preference Shares with a par value of €1.10 each, representing an exchange parity of one new share for eleven existing shares.

21.2 Memorandum and Articles of Association

21.2.1 Company 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 outline below summarizes the main stipulations of the Articles of Association and the internal rules relating to the Board of Directors, particularly its operating procedures and its powers, such as they will on the settlement date of the shares of the Company for their admission to trading on the Euronext Paris regulated market.

The internal rules will be adopted with effect on the the settlement date of the shares of the Company for their admission to trading on the Euronext Paris regulated market. Besides the provisions on the Board of Directors mentioned below, they stipulate the organizational structure and operating procedures and the jurisdiction and powers of the Board committees that it has established (see section 16.3 of this registration document).

(a) Board of Directors (Articles 15, 16 and 17 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 observers, up to a maximum of two. 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 appointed for a term which may not exceed that of their office of director. They 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 unavailabilityor 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, the chairman of the meeting has the casting 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:

The following decisions are subject to the prior authorization of the Board of Directors, ruling by a simple majority of members present or represented:

(i) Approval or amendments to the annual budget of the Group;

(ii) Approval or material amendments to the three-year annual business plan;

(iii) Issue of all securities giving access, immediately or on a deffered basis, to the capital of the Group;

(iv) 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;

(v) All decision that may lead to an event of default or an acceleration according to the financing documentation;

(vi) All overspending of the budget for investment expenditures over 10% compared to the annual budget;

(vii) 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);

(viii) Any expenditure of an individual amount superior to €2,000,000 unexepcted in the annual budget;

(ix) 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);

(x) 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;

(xi) 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;

(xii) 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;

(xiii) Review and approval of the annual and consolidated accounts of any subsidiaries of the Group with an annual turnover of €25,000,000;

(xiv) The opening of a store or a subsidiary or a new activity in a new country;

(xv) The auditor appointment or renewal;

(xvi) Any significant transformation or restructuring of a Group entity;

(xvii) The commercialization of any new line of products;

(xviii) Any operation modifying directly or indirectly the share capital or proper funds (including merger, spin-off, partial contribution of assets or any dividends distribution);

(xix) Modification of more than 3% per year of the remuneration of the Group salaries compared to the annual budget;

(xx) 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);

(xxi) 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.

(b) General management (Article 18 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. They exercise these powers within the limits of the Company purpose and subject to those expressly attributed by law to Shareholders' Meetings and to the Board of Directors.

They represent the Company in its relations 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 the shares (Articles 10, 11, 12 and 13 of the Articles of Association)

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.

Class G preference shares may be converted into ordinary shares of the Company from January 1st, 2019. The conversion rate will be determined at the date of the initial public offering of the Company, on the basis of (i) the fair value of the class G preference shares, determined in accordance with their terms and conditions, in accordance with the internal rate of return observed by the holders of the securities of the Company and the Initial Public Offering Price and (ii) the fair value of an ordinary share of the Company, equal to the Initial Public Offering Price.

21.2.4 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.

21.2.5 General Meetings (Article 19 of the Articles of Association)

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.

21.2.6 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.

21.2.7 Crossing of thresholds and identification of shareholders (Article 14 of the Articles of Association)

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 *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.

21.2.8 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.

21.2.9 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 sections 10.2.2 and 10.3 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.

With effect from admission of the Company's shares to trading on the Euronext Paris regulated market, the regulated information as provided by the AMF General Regulations will also be made available on the Company's website.

25. INFORMATION ON EQUITY INTERESTS

Information on equity interests is given in section 20.1.4.1 of this registration document in Note 8.4, "Scope of consolidation", to the Company's consolidated financial statements for the twelve-month period ended December 31, 2016.