SMCP

sandro maje claudie pierlot

REGISTRATION DOCUMENT

Annual financial report

2018

"Spread Parisian chic across the world"

SMCP

sandro maje claudie pierlot

SMCP S.A.

Société anonyme (a joint-stock company) with a capital of 82,222,037.70 euros

Registered office: 49, rue Étienne Marcel, 75001 Paris, France

Registered with the Paris Trade and Companies Register under company number 819 816 943

2018 REGISTRATION DOCUMENT

INCLUDING THE 2018 ANNUAL FINANCIAL REPORT

AMF AUTORITÉ DES MARCHÉS FINANCIERS

Pursuant to its General Regulations, specifically Article 212-13, the French Autorité des marchés financiers (AMF) registered this Registration Document on April 26, 2019 under number R.19-012. 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 pursuant to the provisions of Article L.621-8-1-I of the French Monetary and Financial Code, was completed after the AMF verified that the document is complete and coherent and that the information contained herein is consistent. The AMF has not, and cannot be construed as having, verified any of the accounting and financial information contained herein.

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

NOTE

Definitions

*SMCP S.A., a French joint-stock company, with share capital of 82,222,037.70 euros, with its registered office at 49, rue Étienne Marcel, 75001 Paris, France, registered under identification number 819 816 943 (Paris Trade and Companies Register) is referred to as the "**Company**" in this Registration Document. The "**Group**" refers to the Company and its subsidiaries and equity associates.*

*The term "**Basic Document**" refers to the Company's basic document registered by the Autorité des Marchés Financiers (**AMF**), the French financial markets authority, on September 15, 2017, under number I.17-066, while the term "**2017 Registration Document**" refers to the registration document registered by the AMF on April 27, 2018 under number R.19-034.*

The Company was created on April 20, 2016 and its financial year ran from May 1, 2016 to December 31, 2017, i.e. a twenty-month financial year. In order to facilitate the reader's understanding and the comparability of data between 2017 and 2018, in this Registration Document the Company is presenting and commenting on the Company's consolidated financial information for the fiscal year ended December 31, 2018 and for an interim period of twelve months running from January 1, 2017 to December 31, 2017. The financial information for the twelve-month interim period ended December 31, 2017 presented in this Registration Document is taken from the consolidated financial statements of the Company for the twenty-month period ended December 31, 2017 prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

Forward-looking information

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

Risk factors

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

Information about the market and competition

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

Points of sale openings and online sales

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

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

Rounded up or down data

Unless otherwise stated, the amounts are expressed in millions of euros and rounded off to the closest million. Generally, the values presented in this Registration Document are rounded off to the nearest unit. Consequently, the sum of the rounded amounts may present immaterial deviations with respect to the reported total. Moreover, the ratios and deviations are calculated from underlying amounts and not from the rounded amounts.

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1. PERSONS RESPONSIBLE

1.1 Person responsible for the Registration Document

Daniel Lalonde, Chief Executive Officer of SMCP S.A.

1.2 Declaration by the person responsible for the Registration Document

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

I hereby declare that, to the best of my knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and present a fair picture of the holdings, financial position and results of the Company and of all the companies included within the scope of consolidation, and that the management report, for which the cross-reference table appears on page 311 of this Registration Document, presents a fair picture of the changes in the business, results and financial position of the Company and of all the companies included within the scope of consolidation, as well as a description of the principal risks and uncertainties facing the companies.

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

April 26, 2019

Daniel Lalonde

Chief Executive Officer of SMCP S.A.

2. PERSONS RESPONSIBLE FOR AUDITING THE FINANCIAL STATEMENTS

2.1 Statutory auditor

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

Represented by Valéry Foussé

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

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

Deloitte & Associés

6, place de la Pyramide

92908 Paris-la-Défense

Represented by Albert Aidan

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

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

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 association of the Company for a term of six financial years ending after the Shareholders' Meeting to be held to approve the accounts for the financial year ending on December 31, 2021.

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

BEAS
Tour Majunga, 6, place de la Pyramide

92908 Paris-la-Défense

Represented by Joel Assayah

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

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

3. SELECTED FINANCIAL INFORMATION

The selected financial information presented herein has been extracted from:

- the Company's audited consolidated financial statements for the fiscal year ended December 31, 2018, prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. the Statutory Auditors' report on these financial statements can be found in Section 20.1.2 of this Registration Document;
- of the Company's audited consolidated financial statements for the twenty-month fiscal year ended December 31, 2017, prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, which include information for the twelve-month interim fiscal year ended December 31, 2017, and the corresponding statutory auditors' report, included by reference in this registration document pursuant to Article 28-1 of Regulation (EU) No 809/2004.

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

Pursuant to Article 28-1 of Regulation (EC) No. 809/2004, the Group's selected pro forma[1] financial information for the twelve-month period ended December 31, 2016 provided in Chapter 3 "Selected Financial Information" of the 2017 Reference Document is included by reference in this Registration Document.

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

Selected financial information from the consolidated income statement:

(In millions of euros unless stated otherwise)	*Fiscal year ended December 31* **2017** *(12 months)*	**2018** *(12 months)*
Sales	**912.4**	**1,017.1**
Change at constant exchange rate (as %)	*+17.5%*	*+13.0%*
Like-for-like sales growth [(2)] (as %)	*+7.8%*	*+3.7%*
Adjusted EBITDA [(3)]	**153.7**	**171.5**
Adjusted EBITDA margin	*16.8%*	*16.9%*
Depreciation, amortization and impairment	(35.0)	(36.1)
Bonus shares allocation plan	(1.9)	(13.4)
Current operating income	**116.8**	**122.0**
Other non-current income and expenses	(46.7)	(12.5)
Operating profit	**70.1**	**109.5**
Financial income	**(69.9)**	**(19.4)**
Profit/(loss) before tax	0.2	90.1
Net profit attributable to owners of the Company	**6.3**	**50.2**
EPS *(in euros)*		
Before dilution [(4)]	0.015	0.687
After dilution [(5)]	0.015	0.638

2 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 Women store to a Sandro Men or Sandro Mixed store) during the period in question. This change is measured "at constant exchange rate", i.e., at the average exchange rate used to prepare the financial statements for the prior period.

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

(4) Average number of common shares over the term of the fiscal year or period, less the shares held by the company.

(5) Average number of common shares during the fiscal year or the period, less treasury shares held by the company and plus the common shares that may be issued in the future. In 2018, these include the conversion of the class G preferred shares (5,072,914 shares) and the bonus performance shares (LTIP) which are prorated on the performance criteria reached at December 31, 2018 (24% of the number of distributed shares, i.e., 502,399 shares).

Selected financial information from the consolidated cash flow statement:

(In millions of euros)	**2017** *(12 months)*	**2018** *(12 months)*
	Fiscal year ended December 31	
Net cash flow from operating activities	81.2	92.6
Net cash flow used in investing activities	48.9	(56.3)
Net cash flow from financing activities	50.4	(31.3)
Change in net cash and cash equivalents	19.8	5.2

(In millions of euros)	**2017** *(12 months)*	**2018** *(12 months)*
	Fiscal year ended December 31	
Net cash flow from operating activities	**81.3**	**92.6**
Industrial investments	(48.9)	(56.3)
Free cash flow after tax	**32.3**	**36.3**
Cost of share-based payments	(9.1)	(11.3)
Non-operating expenses related to the IPO	(6.2)	(2.8)
Free cash flow after tax and excluding exceptional items related to the IPO	**47.6**	**50.4**

Selected financial information from the simplified consolidated balance sheet:

(In millions of euros)	*Fiscal year ended December 31* 2017	2018
Total non-current assets	1,499.9	1,495.5
Total current assets	322.2	358.5
TOTAL ASSETS	**1,822.2**	**1,854.1**
Equity attributable to owners of the Company	1,082.9	1,142.2
Non-controlling interests	-	-
Non-current liabilities	379.7	344.5
Current liabilities	359.6	367.4
TOTAL LIABILITIES	**1,822.2**	**1,854.1**

Financial data selected from net financial debt:

(In millions of euros)	*Fiscal year ended December 31* 2017	2018
Non-current financial liabilities	(192.3)	(174.2)
Current financial liabilities	(99.7)	(99.8)
Cash and cash equivalents net of bank overdrafts	36.3	41.5
Net financial liabilities	(274.0)	(292.0)

Sales per category of point of sale:

(In millions of euros)	**2017** *(12 months)*	**2018** *(12 months)*
	Fiscal year ended December 31	
Free-standing stores	326.1	360.9
Concessions	323.8	342.6
Factory Outlets	70.6	86.7
Affiliates	34.2	21.1
Internet [6]	99.7	137.5
Partnerships	58.0	68.4
Total	**912.4**	**1,017.1**

[6] These data include the Group's Internet sales and the Internet sales of the department stores in which the Group operates several concessions. These data do not include online sales of partners. Including online sales of the partnerships, total online sales amounted to €137.5 million for the year ended December 31, 2018 and to €99.7 million for the twelve-month period ended December 31, 2017.

Number of points of sale (directly operated) [7]:

	Fiscal year ended December 31	
	2017	**2018**
By brand		
Sandro	466	503
Maje	367	409
Claudie Pierlot	191	213
Suite 341	46	47
By geographical segment		
France	475	482
EMEA [8]	327	364
APAC [9]	133	178
Americas	135	148
Total points of sale	**1,070**	**1,172**

(7) Directly operated stores include free-standing stores, concessions, affiliates, factory outlets and directly operated online platforms, but exclude partnerships.

(8) 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).

(9) 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):

	Fiscal year ended December 31	
	2017	**2018**
By brand		
Sandro	593	646
Maje	484	538
Claudie Pierlot	209	235
Suite 341	46	47
By geographical segment		
France	475	482
EMEA	431	480
APAC	271	330
Americas	155	174
Total points of sale	**1,332**	**1,466**

Number of points of sale by category of point of sale:

	Fiscal year ended December 31	
	2017	**2018**
Free-standing stores	386	446
Concessions	501	535
Affiliates	73	67
Internet	56	62
Factory Outlets	54	62
Total points of sale (directly-operated stores)	**1,070**	**1,172**
Partnerships	262	294
Total	**1,332**	**1,466**

Consolidated data by brand:

(In millions of euros)	**2017** *(12 months)*	**2018** *(12 months)*
	Fiscal year ended December 31	
Sales		
- of which Sandro	456.3	500.6
- of which Maje	343.0	391.4
- of which Claudie Pierlot	113.1	125.2
Adjusted EBITDA		
- of which Sandro	78.9	86.3
- of which Maje	60.9	70.8
- of which Claudie Pierlot	13.8	14.4
Adjusted EBITDA margin		
- of which Sandro	17.3%	17.2%
- of which Maje	17.8%	18.1%
- of which Claudie Pierlot	12.2%	11.5%

4. RISK FACTORS

Investors should examine all of the information set forth in this Registration Document, including the risk factors described below. On the date of registration of this Registration Document, the risks below are those the Company considers may have a material adverse effect on the Group, its business, financial position, 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 position, 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 better adapt 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 position, 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 their evolution.

In general, demand is linked to macroeconomic conditions in the countries where the Group operates, particularly in France, where the Group generated 37% of its revenue for the twelve-month period ended December 31, 2018. 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 (1.9% in the European Union for 2019) (*source: IMF, World Economic Outlook, October 2018*).

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 position, results of operations, development and prospects.

4.1.3 Risks associated with changing trends and consumer preferences

The success of the Group's model for monitoring trends depends on its ability to identify fashion trends, to evaluate and react rapidly to changing consumer demands and to translate market trends into appropriate product offerings. The fashion sector is generally characterized by rapidly changing preferences and trends. Every year, the Group launches two collections for each of its brands (autumn/winter and spring/summer), with a continuous renewal of the products offered during the seasons, and several "capsule" collections in partnership with other brands or designers. The main target clientele for the Sandro, Maje and Claudie Pierlot brands are men and women aged 15 to 45 years. It is possible that the Group's collections may not appeal to this target clientele, notably as a result of a poor assessment by the Group of consumer trends and preferences. Furthermore, the Group launches a uniform collection in the 40 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.

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 fluctuations and fluctuations in weather conditions

The apparel and accessories sector in which the Group operates is subject to seasonal fluctuations. In France, the Group's net sales are thus 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 sales. In France, some periods of the year generally experience a lower level of sales, particularly in February (at the end of the national sales periods) 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 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 2018, 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 position 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 the terrorist attacks or more recently the 2018 "yellow vest" protests in France.

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 position and 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 position, 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/US dollar exchange rate during the 2015 financial year forced the Group to reduce the proportion of its costs paid in US 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 position, development and results of operations.

4.1.7 Risks associated with rising labor costs

As of December 31, 2018, the Group employed 5,873 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 position, 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 basis, 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 position, results of operations, development and prospects.

4.1.9 Risks associated with third-party distribution

Although the Group prefers the use of free-standing stores and concessions that it directly operates to distribute its products (which generated most of its revenue for the twelve-month period ended December 31, 2018), 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, Kuwait, Bahrain and Qatar), Mexico, Russia and Australia (see section 6.5.4.7 of this Registration Document). The Group cannot guarantee that its selected distribution partners will strictly comply with Group policies and strategies on distribution, marketing and communication or with the implementation of management and/or sales methods in line with those of the Group, which could have a negative impact on the Group's brand and product image, as well as its results. In addition, any major disputes with a partner or even the termination of one or more partnerships could hinder and may temporarily or permanently suspend the Group's growth in the country concerned, which could have a material adverse effect on its business, financial position, results of operations, development or prospects.

The Group makes use of affiliates in France, Spain and Italy exclusively, with 67 stores as of December 31, 2018 (see Section6.5.4.5 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 position, results of operations, development or prospects.

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

4.1.10 Risks associated with logistics and efficient order processing

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

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

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 position, 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 position, 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 position, results of operations, development or prospects.

4.1.12 Risks associated with defective products and Group liability

The Group does not manufacture its products. 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 position, 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, such as 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 position, 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 because 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 position, 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, 2018, the Group's goodwill represented €630.1 million, its brands represented €600 million, its leasehold rights represented €115.5 million and its other intangible assets represented €20.5 million. Pursuant to impairment testing carried out in 2018, the Group recorded losses of €2.9 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 position and results of operations.

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

From December 31, 2015 to December 31, 2018, the number of the Group's total directly operated points of sale (excluding partnerships) increased from 906 to 1,172. Of these 1,172 points of sale, 446 were free-standing stores and 535 were concessions in department stores, the rest being 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 States and Greater China [10], as well as through partnerships, including, in particular, in the United Arab Emirates, Saudi Arabia, Russia, Australia, South Korea, Mexico and Turkey), and its investment in online sales platforms, as well as by improving the targeting of its customer base, by continuing the expansion of the Sandro Homme collections and the accessories product line, and the development of new product lines (such as glasses) (see Section 6.3.1 of this Registration Document).

The Group's success depends, in part, on its ability to identify appropriate locations for its points of sale and to negotiate leases or concession agreements on satisfactory terms. In particular, the Group targets quality locations for its free-standing stores and concessions, such as, for example, its retail stores located on Rue Saint Honoré and Avenue des Champs-Elysées and in the main shopping streets of the Marais in Paris, in Soho in New York, in Chelsea and Regent Street in London, and its concessions in large department stores such as Galeries Lafayette, Printemps and Le Bon Marché in France, Selfridges and Harrods in the United Kingdom, Bloomingdale's and Saks Fifth Avenue in the United States, El Corte Inglés in Spain, la Rinascente in Italy, or in famous malls such as Shin Kong Place in mainland China and International Finance Center or Harbour City in Hong Kong.

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

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

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

Finally, in mainland China, where its expansion is significant, the Group operates through a local partner for the daily management of operational activities, especially for prospecting potential points of sale, managed by a local team based in Hong Kong. The corresponding agreement, concluded in 2013 for an initial period of three years, was renewed in 2016 for an additional three-year and four-month period. The partner's remuneration is determined on the basis of a percentage of sales generated by the points of sale based in mainland China. The Group cannot guarantee that this local partner will always 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 position, results of operations, development or prospects.

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

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 sales and the number of points of sale increasing from €786.3 million and 1,223 points of sale, respectively, as of December 31, 2016 to €1,017.1 million and 1,466 points of sale as of December 31, 2018. 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 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 position, 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 time frames.

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, 2018, 33.7% of the Group's revenue was generated by sales through concessions. A percentage of the sales achieved by the Group in these concessions is paid to the department stores in the form of commissions. The level of these commissions - which may increase significantly - depends on a number of factors, notably the location, the attractiveness of the department store concerned and the willingness of other retailers to pay higher commissions (see Section 6.5.4.2 of this registration document). In addition, the Group may be negatively impacted by the strategic choices of its department store partners (particularly their choice of locations).

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

4.2.7 Risks associated with Group customer relations

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

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

In addition, reliable customer service is vital to ensure that customer complaints are processed within appropriate time frames 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 position, 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 39 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 affect 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 4.1.9 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 US dollar) for the Group's business outside the Eurozone (for sensitivity analyses on the exposure to exchange rate fluctuations, see note 6.17.5 of the consolidated financial statements of the Group for the year ended December 31, 2018 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.

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

4.2.9 Risks linked to Brexit and its impact on the Group's business and results

The terms of the UK's withdrawal from the European Union (Brexit) have to be approved by the British Parliament and negotiations are ongoing, with the probability of a no-deal exit being the likeliest scenario. The European Union has extended the Brexit deadline for the UK again. The United Kingdom now has until October 31, 2019 find a Brexit deal, but the nature of the future relations between the UK and the EU still remains largely uncertain.

For the fiscal year ended December 31, 2018, the UK accounted for approximately 8% of the Group's total sales; with the UK being one of the four key countries of the EMEA region (with Germany, Spain and Italy) where the Group continues to develop its activity through organic growth. 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 during the 2017 and 2018 fiscal years (see section 4.4.4 of this Registration Document).

In anticipation of Brexit, the Group has taken steps to adapt its activity, such as setting up currency hedges to limit its exposures to the pound sterling, in an attempt to reduce as much as possible the negative impact on its earnings. Nevertheless, the UK's exit from the EU is likely to be highly disruptive for the European economy. The Group cannot guarantee that this decision will not have other adverse effects on its business or earnings, especially in the event of a decline in the UK's economic environment or any modification to British regulations pertaining to customs duties and taxes.

4.2.10 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 position, results of operations, development or prospects.

4.2.11 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 position, 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 position, results of operations or prospects.

4.2.12 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 card 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 position, results of operations or prospects.

4.2.13 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 14.7% of total group revenue during the twelve-month period ended December 31, 2018). 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 sales. 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 position, results of operations, development or prospects.

4.2.14 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 position, results of operations, development or prospects.

4.2.15 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 position, results of operations, development and prospects.

4.2.16 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 position, results of operations, development and prospects.

4.2.17 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 position, results of operations, development and prospects.

4.3 Risks associated with the Company

4.3.1 Risks associated with key personnel and human resources management

The Group's success and its future growth depend in particular on the results of its senior management and design team, established around Daniel Lalonde, as well as Evelyne Chétrite and Judith Milgrom, the founders and Deputy Chief Executive Officers responsible for creating the policy, design, art direction and marketing strategy of the Sandro and Maje brands, respectively, and Ylane Chétrite, Deputy Chief Executive Officer responsible for creating the policy, design, art direction and marketing strategy of the Sandro Men 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 position, 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 dividends, the invoicing of services performed on behalf of the subsidiaries, and the interest on and repayment of intra-group loans, as well as income from tax consolidation as the parent company of the consolidated tax group comprising the Company and its French subsidiaries (direct and indirect) in which it holds an ownership interest of at least 95%. As a result, the Company's statutory accounts and changes therein from one year to the next will only partially convey the Group's performance and will not necessarily reflect the same trends as the consolidated accounts.
In addition, the ability of subsidiaries to make such payments to the Company may be called into question following changes in their business or in regulatory limits. The distribution of dividends or other financial flows may also be limited as a result of various commitments, such as credit agreements concluded by subsidiaries or the indenture governing the 2023 Bonds, or tax constraints which render financial transfers more difficult or expensive.

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

4.3.3 Risks associated with Group debt and restrictive finance clauses

As of December 31, 2018, the Group's total net debt [11] was €274 million (see Section 10.2.2 of this Registration Document).

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

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

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

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

Although the Group's debt has been significantly reduced following the Company's initial public offering (proceeds from the related capital increase were used for the partial repayment of the Group's debt), these risks could have a material adverse effect on the Group's business, results of operations and financial position.

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 plus a margin (see Section 4.4.2 of this Registration Document).

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

- incur additional debt;

(11) "Net debt" corresponds to gross debt net of cash and cash equivalents.

- 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; and
- merge or combine with other entities.

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

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

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

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

4.3.4 Risks associated with comparability of results

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

4.4 Market risks

4.4.1 Liquidity risk

The table below presents the breakdown of the Group's gross debt as of December 31, 2018 and the maturity of the gross debt on the basis of contractual cash flows (taking into account future interest charges):

(In thousands of euros)	**Accounting value as at December 31, 2018**	**Contractual cash flows**	**<1 year**	**2 to 5 years**	**> 5 years**
Bank borrowings	**174,205**	**180,306**	**-**	**180,306**	
Floating rate bonds (*2022 Bonds*)	174,205	180,306	-	180,306	
Bank overdrafts	**5,047**	**5,047**	**5,047**	**-**	**-**
Other loans and borrowings	**141,245**	**186,337**	**150,804**	**35,310**	**223**
Facilities	138,870	140,000	140,000	-	-
Other loans and borrowings	2,375	46,337	10,804	35,310	223
Financial liabilities	**320,498**	**371,690**	**155,851**	**215,616**	**223**

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

In addition, in May 2016, the Group issued a fixed-rate bond loan in a principal amount of €371 million, redeemable at maturity on May 1, 2023. At the date of this Registration Document, the total outstanding principal amount of the 2023 Bonds amounted to €180,306 million. These bonds were admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange (see Section 10.2.2.2 of this Registration Document).

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

As of December 31, 2018, the amount of the Group's unused credit lines totaled €110 million.

4.4.2 Risks associated with interest rates

The Group is exposed to a risk of fluctuation in interest rates given that the interest rates on some of its debt are indexed to the Euro Interbank Offered Rate ("**EURIBOR**"), plus a margin. In addition, the Facilities Agreement would also bear a floating rate interest indexed to LIBOR and EURIBOR. EURIBOR or LIBOR may increase significantly in the future, resulting in additional interest for the Group, reducing the available cash flow for investments and limiting its ability to service its debt. As of December 31, 2018, the Group's outstanding floating-rate debt was €145.0 million and the Group's outstanding fixed-rate debt was €180.3 million, including accrued interest (see Section 10.2.2 of this Registration Document).

4.4.3 Credit and/or counterparty risk

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

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

4.4.4 Foreign exchange risk

The Group prepares its financial statements in euros, but a portion of its sales (41% during the fiscal year ended December 31, 2018) is generated in other currencies, particularly in pounds sterling, Chinese yuan, Swiss francs and US dollars. A portion of its purchases (approximately 36%) 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.

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 position and results of operations.

Note 6.17.1 to the Group's consolidated financial statements for the fiscal year ended December 31, 2018 in 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.

Concerning the pound sterling, more particularly as a result of the UK's decision to leave the European Union (*Brexit*), the Group is exposed to the risk of depreciation of the pound sterling against the euro, especially since a portion of the Group's sales is generated in the UK and therefore in pound sterling (see Section 4.2.9 of this Registration Document).

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 on 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 position, results of operations and prospects of the Group.

4.5.2 Risks associated with regulations and regulatory changes

The Group is subject to many laws and regulations, including those relating to labor, customs duties, consumer protection, protection of personal data (with the entry into force in May 2018 of European Regulation 2016/679 on personal data protection), 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 time frame 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 position and prospects.

4.5.3 Risks associated with proceedings and litigation

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

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

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 depending on the country concerned. Changes in tax legislation for each country 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.

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.

The new interest deduction tax regime introduced by the European Anti-Tax Avoidance Directive ("**ATAD**") of July 12, 2016 and transposed into the legislation of several European countries including France, starting from January 1, 2019, could also place the Group in a higher tax category.

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 and prospects.

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

4.5.6.1 France

Between the annual reporting periods beginning on January 1, 2014 and ending on December 31, 2018, the deduction of interest paid is limited according to different tax rules, with the two main ones presented below.

The first rule, laid out in Article 212.II of the French General Tax Code on under-capitalization of companies, limits the deduction of interests paid for loans granted by a related party and loans granted by third parties but guaranteed by a related party. For instance, companies are required to comply with different criteria or ratios, such as the rule on average debt to 1.5 of equity to allow total or partial deduction of the interest payments borne by the Group.

The second rule stipulated in Articles 212 bis and 223B bis of the French General Tax Code sets 75% as the limit for the deduction on the fraction of net financial charges exceeding €3 million.

For reporting periods beginning on or after January 1, 2019, a new arrangement to limit the deduction of financial interest was introduced by the French Finance Act No. 2018-1317 of December 28, 2018, Article 34 (new Article 225 bis of the French Tax Code). The new limitation corresponds to a transposition of the European Anti-Tax Avoidance Directive ("**ATAD"**) of July 12, 2016, which lays down the rules on anti-tax avoidance practices inspired by the recommendations of the BEPS project spearheaded by the OECD.

As from 2019, charges net of interest paid are deductible within the limit of a cap: either 30% of TAX EBITDA (taxable profit before corporate income tax, plus interest, depreciation and amortization), or a maximum of €3 million.

Companies belonging to a consolidated group are allowed, subject to certain conditions, an additional deduction limited to 75% of the net financial charges which would not have benefited from a deduction due to the application of the ordinary law caps below (30% of TAX EBITDA or €3 million)

However, for under-capitalized companies (according to the rule of under-capitalization of debts / 1.5 of equity), the upper limit is reduced and brought to either 10% of TAX EBITDA or a maximum of €1 million. Likewise, in the event of under capitalization, the additional 75% deduction referred to above is not allowed.

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 position.

4.5.6.2 In Europe, Asia and North America

In these regions, these rules have little or no impact on the Group as they apply to intra-group loans or current financial accounts only; as its external financing through its French holding is impacted by the French rules presented above.

In Europe, some Member States have introduced or had already adopted the measures set out by the ATAD Directive.

The rules are less uniform in Asia and North America, where each country has its own specific rules (regarding thin capitalization, debt to equity ratio, EBITDA tax, etc.).

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

The Group, which had significant tax deficits at December 31, 2017, was able to charge them to the tax results realized during the fiscal year ended December 31, 2018. Furthermore, some immaterial tax deficits were reported in 2018, specifically in the United Kingdom and Japan.

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) the entitlement to constitute tax credits and the degree of correspondence between the use of these credits and losses; (ii) the consequence of present or future tax inspections or proceedings, which could call into question the use or existence of said tax deficits.

The impact of these factors may increase the fiscal pressure on the Group and have a detrimental effect on the Group's cash flow, its actual taxation rate, its financial position 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. As such, French companies receive a subsidy equal to 6% 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 fiscal year ended December 31, 2018, the amount of CICE paid to the Group was €3.1 million. In 2018, the CICE rate fell to 6% compared to 7% in 2017.

As of 2019, the CICE has been replaced by a direct reduction in contributions paid by employers, with, however, the same calculation methods and the CICE's 6% rate applicable up to December 31, 2018.

4.6 Risks associated with changes in accounting standards

The Group's consolidated financial statements are prepared and presented according to IFRS. Any changes to these accounting standards could have a significant impact on the presentation of the Group's results and financial position. Certain IFRS standards were recently revised by the International Accounting Standards Board. In particular, the introduction of IFRS 16 (Leases) could have an impact on the way in which the Group prepares and presents its consolidated financial statements. This standard provides a single lessee accounting model, requiring leases to be recognized in the balance sheet, unless the term's lease is twelve (12) months or less or the underlying asset has a low value. IFRS 16 replaces the approach set out in IAS 17, which accounts for finance leases and operating leases separately. The Group intends to adopt IFRS 16 for the preparation of its consolidated financial statements for the financial year beginning on January 1, 2019.

In light of the SMCP Group's business, the application of this standard could have a very significant impact on the presentation of its financial statements. Details of this impact are provided in the Notes to the consolidated financial statements at December 31, 2018 (see Note 3.2.3 of the Group's consolidated financial statements for the fiscal year ended December 31, 2018, presented in section 20.1 of the Registration Document). IFRS 16 financial debt is estimated at €420 million at January 1, 2019, and the cancellation of the fixed portion of lease payments is estimated at €100 million for the 2019 reporting period, considering the contracts signed as of January 1, 2019.

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

4.7 Insurance and risk management

4.7.1 Insurance policy

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

As part of an invitation to tender to select a new insurance broker, in May 2015 the Group's legal department carried out a detailed update to identify and classify the Group's risks that are insured or insurable and determine any necessary changes to existing insurance policies. Based on the results of this work, the legal department negotiated with major players in the insurance sector to implement the most appropriate coverage for these risks. The Group's insurance coverage was fully updated in 2018 in the context of the renewal of its insurance policies. In 2018, the Group notably acquired a new insurance policy against cyber risk, covering in particular the risks inherent in digital technology, e-commerce, the Internet, etc.

In general, the Group's insurance policies are selected by 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:

- Third-party liability;
- Non-life insurance / multi-risks;
- Insurance against fraud;
- Company Directors' civil liability;
- Transport insurance.

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

4.7.2 Risk Management

4.7.2.1 Objectives, organization and function

Objectives

Risk control is carefully monitored by the 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 Control and Audit 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 uses the international "COSO" (Committee of Sponsoring Organizations of the Treadway Commission) framework as a starting point 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.

The Declaration of Non-Financial Performance presented in Appendix II of this Registration Document also contains information about the Group's objectives, organization and risk management system.

4.7.2.2 Operational risk management

Risk management relies on measures implemented by the Group to identify, analyze and control the risks to which it is exposed. The risk management system is subject to regular monitoring by senior management at the Group's operational entities, who report on risks to the Group Internal Control and Audit Department. The latter conducts the specific initiatives summarized below.
As part of the risk management procedure, the Group maps its main risks. The process for preparation and review of risk mapping, which was introduced in 2015 by the Group Internal Control and Audit Department, in particular with regard to the market listing of the Group's shares, identifies the main risks to which the Group is exposed and, for each risk, assesses its potential impact, the action plan in place and the personnel within the Group who are responsible for monitoring and associated controls.

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

- *Risks associated with the competitive environment*. In a highly competitive sector, due in particular to the development of e-commerce and constant changes in consumer trends and preferences, the Group seeks to be present in all possible marketing channels (i.e., physical (free-standing stores, concessions and factory outlets) and digital (its own or partner websites)), and closely monitors changes in the markets in which it operates, including its main competitors' product offerings. It also relies on the speed of its production cycle and logistics for rapid upstream marketing of products that satisfy the latest consumer taste trends.
- *Risks associated with economic conditions and their evolution*. To limit the negative impact of adverse economic conditions on its business, the Group's development is focused on two main areas: (i) continued expansion of its international presence, with a gradual reduction of its exposure to its historic market (Group net sales generated in France fell from 46% to 37% between 2016 and 2018) and (ii) retaining its positioning in the accessible luxury market segment, where demand is characterized by reduced sensitivity to economic cycles.
- *Risks associated with an increase in production costs.* The Group has a broad range of products, which enables it to reduce its dependence on any specific product line. In addition, its policy of diversification and negotiation with its suppliers allows it to reduce its dependence on individual suppliers. The Group can also entirely or partially compensate an upward trend in production costs by a targeted increase of the sale price of finished products.
- *Risks associated with changes in consumer trends and preferences*. The Group markets two collections a year with products under three different brand names (Sandro – available in menswear (Sandro Men) and womenswear (Sandro Women), 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 Men), 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 [12] tools to promote customer loyalty and offer them attractive services.

- *Risks associated with the loss of key personnel*. The success of the Group is particularly linked to the performance of its management and creative teams, established around Daniel Lalonde and around Evelyne Chétrite and Judith Milgrom, the founders and Deputy Chief Executive Officers responsible for creating policy, design, art direction and marketing strategy of the Sandro and Maje brands, respectively, and Ylane Chétrite, Deputy Chief Executive Officer responsible for creating policy, design, art direction and marketing strategy of the Sandro Men 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 Men, Maje and Claudie Pierlot brands represent nearly one hundred designers, stylists and pattern makers.

- *Risks associated with dependence on certain suppliers*. For each brand, the Group's production teams ensure access to a panel of suppliers for each product line and diversification of suppliers' geographic locations. They identify new suppliers each year in order to avoid becoming dependent on particular suppliers.

4.7.2.3 Ethical organizational structure and system

Ethical practices and anti-corruption rules are key values and a major concern for the Group. In this context, the Group has specifically set up a code of conduct for all employees. In addition, it ensures that its partners (mainly its distributors and suppliers of goods or services) comply with its ethical and anti-corruption policies. By way of illustration, the specifications for suppliers expressly provide measures on compliance with ethical principles (anti-corruption and working conditions).

In addition, since 2014 the Group employs external service providers to audit various production sites and to ensure that they were in compliance with ethical requirements. Following Asia in 2014, the Group extended these audits to the EMEA region in 2015 and 2016. A new approach was adopted in 2017: suppliers were audited according to business line risk and no longer according to region. In 2018, this approach was completed by a more specific audit of the Group's leading suppliers.

A detailed description of the procedures implemented to ensure compliance with the provision of the Law of December 9, 2016 on transparency, the fight against corruption and the modernization of economic life, known as the "Sapin II Law" can be found in Section 3.2.6 of the non-financial performance statement in Appendix II of this Registration Document.

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

5. INFORMATION ABOUT THE GROUP

5.1 History and development

(a) Company name

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

(b) Registration number and place of registration

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

(c) Date of constitution and duration

The Company was registered on April 20, 2016. The duration of the Company is set at 99 years unless prematurely dissolved or extended by a collective decision of shareholders pursuant to law and the 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 ended on December 31, 2017.

(d) Registered office, legal status and applicable legislation

The Company's registered office is at 49, rue Etienne Marcel, 75001 Paris, France. The telephone number of the registered office is +(33)1 55 80 51 00.
As at the date of registration of this registration document, the Company is a public limited company (société anonyme) incorporated under French law.

(e) History of the Group

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

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

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

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

In 2009, the Group acquired the Claudie Pierlot brand.

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

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

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

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

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

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

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

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

5.2 Capital expenditure

Capital expenditure on maintenance and infrastructure amounted to €56.3 million for the fiscal year ended December 31, 2018. Capital expenditure on infrastructure include shared infrastructure, logistics and digital technology (see Section 10.3.1 of this registration document). A detailed description of the Group's capital expenditure cash flow is set out in Section 10.4.1.2 of this registration document.

(a) Investments made in 2017 and 2018.

During the 2017 and 2018 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 [13] and the United States.

During the *pro forma* twelve-month period ended December 31, 2017, the Group continued its international expansion, in particular by opening 50 points of sale (including partners) in the APAC region, including 32 in mainland China, 3 in Hong Kong, 2 in Australia and 10 in South Korea. In total, the Group opened 72 points of sale (excluding partnerships), including 36 free-standing stores, 21 concessions, and 7 factory outlets.

During the fiscal year ended December 31, 2018, the Group opened 134 points of sale (including partnerships) and continued its expansion in the APAC zone with 59 openings including 38 in mainland China and 8 in South Korea. The Group also opened 49 new points of sale in the EMEA zone. In total, the Group opened 102 points of sale (excluding partnerships), of which 60 free-standing stores, 34 concessions, and 8 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 [14], in the number of free-standing stores and concessions (excluding partnerships, factory outlets, affiliates and Suite 341) opened by the Group in the twelve-month period ended December 31, 2017 and December 31, 2018:

		Fiscal year ended December 31			
Trademarks		**2018**	**% compared with previous period**	**2017**	**% compared with previous period**
Sandro	*Free-standing stores*	19	11.0%	16	10.2%
	Concessions	17	7.6%	9	4.2%
Maje	*Free-standing stores*	28	19.2%	13	9.8%
	Concessions	11	6.9%	5	3.2%
Claudie Pierlot	*Free-standing stores*	14	21.5%	7	12.1%
	Concessions	6	6.3%	9	10.5%
Total		**95**	**11.0%**	**59**	**7.3%**

(13) Greater China includes mainland China, Hong Kong, Macao and Taiwan.

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

The table below sets out the net change by geographic region, in the number of free-standing stores and concessions in department stores (excluding partnerships, factory outlets, affiliates and Suite 341) opened by the Group in the twelve-month period ended December 31, 2017 and December 31, 2018:

		Number of free-standing stores and concessions opened during the period concerned (excluding partnerships, factory outlets, affiliates and Suite 341) *Fiscal year ended December 31*			
Geographical segmentation		**2018**	**% compared with previous period**	**2017**	**% compared with previous period**
France	*Free-standing stores*	5	2.9%	-4	-2.3%
	Concessions	2	1.1%	-1	-0.5%
EMEA	*Free-standing stores*	11	10.9%	11	12.2%
	Concessions	21	13.0%	15	10.2%
APAC	*Free-standing stores*	34	44.2%	27	54.0%
	Concessions	11	26.2%	10	31.3%
Americas	*Free-standing stores*	11	33.3%	2	6.5%
	Concessions	0	0.0%	-1	-1.1%
Total		**95**	**11.0%**	**59**	**7.3%**

(b) Main future capital expenditure projects

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

The information about the openings of free-standing stores and concessions envisaged in financial year 2019, is posted in Chapter 13 "Profit Objectives" of this registration document.

6. OVERVIEW OF THE GROUP'S ACTIVITIES

6.1 Overview

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

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

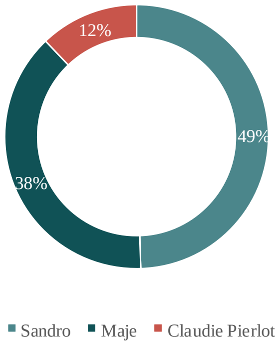
The Group's three brands can be characterized as follows:

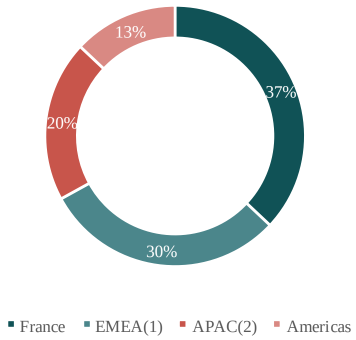
- **Sandro**: Founded in 1984 by Evelyne Chétrite, this brand is targeted at sophisticated and self-confident women with a sleek, cool sense of style and a Parisian nonchalance. The brand also includes a men's line (Sandro Men, launched in 2007 by Evelyne's son, Ylane Chétrite) that offers active and smart casual male attire for young professional men with a taste for elegance. Sandro is the Group's largest brand in terms of sales with 646 points of sale worldwide as of December 31, 2018, of which 503 were directly operated.

- **Maje**: Founded in 1998 by Judith Milgrom, Maje is the Group's second largest brand in terms of sales with 538 points of sale worldwide as of December 31, 2018, of which 409 were directly operated. The brand expresses itself through its own unique identity: here and away, feminine, free & emotional. Maje products are for women customers who like to be on-trend.

- **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 and effortless style. The brand has experienced significant growth since its acquisition by the Group in 2009, with 235 points of sale worldwide as of December 31, 2018, of which 213 were directly operated.

The following charts present the breakdown by brand and by geography of the Group's sales for the fiscal year ended December 31, 2018:





(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 (480 points of sale as of December 31, 2018, including partnerships) and in the Americas region since 2011 (174 points of sale as of December 31, 2018, including partnerships). The Group has also expanded its presence in the APAC region (330 points of sale as of December 31, 2018, including partnerships), particularly in mainland China where the Group opened directly-operated points of sale since 2013 (137 points of sale as of December 31, 2018). In the year ended on December 31, 2018, the Group opened 59 new points of sale (including partnerships) in the APAC region, with in particular 38 net openings in mainland China, 8 in South Korea, and 2 in Taiwan where the Group is now present through directly owned points of sale.

The Group operates on the basis of its ability to identify and negotiate for prime locations and through a vertically-integrated distribution model which is characterized by a combination of points of sale in premium high-street locations such as Rue Saint Honoré and Avenue des Champs-Elysées and in the shopping areas of the Marais in Paris, Soho in New York, Chelsea or Regent Street in London, Paseo de Gracia in Barcelona and via Manzoni in Milan, and concessions in leading positions in prestigious department stores such as Galeries Lafayette, Printemps and Le Bon Marché in France, Selfridges and Harrods in the United Kingdom, Bloomingdale's and Saks Fifth Avenue in the United States, El Corte Inglés in Spain, La Rinascente in Italy or in famous malls such as Shin Kong Place in mainland China and International Finance Center and Harbour City in Hong Kong. As of December 31, 2018, of the Group's 1,466 points of sale, 446 were free-standing stores and 535 were concessions, with the remainder being affiliates, factory outlets, directly-operated websites and partner-operated dedicated mono-branded stores. As of December 31, 2018, the Group sold its products through 99 websites in 17 countries, including 62 directly operated websites where its branded products can be purchased in the 12 countries where the Group operates and 37 partner websites in eight countries.

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

The Group has extended its points of sale network rapidly and efficiently with 116 net store openings per annum, on average, since end 2015 (including partner points of sale). The Group maintains strong discipline in the expansion of its network by imposing strict return on investment requirements for the new points of sale. To guarantee the flexibility and scalability of its retail model, the Group has developed a standardized model of points of sale for each brand, used primarily for sale and concessions in department stores. From time to time, the Group relies on strategic partnerships for the successful roll-out of its brands in new markets, while ensuring an identity that is consistent with the rest of its network (see Section 6.5.4 of this registration document).

While the Group has no in-house manufacturing, its operating model benefits from a short, reactive design-to-production cycle and a fully-integrated logistics platform and global supply chain. Each Group brand has a dedicated design team led by its founder or 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 fiscal year ended December 31, 2018, the Group generated sales of €1,017.1 million, up 11.5% as reported, adjusted EBITDA of €171.5 million and an adjusted EBITDA margin of 16.9%. As of December 31, 2018, the Group had 1,466 points of sale (including partners) across 40 countries. The Group generates 63.1% of its sales outside France, reflecting an increase in international sales of 23.5% since 2016 (CAGR).

6.2 Strengths and competitive advantages

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

Complementary brands with a distinct DNA

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

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

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

On-trend, high quality products with a global reputation at an 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 the collaboration between Sandro and the Muppet Show, Helly Hansen or Claudie Pierlot with Juliette Armanet, a promising young French singer.

The Group’s products are high-quality and reveal 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 [15]

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

The global apparel and accessories market, valued at approximately €1,860 billion (including €1,140 billion for apparel and approximately €720 billion for accessories), covers both mature and emerging economies with key markets such as Asia-Pacific, Europe and the Americas. These markets have experienced continued and steady growth in recent years, increasing at a CAGR of around 4% between 2012 and 2018.

The Group believes that in the next four years, the apparel and accessories market will continue to grow at an estimated CAGR of approximately 4% from 2018 to 2023.

Strong growth dynamics supported by structural consumer trends

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

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

Consumer trends reshaping the market

Current global consumer trends are deeply influencing the apparel clothes and accessories market. For example, 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 online research, social networks, and blogs with in-store purchases.

(15) The information, contained in this Section relating to markets, and particularly their size and growth opportunities, is principally drawn from third party sources referenced in Chapter 23 of this registration document and from the Group's own estimates

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

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

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

The Group follows the codes of the luxury industry

In-house creative studios fully internalized for every brand

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

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

A high-end image through a dedicated communication strategy

The Group has adopted a strategy for its brands that projects a high-end image through communication campaigns supported by well-known photographers and models for each collection. Furthermore, the communication campaigns of each brand are presented on multiple media, including photo shoots and films, events and announcements, billboards, collaborations, advertisements in the press and digital initiatives.

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 1,466 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 carefully selected and trained sales assistants that are passionate about fashion. The Group's visual merchandising strategy supports the brand narrative in their storytelling. To enhance this personal relationship, there is only one size per item on display and no mirrors in the fitting rooms, encouraging dialog 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, the United States and Asia. For example, in 2018, the Group trained more than 1,982 employees and provided more than 26,000 hours of training across the globe, through classroom-based courses. E-learning, launched in 2018, represented 2,570 hours in Europe and involved 2,348 employees.

The Group blends the codes and methods of fast fashion

Rapid product cycle from design to store

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

Agile sourcing and a diversified supplier base

The Group's agile sourcing and diversified supplier and manufacturer base provides a highly flexible design and production calendar. The Group operates through a diversified base of more than 600 suppliers, with the 10 largest suppliers representing approximately 20% of the total supply. The geographic proximity of part of the supply base (the Group's production is balanced between the Europe and APAC regions) leads to shorter delivery times. Furthermore, the Group's carefully selected partners deliver reliable and high-quality products. The Group sources a mix of finished and cut and make goods, buying fabrics and outsourcing production. This allocation enables the Group to be much more reactive in case of replenishment because the production of assembled goods can be launched very quickly.

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

A global logistics platform enabling constant replenishment

The Group's operating model benefits from a fully-integrated global platform and supply chain. The Group's IT systems operate across all of its brands and facilitate the replenishment cycle and inventory management (see Section 6.5.6.2 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 near Charles de Gaulle airport, Marly-la-Ville and Vémars (which are fully automated), and Vatry (opened in September 2017), as well as warehousing and logistics capabilities in New Jersey, Shanghai and Hong Kong (opened in February 2018), allow for flexible and responsive logistics worldwide. With the capability to replenish stocks in less than two days in Europe, within four days in North America (East coast) and Asia, 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 Men) represent an average of 400 to 500 SKUs per collection. The Group's collection plan defines a target number of SKUs by product category (particularly in terms of colors, 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 the historical performance of certain products, store feedback, previous collections best-sellers and analysis of competitors' practices.

Continued newness driving high traffic in stores

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

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

The Group has been able to grow its distribution network quickly and efficiently, while observing a disciplined expansion strategy, with a track record of 116 net points of sale openings per year on average since 2015 (including partner stores) and an average execution time of two months to open a new store. The reduced execution time and standardized concept for each brand limits the capital expenditure required to support and expand the Group's network. The optimization of capital expenditure and the short ramp-up period for points of sale allow the Group to realize a short payback period (measured by dividing capital expenditure by a point of sale's profitability before allocation of selling, general and administrative expenses). The Group is rigorous in its approach to expansion, and it often delays opening new stores until its preferred location becomes available at a cost and on terms that are satisfactory to it. This approach has allowed the Group to rapidly expand its international network without sacrificing its rigorous return on investment metrics.

Retail pure player

A fully-integrated distribution network

The Group operates as a retail pure player [16] 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 575 [17] points of sale and 46.1% of sales for 2018;
- concessions (corners) for each brand in prestigious department stores, representing 535 points of sale and 33.7% of the total sales for 2018;
- e-commerce websites (including digital partnerships), representing 99 points of sale and 14.7% of sales for 2018;
- partnerships (excluding digital partnerships), representing 257 points of sale and 5.6% of the total sales in 2018.

The Group's network of free-standing stores and concessions allows direct control over key elements of its strategy, such as pricing, purchasing, sales force, image and communication. The Group believes that this approach is one of the key factors that enabled the Group to reach a gross margin of 76% during the year ended December 31, 2018. 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, 2018, only 4% 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 advanced CRM [18] capabilities. These tools contributed to the constitution of a multi-channel client data base unique to the three brands of the Group of approximately 6 million customers in 2018 and a strong growth of over 30%. This enables the Group to launch targeted and regular communication campaigns through postal channel, e-mail or mobile phone in order to increase the loyalty of its clients. The Group sets up an efficient and targeted communication strategy by using clients' segmentation. Periodical newsletters presenting the new collections of each brand and exclusive events also reinforce the proximity with customers.

Excellence in retail network management

The Group believes that it has achieved a high level of excellence in managing its retail network which contributes the increase in sales in its stores. The average basket is made up of 1.5 products with an average ticket of €230 per purchase. In 2018, the initial average selling price was €237. Approximately half of all sales are made without any discount, demonstrating the appeal of the Group's products to its customers.

The Group's directly operated points of sale are characterized by a relatively compact surface area (80 to 100 square meters on average per free-standing store and 45 to 55 square meters on average per concession), resulting in strong operational KPIs. By way of illustration, the Group considers itself above market average in terms of sales per square meter of a point of sale, with sales of approximately €14,000 per square meter in 2018. The Group's strong payback rate (defined as the ratio of investment to the direct costs margin) highlights the success of its international roll-out strategy and its disciplined approach to capital expenditure for its points of sale.

6.2.4 Track record of delivering profitable growth

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

Between 2017 and 2018, the Group's sales increased from €912.4 million to €1,017.1 million, i.e., 13% growth at constant exchange rate, driven by a mix of like-for-like growth (+3.7%) and new points of sale openings (134 net openings). As reported, annual sales rose by +11.5% including a negative exchange effect of -1.6% reflecting the euro's appreciation.

Group adjusted EBITDA rose from €153.7 million in 2017 to €171.5 million in 2018, representing growth of 11.6%. For the year ended December 31, 2018, the Group further demonstrated its ability to deliver profitable growth through a significant expansion of its network reaching 1,466 points of sale in 40 countries as of December 31, 2018, achieving sales growth of 11.5%, and an adjusted EBITDA margin of 16.9%, benefiting from the investments made in 2017.

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(16) For the year ended December 31, 2018, only 5.6% of the Group sales were made through physical partnerships and 1.1% through digital partnership, the rest being made through retail sales.

(17) Including affiliates and factory outlets.

(18) CRM stands for "Customer Relationship Management".

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

The Group has an experienced management team led by Daniel Lalonde, and supported by artistic directors Evelyne Chétrite, founder of Sandro, Judith Milgrom, founder of Maje, and Ylane Chétrite, founder of Sandro Men. 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 sales growth in a challenging macro-economic environment. The Group has a strong team and has recently strengthened the organization by adding new talent to its senior management team (notably within finance and operations management and the digital team) to support the Group as it enters the years of growth and a new phase of development, with the aim of becoming a global leader in the accessible luxury segment. Finally, the Group's artistic directors and senior managers are also shareholders of the Company (see Chapter 18 "Principal Shareholders" of this registration document), contributing to an alignment of interests in the Group's future growth.

6.3 Strategy

The Group's objective is to become a leader in the global market of apparel clothes and accessories, by spreading the Parisian chic style across the world. The three main pillars of the Group's strategy include driving organic growth, gaining market share in France and developing key international markets such as: Greater China [19], United Kingdom, Spain, Germany, Italy and North America.

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

Continuing to build on the Group's core business

In the ready-to-wear category, the Group will continue to create desirable and innovative collections that capture the Paris fashion trends, while remaining in its current core market price range. The Group also intends to continue improving its points of sale's appeal 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 influencers. 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 online sales representing 14.7% of total sales for the year ended December 31, 2018 against 12.1% in 2017. Between 2017 and 2018, the Group went from 87 to 99 points of sale in 17 countries. Furthermore, the online sales of the Group have grown significantly, from €110.1 million in 2017 to €149.1 million in 2018.

The Group directly controls the majority of its digital points of sale. The contribution of the Brand websites to the Group's online sales was 59% in 2018. The Group also capitalizes on a well-invested organization to support its digital strategy and notably on high-caliber professionals and one digital platform.

To capture the digital potential, the Group intends to continue to expand its international digital presence. The Group opened its own e-commerce websites in China for the Sandro and Maje brands in 2017.

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 appeal 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", "store-to-web" (purchases on a tablet in a physical store) and "store locators".

Tap the potential of the menswear sector

The Group believes there is potential for additional growth in the menswear sector, which represented €97.1 million in sales in 2018 against €85.6 million in 2017, from its Sandro Men line, offered in 119 points of sale dedicated to the brand (mainly in France) and 163 mixed points

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

of sale. Sales of menswear have shown solid growth in recent years, and the global men's apparel market is expected to continue to expand. The Group intends to develop its menswear offering based on the "urban chic" style, which has experienced a great success. The Group also plans to expand the presence of Sandro 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 accounted for approximately 8% of the Group's sales in 2018. The Group considers that there is a significant growth potential in this segment. The Group also intends to complement its accessories offering by developing a range of products in key categories such as shoes and leather goods, while retaining its unique DNA. To this end, in 2016, 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 in 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 154 points of sale in the Paris region, 318 points of sale outside the Paris region and 10 online stores [21] as at December 31, 2018. The Group has a balanced distribution network in France, with 184 points of sale for Sandro, 136 points of sale for Maje, 115 points of sale for Claudie Pierlot, 47 points of sale for "Suite 341" and an extensive distribution system (179 free-standing stores, 210 concessions, 24 factory outlets, 59 affiliates and 10 online stores [20]).

SMCP outperformed the French market in 2017 and 2018. The Group reported an increase in sales of +3.3% in 2017 and a limited decline of -0.5% in 2018 versus respectively +0.8% and -3.2% in 2017 and 2018 for the French apparel market, according to the data published by the IFM (Institut Français de la Mode) index.

In this context, the Group intends to gain additional market share by creating desirable collections and a high-quality customer experience.

The Group's strategy in France is to constantly invest in the quality of its network. It therefore continues to optimize its network with the renovation of part of its existing points of sale, relocations, the opening of flagship stores in prime areas such as the Champs Elysées for Maje and the opening of mixed points of sale for Sandro. Furthermore, the Group intends to further pursue its omni-channel strategy, increase its presence in the menswear sector and to develop its accessories activity.

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 [21]), 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 2018, the French market represented 37% of the Group's sales, compared to 41% in 2017, which shows the dynamism of the Group's international expansion.

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

The Group benefits from a strong growth potential in Greater China, where its three brands show great appeal (being ranked as the most attractive brands for Greater China's consumers). The Group's brands are present in 26 cities in Greater China in premium locations where the profitability is overperforming the average profitability of the Group's points of sale. To this extent, the Group intends to continue the development of its points of sale in this geographic region, to develop its digital activities and the reputation of its brands. To support the growth of its platform in Asia, the Group has been working on enhancing and unifying its infrastructures in Asia (notably in terms of information systems, finance and logistics) and strengthening its organization in Continental China, with a growing presence in Shanghai.

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

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

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

The Group also intends to expand its points of sale network in North America, which consists, in particular, of 101 concessions (including partnerships) and 44 free-standing stores located in premium locations. To this regard, the Group plans to develop its points of sale network in selected locations, to reinforce its brands reputation and increase its online presence.

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

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

6.4 Presentation of markets and competitive positioning [22]

The Group is a fast-growing international apparel and accessories retail player. The Group operates in 40 countries spread in Europe, the Americas, Asia and the Middle East. During the year ended December 31, 2018, 37% of the Group's sales were generated in France, 30% in the EMEA region, 20% in APAC and 13% in the Americas.

6.4.1 Apparel and accessories: a large and growing addressable market

The global apparel and accessories market was valued at approximately €1,860 billion compared with €1,510 billion in 2012. These markets have experienced continued and steady growth in recent years, increasing at a CAGR of around 4% between 2012 and 2018. Apparel was valued at approximately €1,140 billion in 2018 (representing an increase of more than €190 billion between 2012 and 2018) while the accessories market was valued at approximately €720 billion (representing an increase of more than €150 billion between 2012 and 2018).

During the 2018-2023 period, average growth (CAGR) of the apparel and accessories market size is expected to increase to around 4% per annum.

6.4.2 Growth drivers in the apparel and accessories market

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

Consumers allocating more to apparel and accessories

Consumers have been allocating more to apparel and accessories during the last years. The apparel and accessories market growth faster than the global gross domestic product (GDP). As a result, the growth of the market is estimated at 4% per annum by 2023 outperforming the growth of the global gross domestic product, estimated at 3.5% in 2019 and 3.6% in 2020 according to the International Monetary Fund.

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 the urban middle class worldwide.

The growth of international tourism

In addition, the apparel and accessories market is benefiting from the strong growth of international tourism allowing the increase of the purchasing opportunities, tourists tending to spend more when they are traveling abroad than on their domestic market. In addition, tourists' spending budget on trips is generally high.

6.4.3 Fundamental changes in consumers behaviors

Consumers are also increasingly adopting a "smart consumption" mindset for their clothing purchases, giving importance to factors such as the price of a product and its value-per-wear. This trend encourages affordable products that can be worn several times, on multiple occasions and during several seasons.

In addition, consumers from apparel and accessories market are increasingly favoring "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.

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[22] The information, contained in this Section relating to markets, and particularly their size and growth opportunities, is principally drawn from third party sources referenced in Chapter 23 of this Registration Document and from the Group's own estimates.

Finally, the omni-channel experience has become key to consumers, with purchases strongly influenced by digital (by way of illustration, more than 60% of consumers confirm that web searches influenced their last four purchases and 40% of the consumers consider that social media and blogs impact their purchase decisions). Finally, consumers in the ready-to-wear and accessories market are constantly seeking newness in terms of brand's products and content.

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

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

The Group is firmly established in the major capitals cities. It generated 63.1% of its sales out of France for the year ended December 31, 2018 compared with 58.7% in 2017. 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.

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 Men), 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 Men by Ylane Chétrite, the son of Evelyne Chétrite and currently the brand's artistic director.

- Style and target profile

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

- Product offering

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

In addition to its two main annual collections, the brand also offers "capsule"[23] collections to diversify its product range (for Christmas/New Year or the Spring Summer pre-collection, for example). For instance, in 2018, the Sandro brand collaborated with The Muppet Show while Claudie Pierlot collaborated with Juliette Armanet, a famous French singer.

- Geographic locations

The first Sandro store opened in 2004 in the Marais quarter of Paris. As of December 31, 2018, the brand had 646 points of sale[24] in 39 countries (compared with 38 countries in 2017), with 184 of them in France and 462 abroad. In total, 364 points of sale were for womenswear, 119 for menswear ("Sandro Men" points of sale) and 163 were for unisex (Sandro and Sandro Men). 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 facade incorporating the brand name in black letters. The interior is furnished with parquet floors, Carrara marble, embedded lighting and vintage furniture.

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

(24) The brand's points of sale include directly-operated and partner-operated stores, concessions, factory outlets and e-commerce platforms.

The following table shows the breakdown of Sandro points of sale by country as of December 31, 2018:

Country	Total number of points of sale	of which Sandro Women	of which Sandro Men	of which combined [1]
France	**184**	**93**	**55**	**36**
United Kingdom	31	19	7	5
Spain	30	18	4	8
Germany	24	11	8	5
Switzerland	26	16	6	4
Italy	17	10	1	6
Russia	12	10	-	2
United Arab Emirates	10	6	-	4
Netherlands	12	6	4	2
Turkey	9	6	2	1
Belgium	6	3	-	3
Ireland	4	4	-	-
Lebanon	5	3	2	-
Saudi Arabia	4	4	-	-
Austria	2	1	1	-
Kazakhstan	2	1	-	1
Norway	2	2	-	-
Portugal	3	2	-	1
Kuwait	1	1	-	-
Latvia	1	-	-	1
Lithuania	1	1	-	-
Luxembourg	1	-	-	1
Morocco	1	1	-	-
Sweden	2	2	-	-
Denmark	1	1	-	-
Ukraine	2	1	-	1
Qatar	1	-	-	1
Bahrain	1	1	-	-
Website available for consultation in several European countries	1	-	-	1
Total EMEA	**212**	**130**	**35**	**47**
South Korea	56	39	12	5
Mainland China	64	25	3	36
Australia	14	14	-	-
Hong Kong	11	5	1	5
Macao	4	1	-	3
Thailand	4	4	-	-
Singapore	3	2	-	1
Taiwan	1	1	-	-
Total APAC	**157**	**91**	**16**	**50**
United States	73	39	10	24
Canada	15	7	3	5
Mexico	5	4	-	1
Total Americas	**93**	**50**	**13**	**30**
Total	**646**	**364**	**119**	**163**

(1) Points of sale offering both Sandro and Sandro Women and Sandro Men products.

6.5.1.2 Maje

- History of the brand

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

- Style and target profile

The products of the Maje brand focus on trendy pieces with subtle, unique and offbeat details for a very feminine silhouette that is both sober and glamorous. The brand expresses itself through its own unique identity: here and away, feminine, free & emotional. Maje products are for women customers who like to be on-trend.

- Product offering

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

Like Sandro, for some of its products, Maje collaborates on capsule collections with other well-known third-party brands, such as Minnetonka in 2015 for the design and sale of footwear and other accessories. In 2018, Maje focused more on events and a campaign to cover its twentieth anniversary.

- Geographic locations

The first Maje store opened in 2003 on Rue du Four in Paris. As of December 31, 2018, the brand had 538 points of sale[25] in 39 countries (compared with 38 countries in 2017), of which 136 were located in France and 402 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 facade 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, 2018:

Country	Total number of points of sale
France	**136**
Spain	29
United Kingdom	24
Switzerland	20
Germany	14
Russia	12
United Arab Emirates	10
Belgium	6
Italy	15
Ireland	5
Netherlands	8
Turkey	6
Andorra	2
Saudi Arabia	3
Kazakhstan	2
Lebanon	3
Norway	2
Portugal	3

[25] 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
Ukraine	3
Austria	1
Latvia	1
Lithuania	1
Luxembourg	1
Kuwait	1
Morocco	1
Sweden	1
Denmark	1
Qatar	1
Website available for consultation in several European countries	1
Total EMEA	**177**
South Korea	46
Mainland China	59
Australia	14
Hong Kong	9
Thailand	5
Macao	4
Singapore	3
Taiwan	4
Total APAC	**144**
United States	64
Canada	12
Mexico	5
Total Americas	**81**
Total	**538**

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 the stripped sailor tops, Claudine collars, preppy style and clothes with bows. 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).

- Geographic locations

As of December 31, 2018, the brand had 235 points of sale [26] in 19 countries, of which 115 were located in France and 120 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 facade incorporating the brand name in gold letters. The Haussmannian interior includes alcoves for displaying accessories.

The following table shows the breakdown of Claudie Pierlot brand points of sale by country as of December 31, 2018:

Country	Total number of points of sale
France	**115**
Spain	19
United Kingdom	17
Germany	11
Switzerland	12
Russia	3
Belgium	4
Ireland	3
Lebanon	2
Netherlands	6
Portugal	2
Saudi Arabia	1
United Arab Emirates	2
Luxembourg	1
Italy	7
Website available for consultation in several European countries	1
Total EMEA	**91**
South Korea	9
Mainland China	14
Australia	3
Hong Kong	3
Total APAC	**29**
Total	**235**

6.5.2 Brand image, communication and marketing

6.5.2.1 A luxury product marketing strategy

The image of the Group’s brands is maintained primarily through its points of sale. Their location, the ambiance created notably by the attention paid to décor and furnishings, and the know-how of the sales assistants contribute to creating a unique image specific to the luxury sector (see Sections 6.5.4 and 6.5.5 of this registration document). In addition, the luxury image of the Group’s products is also highlighted by high-end marketing campaigns with photographs and videos made by renowned photographers such as Karim Sadli for the Sandro 2018 collection, Coco Capitan for the Maje 2018 spring/summer collection and Gregory Harris for the Claudie Pierlot 2018 autumn/winter collection.

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

6.5.2.2 360-degree communication campaigns

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

- Communication campaigns

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

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

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

- Teams in charge of communication and marketing

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

6.5.2.3 CRM [27] and customer proximity

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

6.5.3 Product development

- Creative design

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

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

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

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

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

- Purchasing and work on the structure of the collections

A collection plan is prepared every season, describing the context of the collection, the product launch timetable and the price and positioning strategy. Each collection is designed on the basis of current trends (including colors, techniques and apparel shown 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 [28] 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 by brand are marketed each week in the Group's points of sale.

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

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

- Sourcing

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

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

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

The Group has a sustainable and diverse supplier base in several countries to minimize its procurement dependency and reduce the risk of potential disruptions. By way of illustration, the Group’s ten principal suppliers represent approximately 20% 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 on 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.

The Group has also set up a Product Life Cycle Management tool. This is a collaborative tool using a single data repository and an iterative process for managing the product from its creation to sale. This tool, which guides product development, improves time-to-market, quality and compliance.

6.5.4 Distribution

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

6.5.4.1 Free-standing stores

- Overview

As of December 31, 2018, the Group had 446 stores (an increase of 60 free-standing stores compared with 2017), including 112 in the EMEA region, 179 in France, 44 in the Americas and 111 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 year ended December 31, 2018, 35.5% of the Group’s sales were generated through free-standing stores. In 2018, the Group opened free-standing stores in mainland China, the United States and Canada, and its first free-standing stores in Sweden, Portugal and Taiwan.

The following table shows the breakdown of free-standing stores by brand and by country as of December 31, 2018:

	Sandro	Maje	Claudie Pierlot	Total
Total France	**71**	**60**	**47**	**179 (1)**
United Kingdom	11	11	7	29
Spain	9	10	4	23
Belgium	5	5	3	13
Switzerland	5	4	3	12
Italy	8	6	2	16
Germany	4	4	1	9
Luxembourg	1	1	1	3
Portugal	1	1	-	2
Norway	1	1	-	2
Sweden	1	-	-	1
Netherlands	1	1	-	2
Total EMEA	**47**	**44**	**21**	**112**
Mainland China	36	33	8	77
Hong Kong	9	7	3	19
Macao	4	4	-	8
Taiwan	-	1	-	1
Singapore	3	3	-	6
Total APAC	**52**	**48**	**11**	**111**
United States	18	18	-	36
Canada	4	4	-	8
Total Americas	**22**	**22**	**-**	**44**
Total	**192**	**174**	**79**	**446(1)**

(1) Including one Suite 341 free-standing store

- Description of a typical store

The average size of a Group store is approximately 80 to 100 square meters. Sandro stores are generally larger than Maje and Claudie Pierlot stores. This can be explained by the Group's historic strategy of using larger mixed stores to display Sandro menswear and womenswear collections. Claudie Pierlot stores are generally smaller than Sandro and Maje stores, since the brand has only an average of about 400 SKUs in its collection plans compared to approximately 500 for Maje and Sandro Women; 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 sales generated in the store. An entry fee can also be 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, 2018, the Group had 535 concessions (an increase of 34 concessions compared with 2017), including 183 in the EMEA region, 210 in France, 89 in the Americas and 53 in Asia. These correspond to the Group's "corners" in department stores (the average size of the corners is approximately 45 to 55 square meters). The choice of locations for concessions is guided by the Group's desire to protect the luxury image of its three brands. As a result, the Group has opened concessions in the most prestigious department stores, such as Galeries Lafayette, Printemps and Le Bon Marché in France, Selfridges and Harrods in the United Kingdom, Bloomingdale's and Saks Fifth Avenue in the United States, El Corte Inglés in Spain, la Rinascente in Italy, or in famous malls such as Shin Kong Place in mainland China and International Finance Center and Harbour City in Hong Kong. As with the location of the Group's free-standing stores, the cities where concessions are located are generally recognized as dynamic and attractive fashion centers. For the year ended December 31, 2018, 33.7% of the Group's sales were generated through concessions.

In 2018, the Group opened new concessions in Spain, Switzerland, mainland China and the Netherlands, and Denmark for the first time.

The following table shows the breakdown of the Group's concessions by brand and by country as of December 31, 2018:

	Sandro	Maje	Claudie Pierlot	Total
France	**87**	**50**	**51**	**210(1)**
Spain	16	11	13	40
Germany	14	7	7	28
Switzerland	16	12	6	34
United Kingdom	12	7	6	25
Ireland	4	4	3	11
Netherlands	8	5	4	17
Italy	6	6	4	16
Portugal	2	2	2	6
Norway	1	1	-	2
Denmark	1	1	-	2
Sweden	1	1	-	2
Total EMEA	**81**	**57**	**45**	**183**
Mainland China	22	20	5	47
Hong Kong	1	1	-	2
Taiwan	1	3	-	4
Total APAC	**24**	**24**	**5**	**53**
United States	41	33	-	74
Canada	9	6	-	15
Total Americas	**50**	**39**	**-**	**89**
Total	**242**	**170**	**101**	**535(1)**

(1) Including 22 Suite 341 concessions.

- Description of a typical concession

The average size of a concession in a department store is approximately 45 to 55 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 sales generated. This amount varies according to the country and the department store where the concession is located. The revenue from sales is collected directly by the department store, which transfers it to the Group each month net of the fee.

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

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

6.5.4.3 Suite 341

Suite 341 is a concept store that was launched by the Group in September 2010 for the French market, where customers can buy essential items from the Sandro, Maje and Claudie Pierlot collections combined. Suite 341 ("Three Fo(u)r One") fully reflects the concept: three ready-to-wear lines and accessories combined in a single space. After an initial opening in 2010 in Angoulême, the Group operated 47 Suite 341 points of sale (including free-standing stores and concessions) located exclusively in France and mainly outside of Paris, as of December 31, 2018. The Suite 341 concept allows the Group to optimize its coverage in France, specifically in medium-sized provincial towns. The Suite 341 points of sale are mainly operated through affiliates (see Section 6.5.4.5 of this registration document) and concessions.

6.5.4.4 Electronic platforms

E-commerce represents an increasing proportion of the Group's sales and a marketing tool to develop awareness of its brands in France and internationally. For the year ended December 31, 2018, 14.7% of the Group's sales, i.e. €149.1 million, were generated online, compared with 12.1% for the financial year ended December 31, 2017 (with €110.1 million of sales in 2017). As of December 31, 2018 *pro forma*, Group products were being sold via 62 directly operated electronic platforms and 37 platforms operated by the partners. In 2017, the Group's products were sold by only 56 directly operated electronic platforms and 31 electronic platforms operated by partners.

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, Switzerland, the United States and China, and the Claudie Pierlot brand has websites in France, the United Kingdom, Spain, Germany, Belgium and Switzerland. The Maje brand has dedicated websites in France, Spain, Italy, Germany, Ireland, the United Kingdom, Belgium, Switzerland and the United States. The Group also continues to enhance the customer experience in e-shops, notably through new services such as the instant chat with a consultant, mobile phone access to e-shops, improvement of the payment process, and a pre-ordering system.

- Third party e-commerce platforms

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

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

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

6.5.4.5 Affiliates

Affiliates form part of the Group's distribution network in France and are mainly located in medium-sized French towns where the Group does not have free-standing stores or concessions (such as Mulhouse, Poitiers, Ajaccio, Chartres, Valenciennes, Le Touquet and Saint-Etienne). The Group also makes use of affiliates in Spain and Italy. As of December 31, 2018, the Group operated through 67 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 sales, excluding tax. 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 year ended December 31, 2018, 2.1% of the Group’s sales were generated with affiliates.

6.5.4.6 Factory Outlets

In addition to its free-standing stores, concessions, online sales and sales via its affiliates, the Group also sells off unsold stock in a limited number of factory outlet stores (62 factory outlets as at December 31, 2018) situated in premium sales locations, in particular in France, Spain, Switzerland, Italy and the United States. For the year ended December 31, 2018, 8.5% of the Group’s sales were generated with 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 year ended December 31, 2018, this distribution channel accounted for 6.7% of Group sales, of which 17% 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 sales realized from the sale of the Group’s products. Some 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 at 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, Lebanon, Mexico, and Lithuania since 2018.

In 2018, 32 partner-operated stores were opened worldwide, mainly in South Korea (8), Russia (7), Mexico (4) and Australia (4).

The following table shows the breakdown of the Group's partnered retail points of sale by brand and by country as of December 31, 2018:

	Sandro	Maje	Claudie Pierlot	Total
Russia	12	12	3	27
United Arab Emirates	10	10	2	22
Turkey	9	6	-	15
Lebanon	5	3	2	10
Saudi Arabia	4	3	1	8
Kazakhstan	2	2	-	4
United Kingdom	2	2	1	5
Austria	2	1	-	3
Ukraine	2	3	-	5
55 Andorra	-	2	-	2
Kuwait	1	1	-	2
Latvia	1	1	-	2
Lithuania	1	1	-	2
Morocco	1	1	-	2
Germany	2	1	1	4
Qatar	1	1	-	2
Bahrain	1	-	-	1
Total EMEA	**56**	**50**	**10**	**116**
South Korea	56	46	9	111
Australia	14	14	3	31
Thailand	4	5	-	9
Hong Kong	-	1	-	1
Total APAC	**74**	**66**	**12**	**152**
Mexico	5	5	-	10
United States	8	8	-	16
Total Americas	**13**	**13**	**-**	**26**
Total	**143**	**129**	**22**	**294**

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, sometimes assisted by back-up organizers. This organization 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 the integration of its sales teams. This two-week program for new sales assistants aims to train staff in sales techniques, customer assistance and to improve the financial results of the points of sale. It is estimated that in 2018, more than 2,400 sales assistants benefited from this integration program, which has recently been combined, in Europe, with an online integration program.

6.5.6 Logistics organization

6.5.6.1 IT system

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

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

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

6.5.6.2 In-house logistics

The Group's principal logistics center is used by all three brands and serves all points of sale, directly or indirectly, via satellite logistics centers located in the United States and mainland China (see Section 4.1.10 of this registration document). A team of approximately 140 employees is dedicated to the logistics and supply of the Group's distribution network. Since November 2015, two directly-managed main sites located near 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 2018 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 e-commerce. 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.

In February 2019, the Group made a commitment to lease a 30,000 square meter warehouse under construction in Marly-la-Ville, where a large portion of the current collections will be processed starting from May 2020.

For its U.S. business, the Group subcontracts product procurement through a warehouse located in New Jersey managed by Panalpina (see Section 4.1.10 of this Registration Document). 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. Since February 2018, the Group has also opened a warehouse in Hong Kong with an occupied surface area of approximately 2,500 square meters that supplies the Asian region (currently Hong Kong, Macao, Singapore and Taiwan) except for China.

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, some 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 its websites users.

In the European Union, Regulation (EU) 2016/679 of the European Parliament and of the Council of April 27, 2016 on the protection of individuals with regard to the processing of personal data and on the free movement of such data (the General Data Protection Regulation, the "**GDPR**") is the reference framework for the processing of personal data in all member countries. It completes the French data protection law No. 78-17 of January 6, 1978, which is currently still in force.

The GDPR 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 GDPR, 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.

The GDPR 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 instructions of the GDPR. Beyond the transaction, the storage of such data is subject to the customer's consent and can occur for a limited period only. The French National Commission on Informatics and Liberty (CNIL) has powers of control and investigation, and to issue injunctions and impose administrative penalties. Finally, failure to comply with the provisions of the GDPR may give rise to civil, administrative or criminal penalties. The CNIL can apply fines that may be as high as €20 million or 4% of the overall annual revenue of the legal entity concerned. In addition to these financial penalties, the CNIL may publish the warnings and penalties that it pronounces.

This new legal framework for the protection of personal data in the European Union is intended to reinforce individual rights, give them more control over their personal data and more generally guarantee privacy rights. These proposals are designed to ensure that people's personal information is protected, no matter where it is sent, processed or stored, even outside the European Union. These new arrangements also introduce an obligation for companies to report any loss or theft of personal data, to collect the minimum personal information, to verify the impact of their projects on personal data protection and lastly to appoint a Data Protection Officer ("**DPO**") in charge of managing these issues within the company. The Corporate Secretary fulfills the duties of the DPO.

6.7.4 Regulation of opening times

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

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

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

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

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

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

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

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

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

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

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

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

6.7.6 Legal Framework Governing Private Sales

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

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

6.7.7 International trade and customs duties

The Group's products are manufactured and distributed mainly in Europe, North Africa and Asia. In the European Union internal market, the principles of free movement of goods apply. For the import and export of goods from countries which are not members of the European Union, the Group is subject to national and European regulations on customs and foreign trade. In particular, the basic customs legislation of the

European Union is set out in the Customs Code of the Union adopted on October 9, 2013 as Regulation (EU) No. 952/2013 of the European Parliament and of the Council.

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

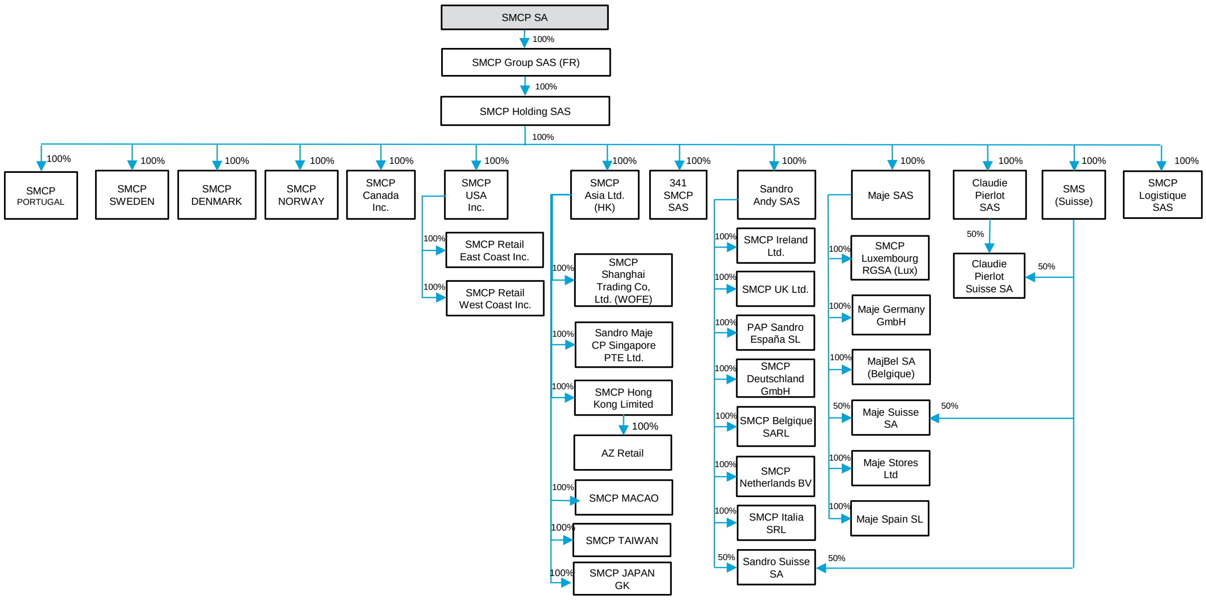
6.7.8 Environmental regulations

See Section 8.2 of Chapter 8 "Real estate, plant and equipment" and Appendix II "Declaration of Non-Financial Performance (DPEF)" of this Registration Document.

7. ORGANIZATIONAL STRUCTURE

7.1 Legal organizational structure of the Group as of December 31, 2018

The percentages indicated in the organizational chart below represent the capital and voting rights held as of December 31, 2018:



7.2 Subsidiaries and equity interests

Main subsidiaries

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

- **SMCP Group S.A.S**. is a French simplified joint-stock company with capital of €58,153,391.00, having its registered office at 49, rue Etienne Marcel, 75001 Paris, France, registered under number 819 258 773 in the Paris Trade and Companies Register. It is a holding company.
- **MAJE S.A.S.** is a simplified joint-stock company incorporated under French law with capital of €100,000, having its registered office at 2, rue de Marengo, 75001 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 150, Boulevard Haussmann, 75008 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 2, rue de Marengo, 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 US law with capital of US$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.
- **SMCP Shanghai Trading Co. Ltd** is a limited liability company incorporated under Chinese law with capital of US $5,000,000, having its registered office at Room 701, Floor 7, North Annex of building 1, No. 757 Jiaozhou Road, Jing'An District, Shanghai, China and registered under number 06000002201706220015 in Shanghai. It is the Group's operating company for mainland China.
- **SMCP Asia Limited** is a private company governed under Hong Kong law with capital of HKD 1, having its registered office at Unit 3203A-5A, 32/F, The Centrium, 60 Wyndham Street, Central, Hong Kong, and registered under number 1838474 in Hong Kong. It is the Group's operating company for Asia.

8. PROPERTY, PLANT AND EQUIPMENT

8.1 Significant existing or planned tangible assets

The table below shows the geographical distribution of the Group's directly-operated points of sale as at December 31, 2018 (free-standing stores, concessions, factory outlets, and affiliates, excluding partnerships and online stores):

	Number of points of sale	**Sales area** *(in sqm)*
Total France	**472**	**29,849**
Spain	75	5,307
United Kingdom	56	4,123
Germany	38	2,252
Belgium	14	1,359
Switzerland	51	2,529
Netherlands	22	1,361
Norway	4	305
Sweden	3	305
Denmark	2	141
Ireland	11	442
Luxembourg	3	336
Italy	37	2,830
Portugal	8	595
Total EMEA	**324**	**21,863**
Mainland China	132	12,085
Singapore	6	623
Hong Kong	22	1,759
Macao	8	900
Taiwan	5	445
Total APAC	**173**	**15,812**
United States	116	7,881
Canada	25	1,809
Total Americas	**141**	**9,690**
Total points of sale	**1,110**	**77,214**

At December 31, 2018, the total sales area of the 1,110 directly operated points of sale was 77,214 square meters.

The table below shows the distribution by brand of the Group's directly-operated points of sale as at December 31, 2018 (free-standing stores, concessions, factory outlets, and affiliates, excluding partnerships and online stores):

	Number of points of sale
Sandro	477
Maje	388
Claudie Pierlot	198
Suite 341	47
Total points of sale	**1,110**

The Group leases properties located in Paris, for the head offices of the three brands, as well as the Company's registered office.

In addition, it leases some of its warehouses, including those based in the Paris region in Marly-la-Ville, with an area of 10,000 square meters, in Vémars, for an area of 24,000 square meters (see Section 6.5.6.2 of this Registration Document) and the buildings housing directly-operated points of sale.
During the fiscal year ended December 31, 2018, the Group allocated €113.0 million for rent and service charges. Certain Group leases (including for the former Maje headquarters) were signed with related parties (see Chapter 19 of this Registration Document).

The table below shows the amounts for rent and service charges for the twelve-month period ended December 31, 2018 and for the twelve-month period ended December 31, 2017.

	Fiscal year ended December 31	
(In millions of euros)	**2018**	**2017**
Rents and service charges	113.0	100.1

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

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

The non-financial performance statement stipulated by Article R. 225-105 of the French Commercial Code is included in Appendix 2 of this Registration Document.

9. REVIEW OF FINANCIAL POSITION AND RESULTS OF THE GROUP

As a reminder, the Company was created on April 20, 2016 and its second fiscal year ran from May 1, 2016 to December 31, 2017, i.e. a twenty-month fiscal year. In order to facilitate the reader's understanding, the Company is presenting and commenting in this section on the Company's consolidated financial information for the fiscal year ended December 31, 2018 and on a twelve-month interim period running from January 1, 2017 to December 31, 2017. The financial information for the twelve-month interim period ended December 31, 2017 presented in this Registration Document is taken from the consolidated financial statements of the Company for the twenty-month period ended December 31, 2017 prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

Readers are invited to read the following information on the Group's financial results for the fiscal year ended December 31, 2018, together with the Group's consolidated financial statements for the twelve-month interim period ended December 31, 2017, prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, provided in Section 20.1 of this Registration Document.

The Company's consolidated financial statements for the fiscal year ended December 31, 2018 have been audited by the Statutory Auditors. The audit report prepared by the Statutory Auditors on the consolidated financial statements for the fiscal year ended December 31, 2018 is provided in Section 20.1.1.2 of this Registration Document.

Pursuant to Article 28-1 of Regulation (EC) No. 809/2004, the comparison of the Group's results for the twelve-month period ended December 31, 2017, the twenty-month period ended December 31, 2017 and the twelve-month period ended December 31, 2016 provided in Chapter 9 "Review of the financial position and results" of the 2017 Registration Document is included by reference in this Registration Document.

9.1 Overview

The consolidated financial statements of the SMCP Group for the fiscal year ended December 31, 2018 are provided in section 20.1 "Group Consolidated Financial Statements" of this Registration Document. The risk management policy, as well as the main risks linked to the activity of SMCP Group are described in chapter 4 "Risk Factors" of this Registration Document.

Lastly, unless otherwise stated:

- all references to the "**Group**", the "**Company**" or to "**SMCP**", concern the Company and its consolidated subsidiaries
- all references to "**EMEA**" cover 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)
- all references to the "**Americas**" include the United States and Canada
- all references to "**APAC**" cover activities in Asia-Pacific (particularly in mainland China, Hong Kong, Taiwan, South Korea, Singapore, Thailand and Australia).

Unless otherwise stated, the amounts are expressed in millions of euros and rounded off to the closest million. Generally, the values presented in this section are rounded off to the nearest unit. Consequently, the sum of the rounded amounts may present immaterial deviations with respect to the reported total. Moreover, the ratios and deviations are calculated from underlying amounts and not from the rounded amounts;

9.1.1 Introduction

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

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

The Group presents its sales by brand (Sandro, Maje and Claudie Pierlot) and by geographical segment (France, EMEA, APAC and the Americas).

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 Group's sales growth is attributable to the opening of new points of sale. As of December 31, 2018, the Group directly operated [29] 1,172 points of sale, of which 446 were free-standing stores, 535 were concessions in department stores and the remainder were affiliate-operated stores, factory outlets and online stores. During the period from December 31, 2015 to December 31, 2018, the Group opened an average of 116 points of sale (including partnerships) per year, and significantly expanded its presence internationally (especially in Europe and Asia). The Group plans to continue opening new points of sale in the coming years, with a particular focus on the United Kingdom, Spain, Italy, Germany, North America and Greater China (including mainland China, Hong Kong, Macao and Taiwan).

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

9.1.2.2 General economic conditions

The Group's results of operations are affected by global economic conditions as well as specific economic conditions in the markets in which it operates, especially in France, which remained its first market in 2018 (representing 37% of sales for the fiscal year ended December 31, 2018). 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.

For 2019, the International Monetary Fund (IMF) downgraded its global growth forecasts for 2019 to 3.5%, in the light of persistent commercial tensions and rising political risks. Although the IMF did not change its expansion estimates for the United States and China and upgraded its forecast for Japan, it was particularly pessimistic about the euro area which is expected to report growth of 1.6% (versus the previous estimate of 1.9%). According to the IMF, growth in Germany is likely to be 1.3%, as the economy will be strongly impacted by weak industrial output in the automotive sector; 0.6% in Italy, in anticipation of low domestic demand combined with higher borrowing costs, while France should reach 1.5%, particularly weakened by the negative impact of the "yellow vests" social protests that have been going on since November 2018.

While these economic fluctuations have an impact on the Group's 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.

(29) Directly operated points of sale include free-standing stores, concessions, affiliates, websites and factory outlets, but exclude retail partners.

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 12 rounds of implementation and complemented by a "pre-collection" and "capsule" collections. Typically, the first product of the fall/winter collection is available from June onwards and the first product of the spring/summer collection is available from December/January onwards. The Group has a limited dependency on Christmas sales and its margins in the fourth quarter have historically been higher due to fewer promotional rebates in the run-up to Christmas. In line with the rest of the apparel and accessory sector, the Group's sales tend to peak in the first weeks of the sales periods (i.e. January and June/July), although its margins during those periods are lower due to promotional discounts. The adjusted EBITDA margin is generally lower in the first and third quarters of the year due to the sales period and lower sales in February (shorter month) and August (summer vacation). The effect of sales and discounts on the Group's financial statements is typically stronger for the January sales period than for the June/July sales period, since this period overlaps its second and third quarters.

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

The Group follows a policy of gradually depreciating inventories; for example, the Group began depreciating its 2017 winter collection inventories in December 2018.

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, geographic segments 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 Men 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 sales also vary according to the type of products it sells. For example, its margins on leather goods may be lower than its margins on apparel products due to the relative cost of raw materials.

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

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

9.1.2.7 Production and distribution costs

The Group's results of operations can be impacted by changes in production and distribution costs. The Group's production costs (which primarily include purchases of goods, subcontracting, and ancillary expenses) represented around 24% of its sales over the last three fiscal years (around 24% for the fiscal year ended December 31, 2018, 23% for the twelve-month period ended December 31, 2017, and 24% for the twelve-month period ended December 31, 2016). The Group's production costs can be significantly impacted by raw material costs, transportation expenses and wage inflation.

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

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

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

9.1.2.8 Variable and fixed costs

Like other businesses in the apparel and accessories sector, the Group’s cost base is composed of a mixture of variable and fixed costs. Variable costs include most of the concession fees payable to major department stores, transportation and packaging expenses, taxes and some rental costs (in particular in Asia), marketing costs and profit-sharing costs. Fixed costs mainly include rental expenses and personnel costs.
Rents are one of the Group’s largest fixed costs. In France, its largest market, increases in rent follow an index published quarterly by INSEE, and in other countries rents may evolve according to a similar index. The Group does, however, retain some flexibility regarding its rental costs. For example, lease agreements for its stores in France are typically entered into for a period of nine years, with the tenant able to terminate the lease without penalty at the end of each three-year period. In the United Kingdom, several of the Group’s leases include break clauses after five years. In Asia, the lease agreements are typically entered into for a period of three years. In the United States, leases are taken out for a period of ten years but with the option of subletting.

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

In the event of a decrease in 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 sales (42.0% for the fiscal year ended December 31, 2018) is generated in other currencies, particularly in pounds sterling, Chinese yuan, Swiss francs and US dollars. A portion of its cost of sales is also denominated in other currencies, particularly purchases denominated in US dollars or Chinese yuan from its Asian suppliers. The Group also holds certain assets that are recorded in other currencies on its balance sheet.
As a result, the Group’s results of operations are affected by fluctuations in exchange rates and, therefore, the Group has implemented a prudent hedging strategy designed to reduce this exposure (on average, six months before the beginning of the season). The Group also believes that its expansion worldwide will result in a more balanced exposure to the US dollar and Chinese yuan, with sales in the United States and mainland China denominated in the local currency, partially offsetting its purchases in those currencies.

9.2 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 *directly-operated* points of sale by brand and geographical area *for the periods indicated*:

	Fiscal year ended December 31	
(Number of points of sale directly operated)	**2017**	**2018**
By brand		
Sandro	466	503
Maje	367	409
Claudie Pierlot	191	213
Suite 341	46	47
By geographical segment		
France	475	482
EMEA	327	364
APAC	133	178
Americas	135	148
Total points of sale	**1,070**	**1,172**

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)	*Fiscal year ended December 31* **2017**	**2018**
By brand		
Sandro	593	646
Maje	484	538
Claudie Pierlot	209	235
Suite 341[(1)]	46	47
By geographical segment		
France	475	482
EMEA	431	480
APAC	271	330
Americas	155	174
Total points of sale	**1,332**	**1,466**

(1) *Sales from Suite 341 stores (which carry products from the Group's three brands) is allocated to the corresponding brand of the products sold).*

The total number of Group points of sale increased from 1,332 at December 31, 2017 to 1,466 at December 31, 2018. This figure reflects the net opening of 127 points of sale, outside of France, primarily in the APAC segment, mainly Greater China, where the Group is now present in 26 cities. In the EMEA region, the Group also extended its network with the net opening of 49 points of sale, mainly in Switzerland, Russia and Italy (the Group is now present in two new countries: Denmark and Lithuania). In France, the Group continued its policy to optimize the quality of its network.

Of the 1,466 points of sale at December 31, 2018, 516 were free-standing stores and 703 were concessions; the remainder are affiliates, factory outlets, online stores and partner points of sale.

The table below shows the number *of points of sale by category of point of sale:*

	Fiscal year ended December 31	
	2017	**2018**
Free-standing stores	386	446
Concessions	501	535
Affiliates	73	67
Internet	56	62
Factory Outlets	54	62
Total points of sale (directly-operated stores)	**1,070**	**1,172**
Partnerships	262	294
Total	**1,332**	**1,466**

9.3 Overview of activity in 2018 and for the first quarter of 2019

Highlights of fiscal year 2018

Highlights are reported in the main press statements released during fiscal year 2018.

- On May 9, 2018, SMCP announced the partial redemption of the senior secured notes due 2023 issued by SMCP Group S.A.S. For an amount equal to 10% of the principal (representing €20.0 million), taking advantage of attractive costs of financing by an attractive financing cost.
- On May 23, 2018, SMCP announced the opening of its 100th physical store in mainland China with a new Maje store, located in Beijing, in the Chaoyang Joy City shopping mall.
- On October 9, 2018, SMCP announced the opening of a Maje store inside the prestigious Rockefeller Center in New York. The opening of this exceptional store illustrates the success of the Group’s selective development strategy in the region. This is the 162nd point of sale in the Americas.
- On November 26, 2018, SMCP announced the opening of its first two Maje and Sandro stores in Mexico in the prestigious Artz Pedregal shopping mall, in partnership with Retail Fashion Group, subsidiary of Grupo Sordo Madaleno.

Key figures and events for the first quarter of 2019

- SMCP announced on April 23, 2019 a partnership with JD.Com, one of the leading online platforms in China, which will offer Chinese consumers an additional access to the collections of Sandro and Maje, one of their preferred brands in the accessible luxury market. This partnership marks an important milestone in the deployment of SMCP’s successful digital strategy in the APAC region, lifting the group’s customer reach to another level in mainland China. It ideally complements the growing digital presence of the group in the country, fostered by the successful deployment of its three owned websites and the historical collaboration with Tmall, and further diversifies its digital sales channels.

9.4 Review of the consolidated result

(In millions of euros)	**2017** *(12 months)*	**2018** *(12 months)*
	Fiscal year ended December 31	
Sales	**912.4**	**1,017.1**
Cost of sales [(1)]	(327.3)	(367.8)
Gross margin [(2)]	**585.1**	**649.3**
Personnel costs	(191.6)	(212.3)
Other net operating income and expenses	(240.0)	(265.5)
Adjusted Ebitda	**153.7**	**171.5**
Adjusted EBITDA margin	*16.8%*	*16.9%*
Depreciation, amortization and impairment	(35.0)	(36.1)
IPO bonus share allocation plan (LTIP)	(1.9)	(13.4)
Current operating income	**116.8**	**122.0**
Other non-current income and expenses	(46.7)	(12.5)
Operating profit	**70.1**	**109.5**
Cost of net debt	(68.1)	(18.0)
Other financial income and expenses	(1.8)	(1.4)
Financial income	**(69.9)**	**(19.4)**
Profit/(loss) before tax	**0.2**	**90.1**
Income tax expense	6.1	(39.9)
Net profit for the period	**6.3**	**50.2**
Group share	6.3	50.2
Of which non-controlling interests	-	-

(1) Cost of sales including commissions

(2) Gross margin corresponds to the accounting gross margin, i.e. to revenue after deduction of cost of sales and commissions paid to department stores and affiliates

9.4.1 Sales

9.4.1.1 Consolidated sales

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

For the fiscal year ended December 31, 2018, total sales increased by €104.8 million, or +11.5% as reported, (+13.0% at constant exchange rates), from €912.4 million for the twelve-month period ended December 31, 2017 to €1,017.1 million for the fiscal year ended December 31, 2018. This exceptional growth is the result of the success of the collections of its three brands in all geographic regions, the progress made in all the strategic growth levels of the Group (development of ready-to-wear, e-commerce, accessories and menswear for Sandro) and the Group's continued expansion with the opening of 134 new points of sale in 2018, of which 102 directly operated stores, thereby exceeding the annual target. These openings concern all international regions, with 59 new points of sale in APAC, 49 in EMEA and 19 in the Americas.

9.4.1.2 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 Women to Sandro Men or to a mixed Sandro Women and Sandro Men 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[30].

	Fiscal year ended December 31	
	2017	**2018**
Total like-for-like sales growth	**+7.8%**	**+3.7%**

For the fiscal year ended December 31, 2018, total like-for-like sales were up 3.7% compared to 2017, satisfactory performance in line with the Group's expectations. This reflects the progress made on each of the Group's strategic growth levers (development of apparel, e-commerce, accessories and Sandro for men) and internationally. In France, where it generated 36.9% of its sales, the Group reported a limited decline of its sales by -0.5% but continued to increase its market share, despite a difficult context (the French apparel market fell by -3.2% according to data published by the IFM index). Internationally, the Group recorded very strong growth, particularly in its key markets, such as the United Kingdom, North America and Greater China. Finally, the performance of the Group was positively impacted by the development of its online sales which represent 14.7% of the Group's sales.

(30) Corresponding to the exchange rate used to establish the financial statements for the preceding period.

9.4.1.3 Sales by brand and by geographic region at December 31, 2018

€M (except percentages)	*Fiscal year ended December 31* 2017 *(12 months)*	2018 *(12 months)*	Change in reported data	Change at constant exchange rate
By brand				
Sandro	456.3	500.6	*+9.7%*	*+11.4%*
Maje	343.0	391.4	*+14.1%*	*+15.9%*
Claudie Pierlot	113.1	125.2	*+10.7%*	*+11.1%*
By region				
France	376.8	374.9	*-0.5%*	*-0.5%*
EMEA	274.7	305.5	*+11.2%*	*+12.0%*
Americas	107.6	134.2	*+24.7%*	*+30.4%*
APAC	153.2	202.4	*+32.2%*	*+36.0%*
TOTAL	**912.4**	**1,017.1**	***+11.5%***	***+13.0%***

Business segmentation

The Group organizes its activities around its three brands:

The **Sandro** brand reported sales of €500.6 million in 2018, sharply up by +11.4% at constant exchange rate compared to 2017. This performance reflects the success of the women's and men's ready-to-wear collections, the continued development of accessories, e-commerce and the expansion of the store network, with a net 53 new points of sale in 2018, mainly including openings in EMEA and APAC. In line with its strategy, the Group is particularly focused on the international development of Sandro Men, particularly in the APAC region with 17 new points of sale.

The **Maje** brand reported sales of €391.4 million in 2018, up by +15.9% at constant exchange rate compared to 2017. This strong growth underlines the success of its ready-to-wear collection and its accessories, in particular leather goods and its digital strategy. Through the year, Maje also benefited from all the initiatives launched to celebrate its 20th anniversary. They contributed to further increase brand awareness and strengthen its desirability worldwide. During 2018, Maje continued its geographic expansion with 54 new points of sale, abroad in particular, with 15 new points of sale in the EMEA region, 11 in the Americas and 24 in APAC.

The **Claudie Pierlot** brand generated sales of €125.2 million in 2018, up by +11.1% at constant exchange rate compared to 2017. This excellent performance reflects the success of its ready-to-wear collection as well as the very good results recorded in accessories and e-commerce with penetration rates increasingly higher than the Group average. Claudie Pierlot was also boosted by its growing brand awareness in the EMEA and APAC regions, where it has accelerated its implementation since 2016. In 2018, Claudie Pierlot thus expanded its footprint with 26 net openings including 10 in EMEA and 11 in APAC.

Segmentation by geographical area

In **France**, the Group generated sales of €374.9 million in 2018, i.e., a relatively stable change (-0.5%) at constant exchange rate compared to 2017. This performance demonstrates the Group's strong resilience and underlines new gains in market share, in a market impacted by exceptionally difficult market conditions, particularly at the end of the year when several stores had to close for a few consecutive weekends because of the "yellow vests" demonstrations. During the year, SMCP continued to be boosted by robust fundamentals and the activation of growth drivers: the development of Sandro Men, the e-commerce boom and sales of accessories. At the same time, the Group continued to optimize its network in France, through selective closures and qualitative investments in strategic points of sale.

The **EMEA** region generated sales of €305.5 million in 2018, sharply up by +12.0% at constant exchange rate. The Group recorded a very strong performance in all its strategic market, including the United Kingdom, Spain, Italy and Germany. With 49 new points of sales, 2018 marked a new major step in the Group's expansion in Europe. SMCP opened numerous points of sale in sought-after areas such as London, Venice, Stockholm, Madrid and Munich. At the same time, the Group significantly improved the rate of penetration of its e-commerce sales, with a particularly high level in northern Europe, especially in Germany and in the Netherlands, and made significant progress in southern Europe markets with a lower digital appetite (mainly Spain and Italy).

The **APAC** region generated sales of €202.4 million in 2018, thanks to an exceptional increase of +36.0% at constant exchange rate, compared to 2017. The APAC region was the primary contributor to the Group's growth with an increase of more than €49 million in sales. This very strong performance reflects the growing awareness of the Group's brands in this geographic area, in particular in the Chinese market, and the continued expansion of its network. During this period, the Group opened 59 new points of sale, including 43 in Greater China where the Group is now present on 26 cities, 5 more in mainland China than in 2017. Finally, the Group continued to develop its e-commerce offer by relying on its Chinese partner Tmall and its own websites Sandro, Maje and Claudie Pierlot in mainland China. Within two years, the Group has managed to nearly reach the Group's online penetration level (14.7% of total sales in 2018).

Lastly, the sales for the **Americas** totaled €134.2 million in 2018, i.e., remarkable growth of 30.4% at constant exchange rate compared to 2017. This performance reflects in particular the robust implementation of the digital strategy in the United States, with a penetration rate now firmly entrenched above 25% of sales, the favorable impact of the renovation program for all Bloomingdale's "corners" launched at the end of 2016, and the promising start of the recent opening of free-standing stores. SMCP continued to expand its network with 19 net openings in 2018, including prestigious openings in New York (Rockefeller Center), Miami, Houston, Las Vegas and Vancouver, in addition to the launch of its first online points of sale in Canada with HBC.com.

9.4.1.4 Sales per category of points of sale

	Fiscal year ended December 31	
(In millions of euros)	**2017** *(12 months)*	**2018** *(12 months)*
Free-standing stores	326.1	360.8
Concessions	323.8	342.6
Factory Outlets	70.6	86.7
Affiliates	34.2	21.1
Internet[(1)]	99.7	137.5
Partnerships	58.0	68.4
Total	**912.4**	**1,017.1**

(1) These data include the Group's Internet sales and the Internet sales of the department stores in which the Group operates several concessions. These data do not include online sales of partners. Including online net sales of the partnerships, total online net sales amounted to €149.1 million for fiscal year ended December 31, 2018.

9.4.1.5 Price Policy

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

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

9.4.2 Cost of sales

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

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

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

Cost of sales increased by 12.4%, from €327.3 million for the twelve-month period ended December 31, 2017 to €367.8 million for the fiscal year ended December 31, 2018. Cost of sales as a percentage of sales increased slightly from 35.9% for the twelve-month period ended December 31, 2017 to 36.2% for the fiscal year ended December 31, 2018.

9.4.3 Accounting and management gross margin

Gross margin represents the sum of total sales realized by the Group, net of cost of sales.

The Group uses the gross management margin as an operating indicator, which differs from the accounting gross margin and is calculated before deducting commissions.

Management gross margin and retail margin

The management gross margin corresponds to the sales after deducting rebates and cost of sales only. The accounting gross margin corresponds to the sales after deducting the rebates, the cost of sales and the commissions paid to the department stores and affiliates.

The management gross margin went from €703.6 million for the twelve-month period ended December 31, 2017 to €771.7 million for the fiscal year ended December 31, 2018. The management gross margin thus represented 75.9% of sales for the fiscal year ended December 31, 2018, compared to 77.1% of sales for the twelve-month period ended December 31, 2017. SMCP maintained a high management gross margin demonstrating its resilience in difficult market conditions, particularly in the fourth quarter 2018 because of the impact of the "yellow vests" protests in France and unfavorable weather conditions.

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

The Group's retail margin went from around €338.9 million for the twelve-month period ended December 31, 2017 to around €363.3 million for the fiscal year ended December 31, 2018. The retail margin thus represented 35.7% of sales for the fiscal year ended December 31, 2018, compared to 37.1% of sales for the twelve-month period ended December 31, 2017. This trend mainly reflects the impact of the "yellow vests" demonstrations in France in the fourth quarter of 2018, which led to a lower absorption of fixed costs.

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

	Fiscal year ended December 31	
(In millions of euros)	**2017**	**2018**
Accounting gross margin	**585.1**	**649.3**
Readjustment of the commissions and other adjustments	118.5	122.4
Management gross Margin	**703.6**	**771.7**
Direct costs of points of sale	(364.7)	(408.5)
Retail Margin	**338.9**	**363.3**

Selling, general and administrative expenses

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

Selling, general and administrative expenses recorded by the Group totaled approximately €191.8 million for the fiscal year ended December 31, 2018, and costs approximately €185.2 million for the twelve-month period ended December 31, 2017. As a percentage of sales, these expenses fell significantly, from 20.3% for the twelve-month period ended December 31, 2017 to 18.9% for the fiscal year ended December 31, 2018, thus highlighting the strict control of the Group's administrative and other general expenses, particularly in terms of payroll and external service providers, while maintaining the pace of investments to support future growth. In recent years, the Group has indeed continued its investments to support its growth strategy, particularly in digital, international structures and infrastructures while benefiting from an operational leverage driven by the growth of the Group. The Group has also invested in marketing to increase the visibility of its brands on the international market and online.

9.4.4 Personnel costs

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.

Personnel costs were up 10.8%, from €191.6 million (21.0% of sales) for the twelve-month period ended December 31, 2017 to €212.3 million (20.9% of sales) for the fiscal year ended December 31, 2018. This limited increase reflects the Group's cost control methods implemented in 2018 while continuing to reinforce its staff as a result of the expansion of the network of stores and strengthening of corporate support functions at the headquarters of the brands and the Group.

9.4.5 Other net operating income and expenses

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

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, monitoring fees, travel expenses and IT and telephone costs.

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

For the fiscal year ended December 31, 2018, the other operating income and expenses were up 10.7%, from a net expense of €239.9 million for the twelve-month period ended December 31, 2017 to a net expense of €265.5 million for the fiscal year ended December 31, 2018. This increase was mainly driven by the impact of the growth in Group sales on variable costs and by ongoing efforts made to structure the Group's central and local operations.

9.4.6 Adjusted EBITDA and adjusted EBITDA margin

Adjusted EBITDA is defined by the Group as being the current operating income before depreciation, amortization, provisions and expenses related to the bonus share allocation plan set up in the fourth quarter of 2017 following the initial public offering of the Company in October 2017 (in the amount of €13.4 million in 2018). Adjusted EBITDA is not a standardized accounting measure that meets a single generally accepted definition. It must not be considered as a substitute for operating income, net income, cash flow from operating activities, or as a measure of liquidity. Other companies may calculate adjusted EBITDA differently from the definition used by the Group.

Adjusted EBITDA margin represents adjusted EBITDA divided by sales.

For the fiscal year ended December 31, 2018, adjusted EBITDA totaled €171.5 million, compared to €153.7 million for the twelve-month period ended December 31, 2017, i.e., an increase of 11.6%, in particular driven by strong growth in sales.

Adjusted EBITDA margin increased slightly from 16.8% for the twelve-month period ended December 31, 2017 to 16.9% for the fiscal year ended December 31, 2018. This increase demonstrates the Group's capability to generate profitable growth despite difficult market conditions, especially in the fourth quarter. This performance reflects the robust resilience of management gross margin, good control of store's costs as well as strict control of the cost base (general, administrative and sales expenses) while maintaining a steady investment pace in order to prepare for future growth.

The impact of the bonus share allocation plan set up in the fourth quarter of 2017 following the initial public offering of the Company was €13.4 million. EBITDA was €158.1 million for the fiscal year ended December 31, 2018 compared with €151.8 million for the twelve-month period ended December 31, 2017.

Adjusted EBITDA and adjusted EBITDA margin by brand

	Fiscal year ended December 31	
(In millions of euros)	**2017** *(12 months)*	**2018** *(12 months)*
Adjusted EBITDA	**153.7**	**171.5**
Sandro	78.9	86.3
Maje	60.9	70.8
Claudie Pierlot	13.8	14.4
Adjusted EBITDA margin	**16.8%**	**16.9%**
Sandro	17.3%	17.2%
Maje	17.8%	18.1%
Claudie Pierlot	12.2%	11.5%

Sandro

The adjusted EBITDA of the *Sandro* brand amounted to €86.3 million in 2018, up by 9.3% in reported data compared to 2017.

The brand’s adjusted EBITDA margin went from 17.3% for the twelve-month period ended December 31, 2017 to 17.2% for the fiscal year ended December 31, 2018. A relatively stable performance mainly reflecting the impact of the unfavorable weather conditions in the first and fourth quarter of 2018.

Maje

The adjusted EBITDA of the *Maje* brand amounted to €70.8 million in 2018, up by 16.1% in reported data compared to 2017.

The brand’s adjusted EBITDA margin went from 17.8% for the twelve-month period ended December 31, 2017 to 18.1% for the fiscal year ended December 31, 2018. This change reflects the sharp growth in sales, in particular in the APAC region, driven by the positive effect of all the initiatives launched for its 20th anniversary celebrations. This sharp improvement also reflects the steady growth of e-commerce as well as a pre-collection offering adapted to the unfavorable weather conditions.

Claudie Pierlot

The adjusted EBITDA of the *Claudie Pierlot* brand amounted to €14.4 million in 2018, up by 4.4% in reported data compared to 2017.

The brand’s adjusted EBITDA margin went from 12.2% for the twelve-month period ended December 31, 2017 to 11.5% for the fiscal year ended December 31, 2018. Considering its strong exposure to the French market, Claudie Pierlot was the most impacted by the extremely difficult market conditions in the fourth quarter, during the “yellow vests” demonstrations.

9.4.7 Change from adjusted EBITDA to net profit attributable to owners of the Company

(In millions of euros)	*Fiscal year ended December 31* **2017** *(12 months)*	**2018** *(12 months)*
Adjusted EBITDA	**153.7**	**171.5**
Depreciation, amortization and impairment	(35.0)	(36.1)
Bonus shares allocation plan	(1.9)	(13.4)
Other non-current income and expenses	(46.7)	(12.5)
Operating profit	**70.1**	**109.5**
Cost of net debt	(68.1)	(18.0)
Other financial income and expenses	(1.8)	(1.4)
Financial income	**(69.9)**	**(19.4)**
Profit/(loss) before tax	**0.2**	**90.1**
Income tax expense	6.1	(39.9)
Net profit for the period	**6.3**	**50.2**
Group share	6.3	50.2
Of which non-controlling interests	-	-

9.4.7.1 Depreciation, amortization and impairment

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.

For the fiscal year ended December 31, 2018, amortization and provisions amounted to €36.1 million (i.e. 3.6% of sales) versus €35.0 million (i.e. 3.8% of sales) for the twelve-month period ended December 31, 2017.

9.4.7.2 Bonus shares allocation plan

SMCP recorded an expense of €-13.4 million linked to the bonus shares allocation plan for the fiscal year ended December 31, 2018, compared to an expense of €-1.9 million for the twelve-month period ended December 31, 2017. The bonus share plan was set up in the fourth quarter of 2017 following the initial public offering of the Company in October 2017. This expense is mostly without a “cash” effect.

9.4.7.3 Current operating income

Current operating income was up 4.4%, increasing from €116.8 million for the twelve-month period ended December 31, 2017 to €122.0 million for the fiscal year ended December 31, 2018.

9.4.7.4 Other non-current 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 item represents (i) the costs incurred at the acquisition or creation of new entities; (ii) any provisions for impairment of brands, lease rights and *goodwill*, and any profits or losses recognized on the disposal of non-current assets when they are significant; (iii) the costs of capital transactions, the expenses incurred for disputes, or any other non-recurring income or expense, including the bonus share allocation plan established in the context of the Shandong Ruyi acquisition of the Group in October 2016, which the Group presents separately in order to facilitate understanding of current operating performance and to give the reader useful elements to provisionally assess results.

Other non-recurring income and expenses changed from a net expense of €46.7 million for the twelve-month period ended December 31, 2017 to a net charge of €12.5 million for the fiscal year ended December 31, 2018, i.e., a decrease of €34.2 million in non-recurring expenses. For the twelve-month period ended December 31, 2017, other non-recurring expenses included the costs linked to the initial public offering (€41.9 million). Excluding 2017 costs linked to the IPO, other non-recurring expenses increased by €7.7 million. This increase is mainly due to a provision for the rental costs of three loss-making points of sale in the United States, opened between 2011 and 2014.

9.4.7.5 Financial income

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

For the fiscal year ended December 31, 2018, net financial cost amounted to an expense of €19.4 million compared to an expense of €69.9 million for the twelve-month period ended December 31, 2017 (including early repayment penalties).

The financial expense for the twelve-month period ended December 31, 2017 included expenses linked to the initial public offering, for an amount of €40.5 million. Excluding these expenses, the sharp decrease in financial expenses, from €29.5 million in 2017 to €19.4 million in 2018, reflects the continued deleveraging of the Group.

9.4.7.6 Profit/(loss) before tax and income tax

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.

Profit before tax was up €89.9 million, from an income of €0.2 million for the twelve-month period ended December 31, 2017 to an income of €90.1 million for the fiscal year ended December 31, 2018.

The Group's income tax went from a net income of €6.1 million for the twelve-month year ended December 31, 2017 to an expense of €39.9 million for the fiscal year ended December 31, 2018. Income tax for the fiscal year ended December 31, 2018 represented a Corporate Income Tax rate of 41.1% excluding the French trade tax (CVAE).

9.4.7.7 Net profit attributable to owners of the Company

As a result of the factors described above, the Group's net profit rose from €6.3 million for the twelve-month period ended December 31, 2017 to €50.2 million for the fiscal year ended December 31, 2018.

9.4.8 Change from net profit attributable to owners of the Company to Net Earnings Per Share (NEPS)

	Fiscal year ended December 31	
	2017 *(12 months)*	**2018** *(12 months)*
Net profit/(loss) – Group share *(€ millions)*	**6.3**	**50.2**
Average number of shares		
Before dilution [(1)]	422,907,460	73,091,198
After dilution [(2)]	422,930,271	78,666,510
NEPS *(in euros)*		
Before dilution	0.015	0.687
After dilution	0.015	0.638

(1) Average number of common shares in 2018, minus existing treasury shares held by the company.

(2) Average number of common shares in 2018, less treasury shares held by the company and plus the common shares that may be issued in the future. These include the conversion of the class G preferred shares (5,072,914 shares) and the bonus performance shares (LTIP) which are prorated on the performance criteria reached at December 31, 2018 (24% of the number of distributed shares, i.e., 502,399 shares).

10. THE GROUP'S LIQUIDITY AND CAPITAL

10.1 Overview

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

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

Pursuant to Article 28-1 of Regulation (EC) No. 809/2004, the Group's information on its cash and capital for the twelve-month period and the twenty-month fiscal year ended December 31, 2017 provided in Chapter 10 "The Group's Liquidity and Capital" of the 2017 Registration Document and for the fiscal year ended December 31, 2016 provided in Chapter 10 "The Group's Liquidity and Capital" of the Basic Document are included by reference in this Registration Document.

10.2 Financial resources and financial liabilities

10.2.1 Overview

During the reporting period ended December 31, 2018, the Group primarily relied on the following sources of financing: (i) cash, consisting mainly of the net cash flows from operating activities, and (ii) debt, which consists essentially of the 2023 Bonds (see Section 10.2.2.2 of this Registration Document), the Credit Facility Agreement (see Section 10.2.2.1 of this Registration Document), direct loans from banks and other lenders and short-term bank credit lines.

10.2.2 Financial liabilities

The Group's financial liabilities were €320.5 million and €332.4 million, respectively, at December 31, 2018 and December 31, 2017.

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

	Fiscal year ended December 31		
(In millions of euros)	**2018**	**2017**	**2016** *pro forma*
Loans	**174.2**	**192.3**	**758.6**
Bonds	174.2	192.3	453.1
PIK Shareholder Loan			305.5
Bank overdrafts and short-term financial debt	**7.2**	**6.5**	**1.2**
Other loans and borrowings	**139.1**	**133.6**	**0.1**
Short-term financial debt	138.9	133.6	-
Other loans and long term financial debt	0.2	0	0.1
Financial liabilities	**320.5**	**332.4**	**759.9**

The table below shows the Group's adjusted net debt/EBITDA ratio for the twelve-month periods ended December 31, 2018 and December 31, 2017.

	Fiscal year ended December 31		
(In millions of euros)	**2018** ***(12 months)***	**2017** ***(12 months)***	**2016** *pro forma*
Adjusted EBITDA	171.5	153.7	129.6
Financial liabilities	**320.5**	**332.4**	**759.9**
Cash and cash equivalents	46.5	40.4	57.3
Net financial debt	**274.0**	**292.0**	**702.6**
Net financial debt/EBITDA	**1.6**	**1.9**	**3.1x**

As of December 31, 2018, the Group's adjusted net debt including the rent multiplier [31] / EBITDAR [32] ratio was 2.95, compared with 3.1x at December 31, 2017.

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

10.2.2.1 Credit Facility Agreement

On October 23, 2017, at the time of its initial public offering, the Group signed a new "*Senior Facility Agreement*", (the "**Credit Facility Agreement**") a multi-currency revolving credit in the amount of €250 million (with the possibility of drawing Additional Credit amounts under certain conditions), for a maturity period of 60 months, with a pool of international banks (the "**Lenders**") for the benefit of SMCP Group S.A.S. and, as applicable, other Group subsidiaries participating in the Credit Facility Agreement as borrowers.

10.2.2.1.1 Credit Facility

The Credit Facility Agreement provides for a revolving credit facility in a total amount of €250 million, which may be drawn down in the form of cash advances, bank guarantees, on a bilateral basis (if applicable), or ancillary borrowings (which may take the form of overdrafts, current accounts, letters of credit, bank guarantees, short-term credit facilities or export facilities) (the "**Credit Facilities**"). The Credit Facility will be available in euros, pounds sterling, US dollars, or any other readily available currency that is freely convertible to euros. The Credit Facility will be available for a term of 60 months from the date of first use of the Credit, in order to (i) refinance any Group debts, (ii) finance expenses associated with the Group's initial public offering and (iii) finance or refinance, directly or indirectly, the Group's general operating needs and/or its working capital requirements (including any investments).
On the date of signing the Credit Agreement, SMCP Group S.A.S. was the sole borrower; it was specified that other members of the Group may join in this capacity, provided they meet certain customary conditions, and are registered in France, the United Kingdom, Luxembourg, or the Netherlands, or are approved by all relevant lenders. On the date of this Registration Document, SMCP Group S.A.S. remains the sole borrower under this agreement.

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

10.2.2.1.2 Interest and fees

The loans contracted under the Credit Agreement will bear interest at a variable rate indexed to the EURIBOR for advances in euros, and to the LIBOR for advances in a currency other than the euro, plus the applicable margin in each case. The applicable margin was initially set at

(31) The rent multiplier is equal to five times the amount of "rents and rental expenses" for the reference period, as defined in the methodology of Moody's Investors Service, Inc. for retail players. The Group's rents and rental expenses amounted to €113,011 million for the year ended December 31, 2018 and €100,128 thousand for the twelve-month period ended December 31, 2017.

(32) EBITDAR represents EBITDA after deducting "rents and rental fees" for the relevant period. EBITDAR for the year ended December 31, 2018 was €284.5 million and €253.8 million for the twelve-month period ended December 31, 2017.

2.50% per annum, with a ratchet mechanism upwards or downwards. It dropped to 2% in May 2018 after the publication of consolidated financial statements of December 31, 2017.

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

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

The margin applicable to an Additional Facility will be set out in an agreement between the Group and the lenders of such Additional Facility, provided that any Additional Facility drawn during the first 12 months following the first utilization of the Facility, the average weighted margin for all Additional Credit 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 credit facilities.

10.2.2.1.3 Guarantees and securities

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

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

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

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

10.2.2.1.4 Undertakings and covenants

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

- mergers (with the exception of mergers that do not involve the Company itself);
- incurring additional financial debt;
- assets disposals;

- changing the nature of the Group's business,

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

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

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

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

10.2.2.1.5 Voluntary early repayment

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

10.2.2.1.6 Mandatory early repayment

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

10.2.2.1.7 Acceleration events

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

10.2.2.2 2023 Bonds

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

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

In May 2018, the Group partially redeemed the 2023 Bonds for €20,034 million; on the date of registration of this Registration Document, the remaining principal of the 2023 bonds amounted to €180,306 million.

Lastly, the Group plans to repay the balance of the 2023 Bonds in 2019, at the applicable redemption prices set out in the issue contract, using, for all or a portion of these redemptions, draws on credit lines available under the Facility Agreement.

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

10.2.2.3 Intercreditor Agreement

On May 18, 2016, the Company, as subordinated creditor, signed an English document titled "*Intercreditor Agreement*" with Wilmington Trust, National Association as Trustee of the 2023 Bonds, SMCP Group S.A.S. as issuer of the 2023 Bonds and borrower under the Credit Facility Agreement, and Wilmington Trust (London) Limited as Security Agent (hereinafter, as amended, the "**Intercreditor Agreement**") for a maturity period of 60 months. The Intercreditor Agreement is governed by English law. The rights of the lenders under the Credit Agreement, and the rights and obligations of the Company, SMCP Group S.A.S. and its subsidiaries that are party to the Credit Agreement are also governed by the Intercreditor Agreement.

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

The Intercreditor Agreement governs the following:

- the ranking of borrowers' debt (including SMCP Group S.A.S. and its subsidiaries) under the Credit Agreement and the 2023 Bonds with respect to their lenders;
- the relative ranking of certain security interests granted by various members of the Group for the 2023 Bonds and the Credit Facility Agreement;
- the conditions and periods in which various payments can be made for various debts and payment obligations of the members of the Group, specifically under the Credit Facility Agreement and the 2023 Bonds;
- the periods during which measures and procedures (including any declaration of acceleration or other repayment demands) may be taken under such financing, such security interests, or such debtors;
- the conditions under which certain receivables will be subordinated to others in the case of certain insolvency proceedings;
- the obligation to pay to the security agent, for redistribution using the agreed-upon distribution procedures and, taking into account the rules and principles described above, certain payments received in the event of insufficient funds available, insolvency proceedings or enforcement of such security interests; and
- under what conditions certain security interests and/or guarantees of various members of the Group shall be discharged, or rights against members of the Group shall be transferred to third parties to facilitate the enforcement of such security interests.

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

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

10.3.1 Capital expenditure

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

For the twelve-month period ended December 31, 2018, capital expenditure totaled €56.3 million (including €7.8 million of expenditure for the renovation of existing points of sale, €15.5 million for infrastructure expenditure and other items, and €33 million to open new points of sale) (see Section 5.2 of this Registration Document).

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 maintenance expenses, investments in shared infrastructure, logistics and digital).

Group capital expenditure for the twelve-month period ended December 31, 2017, totaled €48.9 million (including €8.8 million of expenditure for the renovation of existing points of sale, €12.1 million for infrastructure expenditure and other items, and €28 million to open new points of sale) (see Section 5.2 of this Registration Document).

10.3.2 Payment of interest and repayment of loans

A significant part of the Group's cash flow is allocated to servicing and reimbursing its debt. The Group paid interest of €16.0 million (including €0.6 million in penalties) for the year ended December 31, 2018, compared with €37.3 million (including €9.3 million in early redemption penalties) during the twelve-month period ended December 31, 2017. In addition, it repaid borrowings in the amount of €20 million during the period ended December 31, 2018, and €270.7 million for the twelve-month period ended December 31, 2017.

10.3.3 Financing the working capital requirement

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

The change in working capital for the year ended December 31, 2018 was €(66.2) million and was impacted by the amount of €(18.7) million for exceptional items (including €14.1 million for the Company's IPO and bonus preferred shares). Adjusted for these items, the change in working capital requirement amounted to €(47.5) million at December 31, 2018. The change in working capital for the twelve-month year ended December 31, 2017 €(59.3) million and was impacted by the amount of €(17.5) million for exceptional items (including €15.3 million for the Company's IPO and bonus preferred shares). Adjusted for these items, the change in working capital requirement amounted to €(41.8) million at December 31, 2017.

10.4 Consolidated cash flow

The table below summarizes the Group's cash flow for the year ended December 31, 2018 and for the twelve-month period ended December 31, 2017:

	Fiscal year ended December 31	
(In millions of euros)	**2018** *(12 months)*	**2017** *(12 months)*
Net cash flow from operating activities	92.6	81.2
Net cash flow used in investing activities	(56.3)	(48.9)
Net cash flow from financing activities	(31.3)	(50.4)
Net currency translation adjustments	0.2	(1.7)
Change in net cash and cash equivalents	5.2	(19.8)
Net cash and cash equivalents at the beginning of the period	36.3	56.1
Net cash and cash equivalents at the end of the period	41.5	36.3

Evolution of free cash flow

The Group's free cash flow[33] after tax amounted to €36.3 million for the year ended December 31, 2018 (including €14.1 million in exceptional costs related to the IPO) and €32.3 million for the twelve-month period ended December 31, 2017.

(33) Available cash flow is defined as the net cash flow linked to operating activities as well as net cash flows from investing activities.

10.4.1 Net cash flow from operating activities

The following table sets out the Group's net cash flow from operating activities for the year ended December 31, 2018 and the twelve month period ended December 31, 2017:

	Fiscal year ended December 31	
(In millions of euros)	**2018** *(12 months)*	**2017** *(12 months)*
Profit (loss) before tax	90.1	0.2
Adjusted EBITDA	171.5	153.7
Non-current items paid	(18.7)	(17.5)
Change in working capital	(47.5)	(41.8)
Income tax refunded/(paid)	(12.7)	(13.1)
Net cash flow from operating activities	**92.6**	**81.2**

Net cash flow from operating activities was €92.6 million for the year ended December 31, 2018, compared with €81.2 million for the twelve-month period ended December 31, 2017, which reflects the Group's cash-generating ability.

The change in working capital had an impact of €(47.5) million on the generation of cash flow for the year ended December 31, 2018, compared with €(41.8) million impact on cash flow for the twelve-month period ended December 31, 2017.

Income tax paid for the year ended December 31, 2018 represented an outflow of €12.7 million and a net outflow of €13.1 million for the twelve-month period ended December 31, 2017.

10.4.2 Net cash flow used in investing activities

The following table sets out the Group's net cash flow used in investing activities for the twelve-month periods ended December 31, 2017 and the year ended December 31, 2018.

	Fiscal year ended December 31	
(In millions of euros)	**2018** *(12 months)*	**2017** *(12 months)*
Purchases of property, plant and equipment and intangible assets	(53.2)	(47.1)
Sales of property, plant, equipment and intangible assets	1.0	0.1
Purchases of financial instruments	(5.6)	(4.3)
Proceeds from sales of financial instruments	1.5	2.4
Purchases of subsidiaries net of cash acquired	-	-
Net cash flow used in investing activities	**(56.2)**	**(49.0)**

Net cash flow used in investing activities was €(56.3) million for the year ended December 31, 2018 and €(49) million for the twelve-month period ended December 31, 2017.

The acquisition flow for property, plant and equipment and intangible assets totaled €(53.2) million for the year ended December 31, 2018 and €(47.1) million for the twelve-month period ended December 31, 2017, reflecting the new points of sale opened and the renovation of existing points of sale.
Cash flow from the purchase and disposal of financial instruments includes the use of hedging instruments for purchases and sales of the spring/summer collections to mitigate the risk of exchange rate fluctuations, as well as guarantee deposits paid at the signing of some points of sale. Acquisitions of financial instruments amounted to €(5.6) million for the year ended December 31, 2018, and €(4.3) million for the twelve-month period ended December 31, 2017.

The Group also disposed of intangible assets for €1 million during the year ended December 31, 2018 and €0.1 million for the twelve-month period ended December 31, 2017.

10.4.3 Net cash flow from financing activities

The following table sets out the Group's net cash flow used in financing activities for the year ended December 31, 2018 and 2017.

	Fiscal year ended December 31	
(In millions of euros)	**2018** *(12 months)*	**2017** *(12 months)*
Capital increases		127.0
Purchases and resale of treasury shares	-	(0.7)
Change in long-term borrowings and debt	(20.0)	(270.7)
Change in short-term borrowings and debt	5.0	132.5
Other financial income and expenses	(0.3)	(1.0)
Interest paid	(16.0)	(37.3)
Net cash flow from financing activities	**(31.3)**	**(50.4)**

Net cash flow from financing activities represented a net outflow of €31.3 million during the year ended December 31, 2018 and €50.4 million for the twelve-month period ended December 31, 2017.

The change in long-term financial liabilities reflects the partial redemption of the 2023 Bonds amounting to €(20) million during the year ended December 31, 2018 and €(270.7) million during the twelve-month period ended December 31, 2017. Financial interest paid for the fiscal year ended December 31, 2018 was €(16) million, compared with €(37.3) million for the twelve-month period ended December 31, 2017.

11. RESEARCH AND DEVELOPMENT, PATENTS AND LICENCES

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

The Group holds a portfolio of approximately 227 trademarks registered worldwide, notably for the names “Sandro”, “Maje” and “Claudie Pierlot”.

The Group also has a portfolio of approximately 462 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, 2018 is provided in Chapter 9 "Review of the Group's' financial position and results" of this Registration Document.

12.2 Medium term outlook

The objectives and trends presented below are based on data, assumptions and estimates, including economic prospects, which the Group considers to be reasonable as of the date of registration of this Registration Document.

The outlook and objectives which are based on the Group's strategic goals do not constitute forecast data or estimates of the Group's profit. The figures, data, assumptions, estimates and objectives presented below may change over time or be modified in an unpredictable way due to, among other factors, changes in the economic, financial, competitive, legal, regulatory, accounting and tax environment, or on the basis of other factors unknown to the Group as of the date of this Registration Document.
In addition, if any of the risks described in Chapter 4 "Risk Factors" of this Registration Document were to occur, they could have a material adverse effect on the Group's business, financial position, market position, results or outlook, and could therefore jeopardize its ability to achieve the objectives presented below.

Moreover, the achievement of these objectives implies the success of the Group's strategy.

Therefore, the Group cannot give any assurance or guarantee that it will achieve the objectives described in this Section.

These estimates do not include the impact of the long-term management incentive programs described in Section 15.1.4 of this Registration Document and the application of IFRS 16, effective from January 1, 2019.

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 by 2020 its dynamic growth strategy for 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 Men;
- 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).

The Group confirmed its medium-term objectives (2020) announced during its IPO in 2017 with the opening of 80 to 90 new points of sales (excluding partnerships) per year and an average annual growth rate of its consolidated sales stabilizing around 11% to 13% at constant exchange rate over the 2018-2020 period.

The Group is also aiming to improve its EBITDA margin rate by 100 basis points by 2020 (over 2016), due to the favorable impact of growth internationally and in online sales, as well as improving operational efficiency in administrative and selling expenses, which will however be partially offset by increased marketing expenditures in order to penetrate new markets.

In terms of capital expenditure, the Group intends to reach total annual capital expenditure of around 6.0% of sales over the 2019 and 2020 period.

The Group also intends to refinance the 2023 Bonds in 2019 and will plan a dividend distribution when the changes in its financing structure have been made.

13. PROFIT FORECASTS

The forecasts for the fiscal year ended December 31, 2019 presented below are based on data, assumptions and estimates that the Group considers reasonable on the date of registration of this Registration Document. These data and assumptions may change or be modified because of uncertainties related in particular to the economic, financial, accounting, competitive, tax and regulatory environment or as a result of other factors unknown to the Group on the date of registration of this Registration Document. In addition, the production of various risks described in Chapter 4 of this Registration Document, "Risk Factors", may have an impact on the activities, position and financial results of the Group and its ability to achieve its objectives. Moreover, the achievement of these forecasts implies the success of the Group's strategy. Therefore, the Group is making no commitment or guarantee that it will achieve the forecasts described in this Section.

The forecasts presented below and the assumptions underlying them were established in accordance with the provisions of Regulation (EC) N°809/2004, as amended, and ESMA recommendations on forecasts.

13.1 Assumptions

The Group has developed its forecasts for the fiscal year ended December 31, 2019 in accordance with the accounting methods applied in the Company's consolidated financial statements for the fiscal year ended December 31, 2018.

These forecasts are based primarily on the following assumptions for the period ended December 31, 2019:

- market developments in France and internationally in line with the trends presented in Section 6.4 of this Registration Document;
- the continued attractiveness of each of the Group's brands and their performance in the geographical areas where the Group is present;
- the continued dynamic expansion of the Group's points of sale network;
- the continued implementation of the Group's strategy, as described in Section 6.3 of this Registration Document;
- continued control over the Group's selling general and administrative expenses;
- the absence of any significant change in the Group's accounting policies; and
- the absence of any significant change in the regulatory and fiscal environment existing on the date of registration of this Registration Document.
- Furthermore, the adjusted EBITDA margin target does not take into account the impact of the application of the IFRS 16, effective as of 2019 fiscal year.

13.2 Group consolidated financial statements for the period ended December 31, 2019

Positioned in one of the fastest-growing segments, SMCP will pursue its strategy, drawing on powerful growth levers and strong fundamentals.

Based on a unique business model, blending the codes of luxury and fast fashion with its retail pure player profile, SMCP is today well positioned to continue to capture all growth opportunities both on the organic side by increasing its core business and expanding accessories, menswear and digital, and through store expansions with still plenty of white space.

In 2019, market conditions are expected to remain volatile with regards to trade policy, geopolitical uncertainties and fluctuations in exchange rates. In this context, SMCP will remain focused on its 2019 key priorities: driving retail excellence, accelerating its digital journey and strengthening its international platform to support growth opportunities. SMCP will continue to ensure a perfect execution of its roadmap, managing its resource allocations to support future growth.

On the basis of the assumptions described below, for 2019, SMCP is targeting a sales growth ranging between +9% and +11% at constant currency, and a stable adjusted EBITDA margin rate [34] compared to the fiscal year ended December 31, 2018.

[34] Adjusted EBITDA is defined by the Group as being the current operating income before depreciation, amortization, provisions and expenses related to the bonus share allocation plan set up in the fourth quarter of 2017 following the initial public offering of the Company in October 2017. This guidance is disclosed without taking into account impact of the application of IFRS 16, effective as of fiscal year 2019.

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

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

(a) Board of Directors

The following table lists the members of the Board of Directors on the date of registration of this Registration Document, as well as the principal offices and positions held by the Board members in the last five years.

First and last name	Nationality	Expiration date of the term of office	Principal duty performed for the Company	Principal terms of office and duties performed outside the Company during the past five years
Yafu Qiu[(1)]	Chinese	Shareholders' meeting called to approve the financial statements for the year ended December 31, 2020	Chairman of the Board of Directors	Offices and positions held on the registration date of this Registration Document: *Within the Group:* None *Outside the Group:* Chairman of the Shandong Ruyi Group Trinity Limited – member of the Board of Directors Positions and offices held during the past five years that are no longer held: *Within the Group:* None *Outside the Group:* None

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
Daniel Lalonde	Canadian	Shareholders' meeting called to approve the financial statements for the year ended December 31, 2020	Chief Executive Officer and Director	Offices and positions held on the registration date of this Registration Document: *Within the Group:* SMCP Holding S.A.S. – Chairman Claudie Pierlot SAS – Chairman, 341 SMCP SAS – Chairman, SMCP Logistique SAS – Chairman SMCP Deutschland GmbH – Managing Director SMS Holding SA – *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*, SMCP ASIA Ltd. (HK) – *Director*, SMCP Hong Kong Limited – *Director* SMCP Shanghai Trading Co. Ltd. – *Direct*or SMCP Retail East Coast Inc. –*Director* SMCP Retail West Coast Inc. – *Director* AZ Retail – *Director* SMCP Portugal – *Managing Director* SMCP Sweden – Chairman and member of the Board of Directors Trinity Limited – member of the Board of Directors *Outside the Group:* INSEAD – Member of the Board of Directors Puig – Member of the Board of Directors Positions and offices held during the past five years that are no longer held: *Within the Group:* None *Outside the Group:* None

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
Evelyne Chétrite	French	Shareholders' meeting called to approve the financial statements for the year ended December 31, 2020	Deputy Chief Executive Officer and Director	Offices and positions held on the registration date of this Registration Document: *Within the Group:* Sandro Andy SAS – Chairman: Evelyne Chétrite SASU, managed by Evelyne Chétrite *Outside the Group:* Eve Art - Chairman EDID – Manager Evelyne Chétrite SAS – Chairman Grand Chene - Manager Petite Princesse - Manager Hessed – Manager Sagesse – Manager Kemisi – Co-Manager Kismi – Co-Manager Maison Blanche – Co-Manager SIVAN SAS – Chairman Fonds TAL – Chairman JOIE S.à.r.l. – Co-Manager ARCHIVES SAS – Chairman 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 the Group:* None

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
Judith Milgrom	French	Shareholders' meeting called to approve the financial statements for the year ended December 31, 2020	Deputy Chief Executive Officer and Director	Offices and positions held on the registration date of this Registration Document: *Within the Group:* Maje SAS – Judith Milgrom SAS - Chairman, represented by Judith Milgrom *Outside the Group:* SC SAVA – Manager SC SHMIL - Manager SC AVANA: Co-manager SCI MAJ - Co-manager SCI MAIL – Manager; SCI J&A - Co-manager JUDITH MILGROM SAS - Chairman Fonds TODA - Chairman Judor Investissements SAS - Chairman HARMONY SAS - SAVA Chairman, represented by Ms Judith Milgrom SCI PALOMA 2011- Co-managing partner Positions and offices held during the past five years that are no longer held: *Within the Group:* Maje Stores Ltd - Director MajBel SA (Belgique) – Director Duke Fashion - Director Maje Suisse SA - Director SMCP USA Inc. - Director Co-manager of Maje Boutique Maje SAS – Chairman Groupe SMCP SAS – CEO Maje Spain SL – Director *Outside the Group:* SCI A&J – Co-Manager SC AMJM – Co-Manager
Weiying Sun(1)	Chinese	Shareholders' meeting called to approve the financial statements for the year ended December 31, 2020	Director	Offices and positions held on the registration date of this Registration Document: *Within the Group:* None. *Outside the Group:* Vice Chairman of Shandong Ruyi Technology Group Co., Ltd. Trinity Limited – member of the Board of Directors Positions and offices held during the past five years that are no longer held: *Within the Group:* None *Outside the Group:* None
Chenran Qiu(1)	Chinese	Shareholders' meeting called to approve the financial statements for the year ended December 31, 2020	Deputy Chief Executive Officer and Director	Offices and positions held on the registration date of this Registration Document: *Within the Group:* None *Outside the Group:* Vice Chairman and Executive President, Shandong Ruyi Technology Group Director, Renown Incorporated Trinity Limited – member of the Board of Directors Positions and offices held during the past five years that are no longer held: *Within the Group:* None *Outside the Group:* None

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
Xiao Su[(1)]	Chinese	Shareholders' meeting called to approve the financial statements for the year ended December 31, 2020	Director	Offices and positions held on the registration date of this Registration Document: *Within the Group:* None *Outside the Group:* Chairman, Shandong Ruyi Technology Group Director, Shandong Ruyi Woolen Garment Group Director, Aquascutum Holdings Limited Positions and offices held during the past five years that are no longer held: *Within the Group:* None *Outside the Group:* None
Kelvin Ho[(1)(2)]	Chinese	Shareholders' meeting called to approve the financial statements for the year ended December 31, 2020	Director	Offices and positions held on the registration date of this Registration Document: *Within the Group:* None *Outside the Group:* Chief Strategy Officer de Shandong Ruyi Technology Group Co., Ltd President of Ruyi International Fashion (China) Financial Investment Holding Group Limited Executive Director of Trinity Limited Chief Strategy Officer of Trinity Limited Positions and offices held during the past five years that are no longer held: *Within the Group:* None *Outside the Group:* None
Orla Noonan	Irish	Shareholders' meeting called to approve the financial statements for the year ended December 31, 2020	Independent Director	Offices and positions held on the date of this Registration Document: *Within the Group:* None *Outside the Group:* Chairman of the Board of Directors, Adevinta Independent Director of Iliad SA Chairman of Knightly Investments Independent Director of Schibsted Media Group Positions and offices held during the past five years that are no longer held: *Within the Group:* None *Outside the Group:* Chief Executive Officer and member of the Board of Directors of AB Group Director of AB Entertainment Director of RTL9 Chairman of Team Co
Fanny Moizant	French	Shareholders' meeting called to approve the financial statements for the year ended December 31, 2020	Independent Director	Offices and positions held on the date of this Registration Document: *Within the Group:* None *Outside the Group:* Co-founder and Chairman of Vestiaire Collective Positions and offices held during the past five years that are no longer held: *Within the Group:* None *Outside the Group:* None

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
Patrizio di Marco	Italian	Shareholders' meeting called to approve the financial statements for the year ended December 31, 2020	Independent Director	Offices and positions held on the date of this Registration Document: *Within the Group:* None *Outside the Group:* Director – Dolce & Gabbana Chief Executive Officer of Golden Goose Positions and offices held during the past five years that are no longer held: *Within the Group:* None *Outside the Group:* Gucci (Groupe Kering) – Chairman-Chief Executive Officer and member of the Executive Committee
Dajun Yang	Chinese	Shareholders' meeting called to approve the financial statements for the year ended December 31, 2020	Independent Director	Offices and positions held on the date of this Registration Document: *Within the Group:* None *Outside the Group:* UTA International Brand Inv. Management Co. Ltd. – Chairman and Chief Executive Officer Positions and offices held during the past five years that are no longer held: *Within the Group:* None *Outside the Group:* UTA Fashion Management Group – Chairman-Chief Executive Officer
Lauren Cohen	French	Shareholders' meeting called to approve the financial statements for the year ended December 31, 2021	International Development Manager - Director representing employees	Offices and positions held on the registration date of this Registration Document: *Within the Group:* International Development Manager - Director representing employees *Outside the Group:* Chairman of Equerre Conseil Positions and offices held during the past five years that are no longer held: *Within the Group:* International Store Planning Manager – Works Committee Secretary *Outside the Group:* CFO/Associate of Laplace Le Chemin de La Propriété

(1) Director appointed by the Shandong Ruyi Group.

(2) Mr. Ho was co-opted by the Board Meeting of March 20, 2019, at the proposal of the Shandong Ruyi group, on the recommendation of the Nominations and Compensation Committee of March 19, 2019, to replace Francis Srun, who had resigned, for the outstanding term of his office, i.e., until the Shareholders' Meeting convened to approve the financial statements for the fiscal year ended December 31, 2020. The Company's Annual General Meeting of Shareholders scheduled for June 7, 2019 will be required to give its opinion on the ratification of this co-optation.

(3) Mrs. Cohen was appointed by the Board Meeting of November 20, 2018 as the director representing employees.

Biographical Information about the Members of the Board of Directors

Yafu Qiu, 61, holds an EMBA from the University of Tsinghua (China), a master in textile industry management from the University of Donghua and a Bachelor's in textile industry from the University of Donghua (China). Qiu also holds a degree in Engineering Technology Application and has received, as an expert, the Special Government Allowances of the State Council. Mr. Qiu has more than 40 years of textile industry experience and has been 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 was ranked as one of the ten most influential figures 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, 55, holds an MBA from INSEAD and a Bachelor's degree in Mathematics from the University of Waterloo in Ontario (Canada). He became Chairman of the Group in April 2014 on the basis of his extensive experience with major international groups in Europe and North America. He began his management career as the President and Chief Executive Officer of Nespresso North America and then as Global Deputy Chief Executive Officer of Nestlé Nespresso. He then joined the LVMH Group, spending ten years there, firstly as President and Chief Executive Officer of LVMH Watches & Jewelry North America, and then as President and Chief Executive Officer of Louis Vuitton North America. He then took over at Moët & Chandon/Dom Pérignon Monde as President and Chief Executive Officer. His most recent post before joining the Group was as International President of Ralph Lauren Corporation, New York. Mr. Lalonde is also a member of the Board of Directors of INSEAD. Mr. Lalonde is Chief Executive Officer and a member of the Board of Directors of the Company.

Evelyne Chétrite, 61, studied law at the University Paris 1 Panthéon-Sorbonne. Passionate about fashion and styling, Ms. Chétrite created the Sandro brand in 1984 with her husband Didier Chétrite. The first store opened in 2004 in the heart of the Marais district of Paris. Under the creative impetus and vision of Ms. Chétrite, Sandro quickly became a leading brand in the market ready-to-wear. Since the creation of the brand, Ms. Chétrite creates and directs Sandro collections as creative director. In addition to these operational duties, Ms. Chétrite, who served for many years as Chairman of the Group, is currently a member of the Board of Directors, and Executive Vice President of the Company charged with the design and marketing strategy of Sandro and Claudie Pierlot.

Judith Milgrom, 54, worked for many years in creation and design, passionate about fashion and style. With this experience, Ms. Milgrom founded Maje in 1998, for which she creates and directs the collections since the creation of the brand. Maje opened its first shop in Paris in 2003 and quickly became a leading brand in the ready-to-wear market. Ms. Milgrom is currently artistic director of Maje. In addition to these operational duties, Judith Milgrom is currently a member of the Board of Directors and Executive Vice President of the Company charged with the design policy and the marketing strategy of Maje and Claudie Pierlot.

Weiying Sun, 48, 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 *Vice President* and *Chief Executive Officer* of Shandong Ruyi Technology Group Co., Ltd. She is also a member of the Board of Directors of Renown Japan, Cubbie Station and Hong Kong Forever Winner International Development Limited.

Chenran Qiu, 38, holds a Master's from the University of Manchester (United Kingdom) and a Bachelor's degree from the University of Suzhou in China. Ms. Qiu is currently Vice Chairman and Executive President of Shandong Ruyi Technology Group and a member of the Board of Directors of Renown Incorporated. Ms. Qiu is currently in charge of the development of the Ruyi brand and of the international investments. Ms. Qiu received several awards in the industry sector, such as the "Fashion Innovation Award" of the China National Garment Association and the "Brand Builder" award of the Shandong region.

Xiao Su, 43, holds a Master's degree from the University of Tsinghua in China. She has been working within the Shandong Ruyi Technology Group since July 1999 having successively held the positions of General Manger of the investment development department, of Deputy Chief Accountant, Chief Economist and Vice President. Ms. Su is currently President of Shandong Ruyi Technology Group as well as a member of the Boards of Directors of Shandong Ruyi Woolen Garment Group and Aquascutum Holdings Limited. She is also responsible for sales operations, the development of investments, and the Group's investments.

Kelvin Ho Cheuk Yin, 45 years old, holds a bachelor's degree in economics from the University of Hong Kong (1995) and a Master's in Business Administration from London Business School (2004). He holds the title of Chartered Financial Analyst. Mr. Ho has more than 14 years of experience in corporate finance and in mergers and acquisitions. He worked in the teams of the BNP Paribas investment bank in Hong and Paris from 2004 to 2007. Between July 2007 and December 2017, he worked with the investment bank J.P. Morgan Securities (Asia Pacific) Limited. Mr. Ho joined the Ruyi group in December 2017 as Chief Strategy Officer of Shandong Ruyi Technology Group Co., Ltd. and as Chairman of Ruyi International Fashion (China) Financial Investment Holding Group Limited, in charge of the group's strategic development and acquisitions. He was appointed Executive Director and Chief Strategy Officer of Trinity Limited in April and May 2018, respectively. He is in charge of corporate development strategy, investments and acquisitions.

Orla Noonan, 49, is a graduate of HEC in France (1994) and holds a Bachelor of Arts from Trinity College in Dublin (1992). She began her career in 1994 with the investment bank Salomon Brothers International in London as a financial analyst, particularly in the telecom and media sectors. She joined Groupe AB in 1996 as Deputy Director of Financial Communication and Development. She directed the IPOs in New York and Paris, then external growth transactions, including the acquisitions of the television channels RTL9 and TMC. She served as President of the television channel NT1 between 2005 and 2010. Ms. Noonan then became Corporate Secretary of the AB Group in 1999 and a member of the Board of Directors in 2003, then Chief Executive Officer of the same group. In addition, Orla Noonan is a member of the Board of Directors of Iliad S.A. Since 2009, she is also an independent member of the Board of Directors of Schibsted Media Group since May 2017, Chair of the Board of Directors of Adevinta and Chair of Knightly Investments.

Fanny Moizant, 43, is a graduate of the Reims Business School, which became the Neoma Business School in 2001, and of the Fashion, Design and Luxury Management program of the *Institut Français de la Mode* in 2007. During those years, she worked with the brands John

Galliano, Dim and Mexx. In 2008, she participated in the creation of a digital platform dedicated to the online sale of pre-owned luxury clothing, known as “Vestiaire Collective". After noting the need expressed by fashion bloggers to sell their old luxury clothing in order to buy new articles, Fanny Moizant worked with a team of five professionals--an engineer, analyst, stylists and sales personnel, to launch the online platform in France in 2009. Within the Vestiaire Collective company, Fanny Moizant holds the positions of Co-Founder and President. Passionate about fashion and luxury, Ms. Moizant made an enormous contributed to the roll-out of Vestiaire Collective in markets that included the United Kingdom, Germany, Italy, Spain and the Scandinavian countries, before turning her focus to Asia.

Patrizio di Marco, 57, holds a Bachelor’s degree in Business Administration from the *Università Degli Studi di Modena* and a Master’s in Corporate Management, Business Management and Administration from the Polytechnic School of Milan. He began his career in the textile industry in 1988 with GFT in Japan, before holding various positions with Prada Japan Ltd. He was appointed Chairman and Chief Executive Officer of Prada America Corp in 1994, positions that he held for four years. He became President of Celine Inc. in 1999 before being appointed as Senior Vice-President of Market and Communication for Louis Vuitton Americas until 2001. Mr. Marco then joined the Kering Group, where he successively served as Chairman-Chief Executive Officer of Bottega Veneta from 2001 to 2008, then as Chairman-Chief Executive Officer and member of the Executive Committee of Gucci from 2009 to 2015. Mr. di Marco joined Dolce & Gabbana in 2016 where he currently serves on the Board of Directors and as a Consultant. Since September 2018, Mr. di Marco has been Executive President of Golden Goose.

Dajun Yang, 51, holds an MBA from the International University of Commerce, Agriculture and Technology of Dhaka in Bangladesh. From 1998 to 2012, he served as Chairman and Chief Executive Officer of the UTA Fashion Management Group, and then in 2012 served as Chairman and Chief Executive Officer of the company UTA International Brand Inv. Management Co. Ltd. Mr. Yang is the author of a number of works on analysis of fashion markets. Backed by more than 25 years of experience in the fashion industry, Mr. Yang is regularly consulted about investments in China by European companies.

Lauren Cohen, 36 years old, graduated from ESCP Europe in France (2006) and holds a Master’s degree in Finance from the University of Paris Dauphine (2003). She began her career in 2006 by launching her own company in the sector of wines and spirits, focused primarily on exporting to Asia, and later acquired an existing French wine retailing company to develop the French market. After nearly 10 years of entrepreneurship, Ms. Cohen decided to join the SMCP Group. From May 2015 to December 2016, she was Director of International Store Planning, and later became Development Director for the three brands in France and in Europe.

Independent members of the Board of Directors

Four members of the Board of Directors are independent pursuant to the AFEP-MEDEF Code.

Gender Balance representation of women and men

The Board of Directors has seven female members (including the director representing employees who is not counted in the calculation of the number of women on the Board, in accordance with the applicable legal provisions) and therefore complies with the provisions of French law No. 2011-103 of January 27, 2011 relative to the gender balance representation of men and women on Boards of Directors and Supervisory Boards and professional equality.

Non-voting director

Ylane Chétrite is a non-voting member of the Company’s Board of Directors.

Mr. Ylane Chétrite studied finance at the University Paris-Dauphine prior joining Sandro in 2006. He opened Sandro to male clientele by founding Sandro Men in 2007. He is the brand’s founding artistic director since its creation. He is also an Executive Vice President of the Company.

(b) Chief Executive Officer

The offices of Chairman of the Board and Chief Executive Officer of the Company are separated. Mr. Yafu Qiu will be Chairman of the Board of Directors and Mr. Daniel Lalonde will be Chief Executive Officer of the Company.

(c) Deputy Chief Executive Officers

The positions of Deputy Chief Executive Officer in the Company will be assumed respectively by Evelyne Chétrite, Judith Milgrom and Ylane Chétrite and Chenran Qiu. Each Deputy Chief Executive Officer will be responsible for the development of policy for creation, design, artistic direction and marketing strategy of the brand(s) within his or her area of responsibility, namely:

- Sandro and Claudie Pierlot for Evelyne Chétrite;
- Maje and Claudie Pierlot for Judith Milgrom;
- Sandro Men for Ylane Chétrite.

In addition, Chenran Qiu is responsible for the strategy and development of the Group in Asia.

14.2 Declarations concerning the administrative bodies

Evelyne Chétrite, director and Deputy Chief Executive Officer, is the sister of Judith Milgrom, who is also director and Deputy Chief Executive Officer; Evelyne Chétrite is furthermore the mother of Ylane Chétrite, a non-voting director and Deputy Chief Executive Officer. Chenran Qiu, director and Deputy Chief Executive Officer, is the daughter of Yafu Qiu, Chairman of the Board of Directors of the Company. Other than these circumstances, there are, as far as the Company is aware, no other family relationships between the members of the Board of Directors, the Chief Executive Officer and the Deputy Chief Executive Officers.

In addition, to the Company's knowledge, over the last five years: (i) no convictions for fraud have been handed down against any member of the Board of Directors, Chief Executive Officer or Deputy Chief Executive Officers; (ii) no member of the Board of Directors, Chief Executive Officer or Deputy Chief Executive Officers have been involved in bankruptcy, receivership or liquidation; (iii) no convictions and/or official public sanctions have been handed down against any member of the Board of Directors, Chief Executive Officer or Deputy Chief Executive Officers by judicial or administrative authorities (including designated professional bodies); and (iv) no member of the Board of Directors, Chief Executive Officer or Deputy Chief Executive Officers has been prohibited by a court from acting as a member of an administrative body, a board of directors or a supervisory board of an issuer, or from involvement in the management or conduct of an issuer's business.

14.3 Conflicts of interest

To the Company's knowledge and subject to the relationships described in chapter 19 of this Registration Document, on the date of registration of this document, there are no potential conflicts of interest between the corporate obligations of the members of the Company's Board of Directors and their private interests.

15. COMPENSATION AND BENEFITS

15.1 Compensation and benefits paid to Directors and Executives

At the date of this Registration Document, the Company is incorporated as a joint stock company (société anonyme) with a Board of Directors.

Pursuant to the legal provisions, all fixed, variable and exceptional elements comprising the total compensation and benefits of any kind due or awarded for the fiscal year ended December 31, 2018 to the Chief Executive Officer and the Deputy Chief Executive Officers of the Company, as described in this chapter, will be submitted to Company shareholders at the Annual Shareholders' Meeting scheduled for June 7, 2019 in a specific resolution for each executive officer.

In addition, pursuant to Article L.225-37-2 of the French Commercial Code, the principles and criteria for determining, dividing and awarding the fixed, variable and exceptional elements comprising the total compensation and benefits of any kind attributable to executive officers for fiscal year 2019 will be submitted for approval to the Annual Shareholders' Meeting scheduled for June 7, 2019 in a specific resolution for each executive officer.

15.1.1 Remuneration of members of the Board of Directors

The table below details the amount of director's fees paid to members of the Board of Directors of the Company by the Company or by any other Group company during the years ended December 31, 2017 and 2018:

Table 3 (AMF nomenclature)

Table for director's fees and other compensation received by members of the Board of Directors (gross amounts)

Members of the Board of Directors	Amounts paid during the 2017 fiscal year	Amounts paid during the 2018 fiscal year
Yafu Qiu	None	None
Daniel Lalonde	None	None
Evelyne Chétrite	None	None
Judith Milgrom	None	None
Weiying Sun	None	None
Chenran Qiu	None	None
Xiao Su	None	None
Francis Srun(1)	None	None
Orla Noonan	None	€39,891
Fanny Moizant	None	€32,010
Patrizio di Marco	None	€35,102
Dajun Yang	None	€35,450
Lauren Cohen	N/A	N/A

(1) *Francis Srun has resigned from his position as director. Kelvin Ho was co-opted by the Board Meeting of March 20, 2019, to replace Mr. Srun, at the proposal of the Shandong Ruyi group, on the recommendation of the Nominations and Compensation Committee of March 19, 2019, for the outstanding term of his office, i.e., until the Shareholders' Meeting convened to approve the financial statements for the fiscal year ended December 31, 2020. The Company's Annual General Meeting of Shareholders scheduled for June 7, 2019 will be required to give its opinion on the ratification of this co-optation.*

15.1.2 Compensation of executive officers

The tables below detail the compensation paid to Daniel Lalonde, Evelyne Chétrite, Judith Milgrom, Ylane Chétrite and Chenran Qiu by the Company and by any other Group company during the years ended December 31, 2017 and 2018: For detailed information on the compensation of the Chief Executive Officer and the Deputy Chief Executive Officers, see the report from the Chairman of the Board provided in Appendix 1 of this Registration Document.

Table 1 (AMF nomenclature)[35]

Summary table of compensation and options allocated to each executive officer

(amounts paid in euros)	**2017 fiscal year**	**2018 fiscal year**
Yafu Qiu, Chairman of the Board of Directors		
Compensation due for the year (*detailed in Table 2*)	None	0
Valuation of multi-year variable compensation paid during the year	None	None
Valuation of the options awarded during the year (*detailed in Table 4*)	None	None
Valuation of the bonus shares allotted (*detailed in Table 6*)	None	None
Total	**None**	**0**

Summary table of compensation and options allocated to each executive officer

(amounts paid in euros)	**2017 fiscal year**	**2018 fiscal year**
Daniel Lalonde, Chief Executive Officer		
Compensation due for the year (*detailed in Table 2*)	€2,266,653	€1,554,000
Valuation of multi-year variable compensation paid during the year	0	0
Valuation of the options awarded during the year (*detailed in Table 4*)	None	None
Valuation of the bonus shares allotted (*detailed in Table 6*)	None	None
Total	**€2,266,653**	**€1,554,000**

35 The amounts provided in Tables 1 (AMF nomenclature) do not include the amount of in-kind benefits, shown in Tables 2 (AMF nomenclature)

Summary table of compensation and options allocated to each executive officer

(amounts paid in euros)	**2017 fiscal year**	**2018 fiscal year**
Evelyne Chétrite, Deputy Chief Executive Officer		
Compensation due for the year (*detailed in Table 2*)	€2,196,293	€1,489,515
Valuation of multi-year variable compensation paid during the year	0	0
Valuation of the options awarded during the year (*detailed in Table 4*)	None	None
Valuation of the bonus shares allotted (*detailed in Table 6*)	None	None
Total	**€2,196,293**	**€1,489,515**

Summary table of compensation and options allocated to each executive officer

(amounts paid in euros)	**2017 fiscal year**	**2018 fiscal year**
Judith Milgrom, Deputy Chief Executive Officer		
Compensation due for the year (*detailed in Table 2*)	€1,947,983	€1,626,825
Valuation of multi-year variable compensation paid during the year	0	0
Valuation of the options awarded during the year (*detailed in Table 4*)	None	None
Valuation of the bonus shares allotted (*detailed in Table 6*)	None	None
Total	**€1,947,983**	**€1,626,825**

Summary table of compensation and options allocated to each executive officer		
(amounts paid in euros)	**2017 fiscal year**	**2018 fiscal year**
Ylane Chétrite, Deputy Chief Executive Officer		
Compensation due for the year (*detailed in Table 2*)	€1,188,239	€973,050
Valuation of multi-year variable compensation paid during the year	0	0
Valuation of the options awarded during the year (*detailed in Table 4*)	None	None
Valuation of the bonus shares allotted (*detailed in Table 6*)	None	None
Total	**€1,188,239**	**€973,050**

Summary table of compensation and options allocated to each executive officer		
(amounts paid in euros)	**2017 fiscal year**	**2018 fiscal year**
Chenran Qiu, Deputy Chief Executive Officer		
Compensation due for the year (*detailed in Table 2*)	None	None
Valuation of multi-year variable compensation paid during the year	None	None
Valuation of the options awarded during the year (*detailed in Table 4*)	None	None
Valuation of the bonus shares allotted (*detailed in Table 6*)	None	None
Total	**None**	**None**

Table 2 (AMF nomenclature)

Summary table of compensation paid to each executive officer				
	2017 fiscal year		**2018 fiscal year**	
(amounts paid in euros)	**Amounts due**	**Amounts paid**	**Amounts due**	**Amounts paid**
Yafu Qiu, Chairman of the Board of Directors				
Fixed compensation	None	None	None	None
Annual variable compensation	None	None	None	None
Multi-year variable compensation	None	None	None	None
Exceptional compensation	None	None	None	None
Fringe benefits	None	None	None	None
Total	**None**	**None**	**None**	**None**

Summary table of compensation paid to each executive officer

(amounts paid in euros)	2017 fiscal year		2018 fiscal year	
	Amounts due	**Amounts paid**	**Amounts due**	**Amounts paid**
Daniel Lalonde, Chief Executive Officer				
Fixed compensation[(1)]	€766,806	€766,806	€900,000	€900,000
Annual variable compensation[(2)]	€1,466,147	€1,094,715	€639,000	€1,466,147
Multi-year variable compensation	0	0	0	0
Exceptional compensation	€33,700	€33,700	€15,000	€15,000
Benefits in kind[(3)]	€27,520	€27,520	€14,048	€14,048
Total	**€2,294,173**	**€1,922,741**	**€1,568,048**	**€2,395,195**

(1) The fixed annual compensation of Daniel Lalonde was set at €900,000 for 2018, an identical amount since October 5, 2017.

(2) The annual variable compensation of Mr. Daniel Lalonde changed on October 5, 2017 to a gross amount of €900,000 for a complete calendar year if the performance objective is attained. The objective is tied to the achievement of the Group's EBITDA (taking into account the performance of each of the Group's trademarks) specified in the annual budget. In case of significant overachievement of the objective (notably by reaching a predefined threshold beyond a target EBITDA), the bonus is increased proportionally and can be doubled (which is, on the basis of the 2018 compensation, a maximum of €1,800,000 gross, corresponding to 200% of the aforementioned fixed compensation). In the event of non-achievement of the performance condition, this variable compensation is not paid; in case of partial achievement, it is paid in proportion to its achievement. Achievement of the performance condition is reviewed and noted at the end of each year and the variable compensation for year N is paid in year N+1. For fiscal year 2017, the aforesaid bonus was increased due to the work carried out by Mr. Lalonde in the preparation of the Company's initial public offering in 2017. For fiscal year 2018, the performance condition was not 100% achieved, hence the partial payment of the variable compensation, in proportion to said performance.

(3) The exceptional compensation corresponds to compensation paid by the Group relating to contributions and wage and salary costs borne by Mr Lalonde owing to the fringe benefits gained from (i) clothing expenses and the executive officers' insurance policy ("GSC") for 2017 and (ii) the GSC for 2018. The payment of this amount, to be repeated in 2019, remains exceptional However, if this compensation were to become recurrent, the Group would consider including it in the amount of fixed compensation paid to Mr Lalonde.

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

Summary table of compensation paid to each executive officer

(amounts paid in euros)		2017 fiscal year		2018 fiscal year	
		Amounts due	**Amounts paid**	**Amounts due**	**Amounts paid**
Evelyne Chétrite, Deputy Chief Executive Officer					
Fixed compensation[(1)]		€524,862	€524,862	€620,000	€620,000
Annual variable compensation[(2)]	*Corporate office*	€1,296,431	€1,122,128	€494,515	€1,296,431
	Service agreements	€375,000	€375,000	€375,000	€375,000
	Total variable compensation	**€1,671,431**	**€1,497,128**	**€869,515**	**€1,296,431**
Multi-year variable compensation		None	None	None	None
Exceptional compensation		0	0	0	0
Benefits in kind[(3)]		€6,177	€6,177	€6,177	€6,177
Total		**€2,202,470**	**€2,028,167**	**€1,495,692**	**€1,922,608**

(1) *The fixed compensation includes fixed compensation paid in respect of the corporate offices of (i) Evelyne Chétrite as Deputy Chief Executive Officer of SMCP SA and (ii) Evelyne Chétrite SASU as Chairman of Sandro Andy. The fixed annual compensation of Evelyne Chétrite was set at €620,000 for 2018.*

(2) *The annual variable compensation of Evelyne Chétrite includes*

(i) Evelyne Chétrite will receive compensation paid for the management positions of Evelyne Chétrite as Deputy Chief Executive Officer of SMCP SA and for Evelyne Chétrite SASU as president of the company Sandro Andy, subject to performance conditions. The variable compensation paid in respect of corporate offices amounts to €995,000 since October 5, 2017, if the objectives are met. Given the role played by Ms. Chétrite in both the management of the Sandro brand and as a Deputy Chief Executive Officer of the Group, approximately 30% of the objectives relate to achievement of the EBITDA of Sandro brand and approximately 70% of the objectives relate to achievement of the Group's EBITDA planned in the annual budget. In case of significant overachievement, the bonus can be doubled (which is, on the basis of the 2018 compensation, a maximum of €1,990,000 gross), as was the case for 2017. In the event of non achievement of the performance condition, this variable compensation is not paid; in case of partial achievement, it is paid in proportion to its achievement. Achievement of the performance condition is reviewed and noted at the end of each year and the variable compensation for year N is paid in year N+1. For fiscal year 2018, the performance condition was not 100% achieved, hence the partial payment of the variable compensation, in proportion to said performance.

(ii) compensation paid to Evelyne Chétrite SASU under service agreements signed with a number of Group companies (see Section 16.2 of this Registration Document). The variable compensation paid under the above-mentioned service agreements amounted to €375,000 for 2018, unchanged since 2017. The above-mentioned service agreements were terminated with effect from January 1, 2019.

The total amount of variable compensation (referred to in (i) and (ii) above) corresponds to 380% of fixed compensation as described in (1) above.

(3) *This amount includes a company car.*

Summary table of compensation paid to each executive officer

(amounts paid in euros)		2017 fiscal year		2018 fiscal year	
		Amounts due	**Amounts paid**	**Amounts due**	**Amounts paid**
		Judith Milgrom, Deputy Chief Executive Officer			
Fixed compensation(1)		€524,862	€524,862	€620,000	€620,000
Annual variable compensation(2)	*Corporate office*	€1,048,121	€1,184,819	€631,825	€1,048,121
	Service agreements	€375,000	€375,000	€375,000	€375,000
	Total variable compensation	**€1,423,121**	**€1,559,819**	**€1,006,825**	**€1,423,121**
Multi-year variable compensation		None	None	None	None
Exceptional compensation		0	0	0	0
Fringe benefits		0	0	0	0
Total		**€1,947,983**	**€2,084,681**	**€1,626,825**	**€2,043,121**

(1) The fixed compensation includes fixed compensation paid in respect of the corporate offices of (i) Judith Milgrom as Deputy Chief Executive Officer of SMCP SA and (ii) Judith Milgrom SASU as Chairman of Maje. The fixed annual compensation of Judith Milgrom was set at €620,000 as from October 5, 2017.

(2) The annual variable compensation of Judith Milgrom includes:

(i) Judith Milgrom will receive compensation paid for the management positions as Deputy Chief Executive Officer of SMCP SA and Judith Milgrom SASU as president of the company Maje, subject to performance conditions. The variable compensation paid in respect of corporate offices amounts to €995,000 since October 5, 2017, if the objectives are met. Given the role played by Ms. Milgrom in both the management of the Maje brand and as a Deputy Chief Executive Officer of the Group, approximately 30% of the targets relate to achievement of the EBITDA of Sandro brand and approximately 70% of the targets relate to achievement of the Group's EBITDA planned in the annual budget. In case of significant overachievement, the bonus can be doubled (which is, on the basis of the 2018 compensation, a maximum of €1,990,000 gross), as was the case for 2017. In the event of non achievement of the performance condition, this variable compensation is not paid; in case of partial achievement, it is paid in proportion to its achievement. Achievement of the performance condition is reviewed and noted at the end of each year and the variable compensation for year N is paid in year N+1. For fiscal year 2018, the performance condition was not 100% achieved, hence the partial payment of the compensation.

(ii) compensation paid to Judith Milgrom SASU under service agreements signed with a number of Group companies (see Section 16.2 of this Registration Document). The variable compensation paid under the above-mentioned service agreements amounted to €375,000 for 2018, unchanged since 2017. The above-mentioned service agreements were terminated with effect from January 1, 2019.

(3) The total amount of variable compensation (referred to in (i) and (ii) above) corresponds to 380% of fixed compensation as described in (1) above.

Summary table of compensation paid to each executive officer

(amounts paid in euros)	2017 fiscal year		2018 fiscal year	
	Amounts due	**Amounts paid**	**Amounts due**	**Amounts paid**
Ylane Chétrite, Deputy Chief Executive Officer				
Fixed compensation(1)	€497,778	€497,778	€650,000	€650,000
Annual variable compensation(2)	€690,461	€611,175	€323,050	€690,461
Multi-year variable compensation				
Exceptional compensation	0	0	0	0
Fringe benefits	0	0	0	0
Total	**€1,188,239**	**€1,108,953**	**€973,050**	**€1,340,461**

(1) The fixed compensation includes the fixed compensation paid in respect of the corporate offices of (i) Ylane Chétrite as Deputy Chief Executive Officer of SMCP SA and (ii) Sandro Andy SAS as Chief Executive Officer. The annual fixed compensation of Ylane Chétrite was set at €650,000 in 2018, unchanged since October 5, 2017.

(2) Ylane Chétrite's annual compensation includes compensation paid for Ylane Chétrite's management position as Deputy Chief Executive Officer of SMCP SA and as Chief Executive Officer of the company Sandro Andy SAS, subject to performance conditions. The annual variable compensation of Ylane Chétrite changed on October 5, 2017 to €650,000 for a complete calendar year if the objectives are met. Objectives concern EBITDA of the Sandro Men brand (30%) and Group EBITDA per the annual budget (70%). In case of significant overachievement, the bonus can be doubled (which is, on the basis of the 2018 compensation, a maximum of €1,300,000 gross, corresponding to 200% of the aforementioned fixed compensation), as was the case for fiscal year 2017. If the performance conditions are not met, this variable compensation is not paid. If the performance conditions are partially met, the variable compensation will be paid in proportion to the termination. Achievement of these performance conditions is reviewed and noted at the end of each year and the variable compensation for year N is paid in year N+1. For the fiscal year ended 2018, the performance conditions were not fully met, hence the partial payment of the compensation.

Summary table of compensation paid to each executive officer

(amounts paid in euros)	2017 fiscal year		2018 fiscal year	
	Amounts due	**Amounts paid**	**Amounts due**	**Amounts paid**
Chenran Qiu, Deputy Chief Executive Officer				
Fixed compensation	0	0	0	0
Annual variable compensation	None	None	None	None
Multi-year variable compensation				
Exceptional compensation	None	None	None	None
Fringe benefits				
Total	**0**	**0**	**0**	**0**

With respect to the performance criteria for executive compensation, the level of achievement expected for each criterion is specifically established by the Board of Directors, but is not made public for reasons of confidentiality.

Evelyne Chétrite and Judith Milgrom receive, through companies they control, compensation under service agreements signed with several Group companies (see Section 16.2). The above-mentioned service agreements were terminated with effect from January 1, 2019.

Table 11 (AMF nomenclature)

Executive officers	Employment contract		Supplementary pension scheme		Severance or benefits due or which may be due on termination of or a change of post		Severance under a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Yafu Qiu, Chairman of the Board of Directors		x		x		x		x
Daniel Lalonde, Chief Executive Officer		x		x	x		x	
Evelyne Chétrite, Deputy Chief Executive Officer		x		x	x		x	
Judith Milgrom, Deputy Chief Executive Officer		x		x	x		x	
Ylane Chétrite, Deputy Chief Executive Officer	x		x		x		x	
Chenran Qiu, Deputy Chief Executive Officer		x		x		x		x

Severance or benefits due or which may be due on termination of or a change of post

Daniel Lalonde benefits from a severance package in a gross amount equal to a maximum 150% of the sum of the gross annual fixed compensation over the last 12 months preceding the end of his appointment and the variable compensation paid for the year preceding the end of his appointment. This package would be due in the event of termination of his appointment as Chief Executive Officer, unless he were dismissed for negligence or resigns his points for a reason other than a forced departure. Payment of this severance package would be subject to a target EBITDA over the last 12 months measured as a function of the EBITDA achieved for the previous 12 months.

Evelyne Chétrite, Judith Milgrom and Ylane Chétrite benefit from a contractual severance payment in the event of forced termination of their management positions or, in the case of Evelyne Chétrite SASU and Judith Milgrom SASU, the termination of the service agreements signed with the entities of the Group[36], for a gross amount equal to 200% of the fixed and variable compensation received by these parties (in respect of corporate offices held and service agreements) during the 12 months prior to said termination, subject to the meeting certain performance conditions tied to the Group EBITDA recorded for the previous 12 months. The calculation of the above allowances is not consistent with the recommendations of the AFEP-MEDEF Code (as amended in June 2018) to which the Company refers (see explanatory summary table in the Board of Directors' report on corporate governance, pursuant to Article L.225-37 of the French Commercial Code, included in Appendix I to this Registration Document).

Severance under a non-compete clause

Daniel Lalonde is also bound by a non-compete commitment for a period of one year and, for this commitment, would receive a gross monthly fixed indemnity equal to 70% of his monthly compensation calculated on the average of his gross contractual compensation (fixed and variable) received during the 12 months prior to his departure date and for the effective duration of the non-compete commitment. In the event of the application of both the severance package described above and the non-compete indemnity, the total of these two items must not exceed two years of Mr. Lalonde's compensation (fixed and variable received during the last 12 months prior to the date of his departure).

Evelyne Chétrite, Judith Milgrom and Ylane Chétrite are bound to the companies of the Group by a non-compete and non-hiring commitment for a period of one year from the date of termination of their management duties within the Company. This commitment will be compensated at 70% of their gross fixed and variable, direct and indirect compensation paid (in respect of positions held and service agreements) during the 12 months preceding the end date of the positions in question. In any event, if the severance payments related to the end of their positions and the aforementioned non-compete commitment represents more than two years of gross compensation received (in respect of positions held and service agreements) directly and indirectly by the party in question, the non-compete severance would be reduced accordingly and considered to be included in the amount received for the aforementioned severance package.

Principles and criteria for determination and distribution of the compensation for executive officers

The compensation policy for executive officers, i.e. Yafu Qiu, as Chairman of the Board of Directors, Daniel Lalonde as Chief Executive Officer, Evelyne Chétrite, Judith Milgrom, Chenran Qiu, and Ylane Chétrite, Deputy Chief Executive Officers of the Company on the date of this report, is approved by the Board of Directors after review and an opinion from the Nominating and Compensation Committee. The Board

[36] The above-mentioned service agreements were terminated with effect from January 1, 2019.

of Directors applies the recommendations of the AFEP/MEDEF Code, amended in June 2018, concerning the compensation of executive officers of publicly traded companies. In this context, the Board of Directors defines the principles for determining the compensation of the Chairman of the Board of Director, the Chief Executive Officer, and the Deputy Chief Executive Officers of the Company, by ensuring respect for the following principles in particular:

- Principle of balance and measurement: the Board ensures that each component of the compensation of the Chairman of the Board, the Chief Executive Officer, and the Deputy Chief Executive Officers is clearly explained and that none of these components is disproportionate.
- Principle of competitiveness: the Board ensures that the compensation of the Chairman of the Board, the Chief Executive Officer and the Deputy Chief Executive Officers is competitive, primarily through sector compensation surveys.
- Principle of alignment of interests: the compensation policy is both a management tool designed to attract, motivate and retain the talent necessary to the enterprise, but is also a response to the expectations of the shareholders and other stakeholders of the enterprise, particularly in terms of the relation to performance.
- Principle of performance: the compensation of the Chief Executive Officer and the Deputy Chief Executive Officers is closely tied to the Group's performance, primarily using a variable compensation measured every year. The payment of this variable portion depends on the achievement of one or more objectives (both economic and personal), which are simple and measurable and closely tied to the objectives of the Group and regularly communicated to the shareholders. It is specified that these variable annual elements result in no minimum guaranteed payment and are based on operational criteria that are clear and stringent (fixed on (i) the Group's target EBITDA for the Chief Executive Officer [taking into account the performance of each of the Group's brands] and (ii) the target EBITDA of the Group and of one of the Group's brands for the Deputy Chief Executive Officers).
- The compensation of the Chief Executive Officer and the Deputy Chief Executive Officers consists of a fixed portion and a variable portion on the basis of one or more objectives determined on an annual basis. At the end of each year, on the recommendation of the Nominating and Compensation Committee, the Board of Directors set the amount of the gross fixed annual compensation of the Chief Executive Officer and the Deputy Chief Executive Officers for the following year and, if applicable, the cap on their annual variable compensation for the following year, and the quantitative criterion or criteria on the basis of which this variable portion will be calculated. At the beginning of each year, the Board of Directors, on the recommendation of the Nominating and Compensation Committee, determines the amount of the variable annual compensation of the Chief Executive Officer and the Deputy Chief Executive Officers owed for the previous year, on the basis of the results of the previous year and the achievement of the quantitative and qualitative applicable objectives, and sets the objective(s) of the qualitative portion of their variable annual compensation for the current year.

In addition, in order to associate the Chief Executive Officer and the Deputy Chief Executive Officers in the long-term performance, a portion of their compensation consists of performance shares. This component of compensation is directly related to the Group's performance, since the number of shares vested by the Chief Executive Officer and the Deputy Chief Executive Officers at the end of the vesting period is a function of the Group's performance in consolidated EBITDA and a target for Total Shareholders Return (TSR).

15.1.3 Allocation of stock options

Table 4 (AMF nomenclature)

Stock options for new or existing shares awarded during the fiscal year to each executive officer by the issuer and any company of the Group

Name of the executive officer	No. and date of plan	Type of option (new or existing shares)	Valuation of options according to the method used in the consolidated financial statements	Number of options allocated during the fiscal year	Exercise price	Exercise period
Yafu Qiu, Chairman of the Board of Directors			None			
Daniel Lalonde, Chief Executive Officer			None			
Evelyne Chétrite, Deputy Chief Executive Officer			None			
Judith Milgrom, Deputy Chief Executive Officer			None			
Ylane Chétrite, Deputy Chief Executive Officer			None			
Chenran Qiu, Deputy Chief Executive Officer			None			

Table 5 (AMF nomenclature)

Stock options for new or existing shares exercised during the fiscal year by each executive officer			
Name of the executive officer	**No. and date of plan**	**Number of options exercised during the**	**Exercise price**
Yafu Qiu, Chairman of the Board of Directors		None	
Daniel Lalonde, Chief Executive Officer		None	
Evelyne Chétrite, Deputy Chief Executive Officer		None	
Judith Milgrom, Deputy Chief Executive Officer		None	
Ylane Chétrite, Deputy Chief Executive Officer		None	
Chenran Qiu, Deputy Chief Executive Officer		None	

Table 8 (AMF nomenclature)

History of allocation of stock options or share purchase options				
Information on stock options or share purchase options				
Date of Shareholders' Meeting	**Plan no. 1**	**Plan no. 2**	**Plan no. 3**	**Etc.**
Date of the Board of Directors				
Total number of shares which may be subscribed or purchased, including the number which may be subscribed or purchased by:				
Starting point for exercise of options				
Expiration date				
Subscription or purchase price		None		
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				
Options for subscription or purchase of shares and allocation of bonus shares				

Table 9 (AMF nomenclature)

Stock options for new or existing shares allocated to the top ten employees who are not executive officers and options exercised by these employees	Total number of options allocated/shares subscribed or purchased	Weighted average price	Plan no. 1	Plan no. 2
Options granted during the fiscal year by the issuer and any other company included in the scope of allocation of options, to the ten employees of the issuer and any company included in said scope, to whom the greatest number of options is granted (global information)	None			
Options held in the issuer and the aforementioned companies and exercised, during the fiscal 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 allocation

Table 6 (AMF nomenclature)

Bonus shares allocated by the Shareholders' Meeting during the fiscal year to each corporate officer by the issuer and any Group company (named list)	No. and date of plan	Number of shares allocated during fiscal year	Valuation of shares according to method used for consolidated financial statements	Acquisition date	Availability date	Performance conditions
Yafu Qiu, Chairman of the Board of Directors	Plan no. 1 10/10/2016	None	None	None	None	None
	Plan no. 2 11/23/2017	None	None	None	None	None
Daniel Lalonde, Chief Executive Officer	Plan no. 1 10/10/2016	1,605,000(1)	2,102,079	10/10/2017	10/10/2018	Conversion into ordinary shares based on the IPO price
	Plan no. 2 11/23/2017	242,018	0	11/23/2019 11/23/2020 11/23/2021	11/23/2021	Performance conditions tied to a target EBITDA for the Group (70%) and a target TSR * (30%)
Evelyne Chétrite, Deputy Chief Executive Officer	Plan no. 1 10/10/2016	1,750,000(2)	2,291,987	10/10/2017	10/10/2018	Conversion into ordinary shares based on the IPO price
	Plan no. 2 11/23/2017	302,390	0	11/23/2019 11/23/2020 11/23/2021	11/23/2021	Performance conditions tied to a target EBITDA for the Group (70%) and a target TSR (30%)

Judith Milgrom, Deputy Chief Executive Officer	Plan no. 1 10/10/2016	1,750,000(3)	2,291,987	10/10/2017	10/10/2018	Conversion into ordinary shares based on the IPO price
	Plan no. 2 11/23/2017	302,390	0	11/23/2019 11/23/2020 11/23/2021	11/23/2021	Performance conditions tied to a target EBITDA for the Group (70%) and a target TSR (30%)
Ylane Chétrite, Deputy Chief Executive Officer	Plan no. 1 10/10/2016	1,750,000(4)	2,291,987	10/10/2017	10/10/2018	Conversion into ordinary shares based on the IPO price
	Plan no. 2 11/23/2017	193,700	0	11/23/2019 11/23/2020 11/23/2021	11/23/2021	Performance conditions tied to a target EBITDA for the Group (70%) and a target TSR (30%)
Chenran Qiu, Deputy Chief Executive Officer	Plan no. 1 10/10/2016	None	None	None	None	None
	Plan no. 2 11/23/2017	None	None	None	None	None

* *Total shareholder return.*

(1) *Daniel Lalonde may convert 1,605,000 Class G preferred shares into 572,411 shares of common stock on or after January 1, 2019.*

(2) *Evelyne Chétrite may convert 1,750,000 Class G preferred shares into 624,121 shares of common stock on or after January 1, 2019.*

(3) *Judith Milgrom may convert 1,750,000 Class G preferred shares into 624,121 shares of common stock on or after January 1, 2019.*

(4) *Ylane Chétrite may convert 1,750,000 Class G preferred shares into 624,297 shares of common stock on or after January 1, 2019.*

Table 7 (AMF nomenclature)

Bonus shares allocated to each executive officer	No. and date of	Number of shares becoming available during the fiscal year	Acquisition conditions
Yafu Qiu, Chairman of the Board of Directors		None	
Daniel Lalonde, Chief Executive Officer		None	
Evelyne Chétrite, Deputy Chief Executive Officer		None	
Judith Milgrom, Deputy Chief Executive Officer		None	
Ylane Chétrite, Deputy Chief Executive Officer		None	
Chenran Qiu, Deputy Chief Executive Officer		None	

Table 10 (AMF nomenclature)

History of allocation of bonus shares

Information on allocated bonus shares

Free allocation plan	**Plan no. 1 (first tranche)**	**Plan no. 1 (second tranche)**	**Plan no. 1 (third tranche)**	**Plan no. 2**
Date of Shareholders' Meeting	10/10/2016	10/10/2016	10/10/2016	10/5/2017
Date of Chairman's decision	10/10/2016	12/14/2016	2/27/2017	11/23/2017
Total number of bonus shares allotted, including the number allotted to:	12,768,753	1,520,100	393,000	2,038,324
Executive Officers:	6,855,000	None	None	1,040,498
Yafu Qiu, Chairman of the Board of Directors	None	None	None	None
Daniel Lalonde, Chief Executive Officer	1,605,000	None	None	242,018
Evelyne Chétrite, Deputy Chief Executive Officer	1,750,000	None	None	302,390
Judith Milgrom, Deputy Chief Executive Officer	1,750,000	None	None	302,390
Ylane Chétrite, Deputy Chief Executive Officer	1,750,000	None	None	193,700
Chenran Qiu, Deputy Chief Executive Officer	None	None	None	None
Date of acquisition of shares	10/10/2017	12/14/2017	2/27/2018	11/23/2019 11/23/2020 11/23/2021
Date of end of holding period	10/10/2018	12/14/2018	2/27/2019	11/23/2019 11/23/2020 11/23/2021
Number of shares subscribed	None	None	None	None
Cumulative number of shares cancelled or expired	307,178	150,600	0	114,987
Bonus shares remaining at the end of the financial year	12,461,575	1,369,500	393,000	1,923,337

Plan No. 1 was set up by the Group in 2016 and 2017 for the benefit of a number of the Group's senior executives (Daniel Lalonde, Ylane Chétrite, Evelyne Chétrite and Judith Milgrom). Details of this plan are provided in Section 21.2.3.2 of this Registration Document.

On October 5, 2017, the Extraordinary Shareholders' Meeting of the Company authorized the Board of Directors, under certain conditions, to award new or existing bonus shares to corporate executive or salaried employees of the Company or of the companies or groups affiliated with the Company, under the conditions stipulated in Article L.225-197-2 of the French Commercial Code, up to a maximum of 3% of the capital stock on the date of the Board's decision.

Meeting on November 23, 2017, the Board of Directors, on the basis of the authority granted by the Shareholders' Meeting, established a bonus share allocation plan for executive officers and salaried employees of the Company and its subsidiaries (Plan No. 2).

Within this framework, the Company decided on the bonus allocation of 2,038,324 performance shares to certain executive officers and employees of the Group. Vesting of the preferred shares of stock in the Company is subject to conditions of employment (for the entire duration of the period in question indicated below) and conditions of internal performance (70%) (achievement of a level of EBITDA) and external performance (30%) (dependent on a target *TSR* against a median TSR of the companies included in the SBF 120 index).

The performance shares will be fully vested by the beneficiaries (subject to meeting the employment and performance conditions) in thirds, at the end of three vesting periods of two, three and four years that begin on the allocation date; therefore:

- one-third of the shares allotted will be fully vested by the beneficiaries on November 23, 2019 and delivered on March 31, 2020;

- one-third of the shares allotted will be fully vested by the beneficiaries on November 23, 2020 and delivered on March 31, 2021; and
- one-third of the shares allotted will be fully vested by the beneficiaries on November 23, 2021 and delivered on March 31, 2022.

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

The Company and its affiliates have not provisions any sum for payment of pensions, retirement packages, or other similar benefits for its corporate executive officers.

16. OPERATIONS OF ADMINISTRATIVE AND MANAGEMENT BODIES

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

The information on the expiration date of the terms of members of the Board of Directors and management can be found in Section 14.1 of this Registration Document.

16.2 Information regarding service contracts between members of the Board of Directors and the Company or one of its subsidiaries

The companies Evelyne Chétrite SASU and Judith Milgrom SASU, wholly owned by Evelyne Chétrite and Judith Milgrom respectively, signed services agreements in 2016 with four companies of the Group (SMCP USA Inc., SMCP Asia Ltd, Claudie Pierlot and 341SMCP) to provide services relating to the sales strategy marketing for the Sandro, Maje and Claudie Pierlot brands and services. The agreement concluded with Claudie Pierlot also includes stylistic consulting services. These contracts are for a period of 24 months from April 1, 2016, automatically renewable for periods of 12 months unless terminated by either party with a notice period of three (3) months. Compensation for these agreements is based on hourly rates and capped, for each company, at a maximum total amount of €375,000 (excluding tax) per year.

These contracts were amended on January 1, 2017 without any change to their compensation. These contracts have fixed duration of twenty-four (24) months from January 1, 2017 and are automatically renewable for periods of 12 months, unless terminated by either party with a notice period of three (3) months.

For the fiscal year ended December 31, 2018, the total compensation paid to Evelyne Chétrite and Judith Milgrom, through the aforementioned companies under these agreements, totaled €375,000 (excluding tax) each.

A decision was taken to terminate, as of January 1, 2019, these service agreements and to include the work performed under the agreements, which so far had been paid in variable compensation for time spent, in the executive officer positions of Evelyne Chétrite SASU (for Sandro Andy) and Judith Milgrom SASU (for Maje), respectively. The fixed compensation received for these roles has therefore been increased to reconcile it with the new scope of these positions, to reflect the fact that these previously outsourced services are now handled internally. The amount of the increase in the fixed compensation was determined by using the cost of the services carried out over the last few years as a reference point for the upper limit. The adjustment to the structure of each of these compensation packages does not change the overall amount of compensation paid to Ms. Chétrite and Ms. Milgrom.

16.3 Committees of the Board of Directors

- Audit Committee

Composition

The Audit Committee is composed of three members, two of whom are appointed from among the independent members of the Board of Directors. The composition of the Audit Committee may be modified by the Board of Directors and, in any event, must be modified in the event of any change in the general composition of the Board of Directors.

Pursuant to applicable legal provisions, members of the committee must have specific skills in financial and/or accounting matters.

The term of office of the members of the Audit Committee coincide with their terms on the Board of Directors. It may be renewed at the same time as their term on the Board of Directors.

After careful consideration, the chairman of the Audit Committee is appointed by the Board of Directors from among the independent members, on the recommendation of the Nominations and Compensation Committee. The Audit Committee may not include executive officers. The Audit Committee is chaired by an independent member of the Board of Directors.

On the date of registration of this Registration Document, the members of the Audit Committee were: Orla Noonan (Chairman and independent Director), Dajun Yang (independent Director) and Xiao Su.

Role

The role of the Audit Committee is to follow up on matters relating to the preparation and audit of accounting and financial information and to ensure that the risk monitoring and operational internal control procedures are effective, and to assist Board of Directors in exercising its control and monitoring functions in such matters.

In this context, the Audit Committee performs the following primary duties:

- monitoring the process for preparing financial information;
- monitoring the effectiveness of the systems for internal control, internal audit and the management of risks relating to financial and accounting information;
- monitoring the audit of the corporate and consolidated financial statements by the Company's auditors; and

- monitoring the independence of the Statutory Auditors.
- The Audit Committee will report regularly to the Board of Directors on the performance of its tasks and inform it promptly of any difficulties encountered.
- The Audit Committee will meet as often as necessary and, in any event, at least twice a year when the annual financial statements and the half-yearly financial statements are prepared.
- Nominating and Compensation Committee

Composition

The Nominating and Compensation Committee is composed of four members, two of whom are independent members of the Board of Directors. They are appointed by the Board with particular regard to their independence and their skills in respect of the compensation of the executive officers of listed companies.

The term of office of the members of the Nominating and Compensation Committee coincides with their terms on the Board of Directors. It may be renewed at the same time as their term on the Board of Directors. The Nominating and Compensation Committee is chaired by an independent member of the Board of Directors.

On the date of registration of this Registration Document, the members of the Nominating and Compensation Committee were: Patrizio di Marco (Chairman and independent Director), Fanny Moizant (independent Director), Chenran Qiu and Evelyne Chétrite.

Role

The Nominating and Compensation Committee is a specialist committee of the Board of Directors whose main role is to assist the Board in (i) the composition of the management bodies of the Company and the Group and (ii) determining and regular review of all remuneration and benefits packages for executive officers and directors or senior managers of the Group, including all deferred benefits and/or Group voluntary or compulsory severance packages.

In the context of its nominations role, the Committee performs the following tasks:

- 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.

In the context of its role relating to compensation, it performs the following tasks:

- review and recommendation to the Board of Directors of all aspects of the components and conditions of compensation for the Group's key executives;
- review and recommendation to the Board of Directors of the method for apportioning attendance fees; and
- consultation for recommendations to the Board of Directors on all other special compensation for special assignments which the Board of Directors may entrust, if applicable, to certain of its members.

The Nominating and Compensation Committee will meet as often as necessary and, in any event, at least once a year, prior to the Board of Directors' meeting to decide on the position of members of the Board of Directors in respect of the independence criteria adopted by the Company and, in any event, prior to any meeting of the Board of Directors to decide on setting the remuneration of members of Senior Management or the apportioning of attendance fees.

16.4 Statement relating to Corporate Governance of the Company

The Company refers to the recommendations of the Corporate Governance Code for publicly trading companies of the Association Française des Entreprises Privées (AFEP) and the Mouvement des Entreprises de France (MEDEF) (the "**AFEP-MEDEF Code**").

The AFEP-MEDEF Code to which the Company refers may be consulted at the following website: http://www.medef.com. The Company keeps copies of the Code available for members of its corporate bodies at all times. The detailed procedures for the Company to implement the recommendations of the AFEP-MEDEF Code, including those with which the Company does not comply, are described, in the form of an explanatory summary table, in the report of the Chairman of the Board of Directors, pursuant to Article L.225-37 of the French Commercial Code, included in Appendix 1 of this Registration Document.

16.5 Internal control

The internal control system implemented within the Group is described in detail in section 4.7.2 of this Registration Document. In addition, detailed information is available in the report of the Board of Directors' governance report, stipulated by Article L.225-37 of the French Commercial Code, included in Appendix 1 of this Registration Document.

16.6 Activities of the Board of Directors

Detailed information on the activity of the Board of Directors is available in the Board of Directors' report on corporate governance stipulated by Article L.225-37 of the French Commercial Code and included in Appendix 1 of this Registration Document.

17. EMPLOYEES

17.1 Presentation

17.1.1 Number and distribution of employees

(a) General presentation of the work force

At December 31, 2018, the Group employed a total of 5,873 employees, approximately 40% of whom worked for the Sandro brand, approximately 32% for the Maje brand and approximately 15% for the Claudie Pierlot brand.

For the fiscal year ended December 31, 2018, Group payroll represented €212.3 million, compared with €191.6 million for the twelve-month period ended December 31, 2017. The payroll corresponds to the sum of all gross salaries and employer social security charges, as well as employee profit-sharing and incentive plans.

(b) Breakdown of employees

The table below shows the breakdown of Group employees by country at December 31, 2017, and 2018:

Country	2017	2018
France	2,368	2,457
United Kingdom	353	361
Germany	145	166
Ireland	70	71
Belgium	61	62
Italy	164	215
Luxembourg	18	14
Spain	273	324
Netherlands	80	114
Portugal	21	33
Norway	14	20
Sweden	11	17
Switzerland	143	173
Denmark		10
United States	645	786
Asia	761	1,050
Total	**5,127**	**5,873**

The table below shows the breakdown of Group employees at the main subsidiaries as at December 31, 2017, and 2018:

Subsidiaries	2017	2018
SMCP S.A.S.	24	30
SMCP GROUP	149	164
SMCP LOGISTIQUE SAS	151	153
SANDRO ANDY	884	904
MAJE S.A.S.	651	680
CLAUDIE PIERLOT SAS	454	471
341 SMCP SAS	55	55
SMCP ASIA Ltd. and its subsidiaries	761	1,050
SMCP USA Inc. & SMCP CANADA Inc.	645	786

The table below shows the breakdown of Group employees by function at December 31, 2017, and 2018:

Categories	2017	2018
Head Offices	768	866
Sales Networks	4,208	4,854
Logistics	151	153
Total	**5,127**	**5,873**

The table below shows the proportion of women within the Group's workforce in France at December 31, 2017 and 2018:

Proportion of women	2017	2018
Proportion of women in the workforce	77%	77%
Proportion of women managers	76%	77%
Proportion of women supervisors	81%	77%
Proportion of non-managerial women employees	76%	78%

The table below shows the proportion of women within the Group's workforce in France and in Europe (who account for 69% of the Group's total headcount) at December 31, 2017 and 2018:

Proportion of women	2017	2018
Proportion of women in the workforce	80%	80%

The table below shows the breakdown of Group employees by type of contract at December 31, 2017 and 2018:

Employees per type of contract	2017	2018
Permanent contracts	4,474	5,104
Others[1]	653	769

(1) Fixed term contracts, apprenticeships and internships

The table below shows the age pyramid for Group employees in France and in Europe as at December 31, 2017 and 2018:

Age pyramid	2017	2018
< 25 years old	1,052	1,089
25 – 40 years old	2,255	2,471
41 – 55 years old	353	411
56 – 60 years old	46	49
> 60 years old	15	17

17.1.2 Employment and working conditions

The table below shows the change in employment within the Group in France at December 31, 2017 and 2018:

Employment	2017	2018
Turnover - permanent employees	68.1%	64.6%
Voluntary turnover - permanent employees	47.1%	43.2%
Recruitment rate - permanent employees	31.5%	33.2%

The table below shows the trends in absenteeism and overtime working in France at December 31, 2017 and 2018:

Working conditions	2017	2018
Rate of absenteeism [1]	8%	7%
Overtime	2,989	1,495
Overtime and supplementary working	59,971	50,549

(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 two financial years (occupational accidents – Group employees):

Safety at work	2017	2018
Number of fatal occupational accidents	None	None
Number of employees having taken sick leave (following an occupational accident or commuting accident)	121	116

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, 60% of the 50 highest-paid employees within the Group are women.

17.1.3 Training

Training	2017 (France)	2017 (Europe)	2018 (France)	2018 (Europe)
Total training expenses *(in euros)*	575,648	340,571	798,700	101,300
Employees having received training	588	274	749	146
Total number of training hours	11410	3,607	14,471	1,367

For the fiscal year ended December 31, 2018, an amount equivalent to 0.7% of payroll in France was devoted to training Group employees in France.

17.1.4 Compensation policy

The total gross compensation paid by the Group (excluding social security contributions) for the years ended December 31, 2017 and 2018 is as follows:

(In thousands of euros)	2017	2018
Gross remuneration	144,79	160,877

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 sales for the store.

The pay increase budgets allocated to the salary policy are defined on the basis of the annual economic performance and are negotiated with social partners at various meetings devoted to the mandatory annual negotiations. Some general increases may take place across the store network with the aim of making the Group's recruitment opportunities more competitive. The mandatory annual negotiations also give rise to analyses and proposals for optimizing the allocation of target bonuses within points of sale or the corporate benefits.

In 2017, in the context of its initial public offering, the Company paid an exceptional bonus of around €1,254,000 to certain managers and executives of the Group for their work to prepare the IPO.

17.1.5 Labor relations

The Group's employees are represented at various levels (Group/company/site) by the relevant trade union representatives, employees' representatives, joint works committee and health, safety and working conditions committees.

In 2012, the Group signed a pre-electoral memorandum of understanding acknowledging the existence of an economic and social unit (UES). In this regard, a joint works committee was established for the UES with employees' representatives from each Company comprising the UES.

The Group has also set up three health, safety and working conditions committees (CHSCT): a retail CHSCT, a head office CHSCT and a logistics CHSCT.

In total, as of the date of this registration document, there are 32 employee representatives within the UES (principals and substitutes).

Overall, the Group considers that it enjoys satisfactory labor relations with its employees and their representatives. For example, more than 10 collective agreements or action plans have been negotiated since December 2012 with representatives of the employee trade unions, and the response from the works committee to projects presented by senior management is frequently favorable.

17.2 Equity interest and stock options held by members of the Board of Directors and executive management

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

Daniel Lalonde, Chief Executive Officer and director of the Company, is a shareholder of the Company (see Section 18.1 of this Registration Document).

Evelyne Chétrite, director and Deputy Chief Executive Officer of the Company and Judith Milgrom, director and Deputy Chief Executive Officer of the Company, are indirect shareholders of the Company through the Sivan and Judor companies (see Section 18.1 of this Registration Document). Ylane Chétrite, non-voting director and Deputy Chief Executive Officer of the Company, is a direct shareholder of the Company (see Section 18.1 of this Registration Document).

Yafu Qiu, director and Chairman of the board of directors of the Company, Chenran Qiu, director and Deputy Chief Executive Officer of the Company, Weiying Sun director of the Company, Xiao Su – director of the Company, and Kelvin Ho, director of the Company, are members of the management team of the Shandong Ruyi Group, the majority shareholder of European TopSoho Sàrl (see Section 18.1 of this Registration Document).

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

In 2016 and 2017, the Group allocated 14,224,075 category G preference shares to certain senior executives of the Group (including Daniel Lalonde, Ylane Chétrite, Evelyne Chétrite and Judith Milgrom), as detailed in Section 21.2.3.2 of this Registration Document. On November 23, 2017, the Group allocated 2,038,324 bonus shares to certain senior executives of the Group (including Daniel Lalonde and Ylane Chétrite and Evelyne Chétrite and Judith Milgrom) and certain Group employees, as detailed in Section 15.1.4 of this Registration Document.

In June 2018, a reverse split of the G PS was completed, under which 11 old G PS, each with a par value of €0.10, was exchanged for one new G PS, with a par value of €1.10. At the end of this reverse split, the total number of G PS was 1,293,098 with a par value of €1.10.

On November 23, 2018, the Chief Executive Officer noted that the presence condition allowing the final award of 3,992 free common shares to be issued in favor of 998 of the Company's employees had been met and as a result decided on the issuance of securities and the resulting capital increase.

As of January 1, 2019, 95,859 class G preferred shares had been converted into ordinary shares by 17 managers of the company. Consequently, 376,053 new common shares were issued and the Company's bylaws were modified accordingly.

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 2017, the amount was approximately 1.16 months of gross salary (before CSG/CRDS) for an employee present all year round.

In 2018, the amount was approximately 1.24 months of gross salary (before CSG/CRDS) for an employee present all year round.

17.3.2 Incentive schemes

None.

17.3.3 Company savings schemes and similar plans

The Group has a Company savings scheme with five funds of different types offering varying degrees of risk and performance outlook (monetary, bonds, shares, etc.).

17.4 Company shareholding

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

Meeting on November 23, 2017, the Board of Directors, on the basis of the authority granted by the Shareholders' Meeting of October 5, 2017, established a bonus share allocation plan for executive officers and salaried employees of the Company and its subsidiaries (Plan No. 3). Within this framework, the Company decided on the bonus allocation of 3,992 performance shares to certain employees of the Group. The vesting date for these performance shares is November 23, 2019.

Meeting on August 31, 2018 and then November 20, 2018, the Board of Directors, on the basis of the authority granted by the Shareholders' Meeting of June 18, 2018, established a bonus share allocation plan for executive officers and salaried employees of the Company and its subsidiaries (Plan August 2018 and Plan November 2018). Within this framework, the Company decided on the bonus allocation of 155,865 performance shares to certain employees of the Group. The vesting date for these performance shares is November 23, 2021.

18. PRINCIPAL SHAREHOLDERS

18.1 Shareholders

The following table shows shareholders of the Company as of December 31, 2018:

Shareholders	Number of ordinary shares	Number of Class G preferred shares[4]	Total number of shares and voting rights	% of voting rights
European TopSoho Sàrl[1]	40,135,102	0	40,135,102	53.90%
Founders: Sivan [2] Judor [3] Ylane Chétrite	3,025,392	477,315	3,502,707	4.70%
Managers				
Daniel Lalonde:	119,225	145,909	265,134	0.36%
Other managers:	205,409	567,689	773,098	1.04%
Free float	29,609,635	102,185	29,711,820	39.90%
Treasury shares	79,252	0	79,252	0.11%
TOTAL	**73,174,015**	**1,293,098**	**74,467,113**	**100%**

(1) Entity held indirectly at 51.8% by Shandong Ruyi Technology Group and 48.2% by Yinchuan WeiXin Industry Funds Ltd Partnership. Yinchuan WeiXin Industry Funds Ltd Partnership is indirectly and majority-owned by investment funds of the Popular Republic of China.

(2) Entity held by Evelyne Chétrite.

(3) Entity held by Judith Milgrom.

(4) The terms and conditions of the class G preferred shares are detailed in Section 21.2.3.2 of this Registration Document.

Shandong Ruyi

Founded in 1972, Shandong Ruyi is one of the largest textile manufacturers in China and ranks among the Top 100 Chinese multi-national enterprises. The group predominately engages in textile offerings and owns a fully-integrated value chain with operations spanning across raw materials cultivation, textiles processing, and design and sale of brands & apparel.

Headquartered in Jining, Shandong Ruyi Group operates 13 domestic industrial parks and boasts some of the largest production lines and advanced technology in China. Shandong Ruyi Group also has a significant distribution and point of sales network that services a global customer base spread across six continents. In Asia Pacific alone, the group operates over 3,000 points of sale. Shandong Ruyi Group has over 20 subsidiaries, with four listed subsidiaries in China, Hong Kong, Paris and Japan.

Shareholding of the founding family

On the date of this Registration Document, Evelyne Chétrite, founder of Sandro, and Judith Milgrom, founder of Maje, respectively hold, through the companies Sivan and Judor, 2.1% and 2.0% of the capital and voting rights of the Company.

Ylane Chétrite, founder of Sandro Men, is a shareholder of the Company. He holds 0.57% of the share capital and voting rights of the Company.

Shareholding managers

Certain managers, current executives and key employees, i.e., 95 people to date, have become shareholders of the Company in the context of the acquisition of the Group by Shandong Ruyi. As at the date of this registration document, together they hold 1.75% of the share capital and 1.75% of the voting rights of the Company.

18.2 Shareholder voting rights

One vote is attached to each share of the Company.

In addition, the Company's Articles of Association, as amended effective on the date the Company's shares are listed for trading on Euronext Paris, stipulated a double voting right to fully paid-up commons shares that have been held continuously in registered form by the same shareholder for a minimum period of at least two (2) years. 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 shareholders' meeting.

The double voting right ceases automatically when the ordinary share is converted to a bearer share or ownership is transferred.

18.3 Declaration concerning control of the Company

At the Company's initial public offering, Evelyne Chétrite, Judith Milgrom, Ylane Chétrite (the "**Founders**"), Sivan Sàrl [37] and Judor Sàrl [38], and European TopSoho Sàrl, (together the "**Parties**" "and individually a "**Party**"), established the principal terms of a shareholders' agreement (the "**Agreement**").

The Agreement is for a term that expires June 30, 2020 (unless terminated early related to the ownership by the Founders and the companies they control of a certain percentage of the Company's capital).

The Agreement notes the appointment of Evelyne Chétrite, Judith Milgrom and Ylane Chétrite to the positions of Deputy Chief Executive Officers responsible for the creation and marketing strategy of each brand concerned and stipulates the following:

- principles concerning the governance of the Company, including the appointment of Evelyne Chétrite and Judith Milgrom to the Board of Directors of the Company, and of Ylane Chétrite as non-voting member; if they cease their duties, except in a case of fault or non-compliance with their non-compete obligations, the Founders will have the option to recommend their replacements to the competent bodies;
- principles relating to the liquidity of the Company's shares:
- a right to information for the Founders prior to the execution of any project to sell shares of the Company planned by European TopSoho or one of its affiliates, representing at least 2% of the Company;
- a best-effort commitment from European TopSoho to allow the Founders (including the shareholder companies they control) to participate, if they so request, at the level of their interest, in any process to sell a block of shares by European TopSoho representing at least 2% of the capital of the Company. Even if the Founders proposed sale fails, European TopSoho alone may sell its shares to the third-party buyer without any impact on the rest of the shareholders' agreement;
- a best-effort agreement from European TopSoho, if the Founders request no earlier than six (6) months before the end of the Agreement, to give the Founders the assistance of the Company and its executives in the context of any project to sell their shares in the Company to be executed on or off the market;
- a purchase commitment by European TopSoho, that may be exercised under certain conditions and within a period of 45 days preceding the end date of the Agreement, around 40% of the shares held by each of the Founders and the companies they control (this percentage will be calculated on the basis of all the shares held by each of the Founders on the date of signature of the Agreement, as well as shares resulting from the conversion of their G PS), at a price equal to the average price of the Company's share weighted by volume over a period of 45 days preceding the date of the purchase request as notified by the Founder in question.

18.4 Agreements that may result in a change of control

As at the date of registration of this Registration Document, there are no agreements which, if implemented, could result in a change of control of the Company.

18.5 Information that could have an impact in the event of a public offering

For any information relating to elements that could have an impact in the event of a public offering please refer to Section 3.4 of the Board of Directors' report on corporate governance included in Appendix 1 of this Registration Document.

[37] Company held by Evelyne Chétrite.

[38] Company held by Judith Milgrom.

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.

Quantified data detailing relationships with these related parties is provided in note "Related third party transactions" to the consolidated financial statements for the fiscal year ended December 31, 2018, presented in Section 20.1.1.1 of this Registration Document.

19.2 Statutory Auditors' special report on regulated agreements and commitments for the fiscal year ended December 31, 2018

To the SMCP Annual General Meeting,

In our capacity as statutory auditors of your Company, we hereby report to you on regulated agreements and commitments.

The terms of our engagement require us to communicate to you, based on information provided to us, the principal terms and conditions of those agreements and commitments brought to our attention or which we may have discovered during the course of our audit, as well as the reasons justifying that such commitments and agreements are in the Company's interest, without expressing an opinion on their usefulness and appropriateness or identifying other such agreements and commitments, if any. It is your responsibility, pursuant to Article R. 225-31 of the French Commercial Code (code de commerce), to assess the interest involved in respect of the conclusion of these agreements and commitments for the purpose of approving them.

Our role is also to provide you with the information stipulated in Article R.225-31 of the French Commercial Code (code de commerce) relating to the implementation during the past year of agreements and commitments previously approved by the annual general meeting, if any.

We performed the procedures that we considered necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (Compagnie Nationale des Commissaires aux Comptes) relating to this engagement. These procedures consisted in agreeing the information provided to us with the relevant source documents.

AGREEMENTS AND COMMITMENTS SUBMITTED TO THE APPROVAL OF THE ANNUAL GENERAL MEETING

Agreements and commitments authorized and concluded during the year

Please note that we were not advised of any agreement or commitment authorized and entered into during the prior fiscal year to be submitted to the Shareholders' Meeting for approval as required by the provisions of Article L225-38 of the French Commercial Code.

AGREEMENTS AND COMMITMENTS PREVIOUSLY APPROVED BY ANNUAL GENERAL MEETING

Previously approved agreements and commitments that remained in force during the year

Pursuant to Article R225-30 of the French Commercial Code, we were informed that the performance of the following agreements and commitments, already approved by the Shareholders' Meeting in prior years, continued in the fiscal year ended.

Compensation of Evelyne Chétrite, member of the Board of Directors

Person concerned: Mrs. Evelyne Chétrite

Mrs. Evelyne Chétrite's compensation was set by the Shareholders' Meeting of October 10, 2016 and reviewed by the Shareholders' Meeting of October 5, 2017. Since this date, her compensation comprises a fixed component of €156,505 and a variable component of €251,165 if objectives are attained. Objectives concern EBITDA of the Sandro brand (30%) and Group EBITDA per the annual budget (70%). The bonus may be doubled in the event objectives are significantly exceeded.

Mrs. Evelyne Chétrite received total compensation of €483,759 during the period ended December 31, 2018.

Compensation of Judith Milgrom, member of the Board of Directors

Person concerned: Mrs. Judith Milgrom

Mrs. Judith Milgrom's compensation was set by the Shareholders' Meeting of October 10, 2016 and reviewed by the Shareholders' Meeting of October 5, 2017. Since this date, her compensation comprises a fixed component of €156,505 and a variable component of €251,165 if objectives are attained. Objectives concern EBITDA of the Maje brand (30%) and Group EBITDA per the annual budget (70%). The bonus may be doubled in the event objectives are significantly exceeded.

Mrs. Judith Milgrom received total compensation of €421,079 during the period ended December 31, 2018.

Compensation of Daniel Lalonde, member of the Board of Directors

Person concerned: Daniel Lalonde

Mr. Daniel Lalonde's compensation was set by the Shareholders' Meeting of October 10, 2016 and reviewed by the Shareholders' Meeting of October 5, 2017. Since this date, his compensation comprises a fixed component of €900,000 and a variable component of €900,000 if objectives are attained. The objectives concern the attainment of Group EBITDA and EBITDA of each of the brands per the annual budget. The bonus may be doubled in the event objectives are significantly exceeded.

Mr. Daniel Lalonde received total compensation of €2,395,195 during the fiscal year ended December 31, 2018.

Purpose: Compensation of Ylane Chétrite, member of the Board of Directors

Person concerned: Mr. Ilan Chétrite

Mr. Ilan Chétrite's compensation was set by the Shareholders' Meeting of October 10, 2016 and reviewed by the Shareholders' Meeting of October 5, 2017. Since this date, her compensation comprises a fixed component of €650,000 and a variable component of €650,000 if objectives are attained. Objectives concern EBITDA of the Sandro brand (30%) and Group EBITDA per the annual budget (70%). The bonus may be doubled in the event objectives are significantly exceeded.

Mr. Ilan Chétrite received total compensation of €1,340,461 during the period ended December 31, 2018.

Paris La Défense, on April 26, 2019

The Statutory Auditors

KPMG AUDIT	*Deloitte & Associés*
Valéry FOUSSE	*Albert AIDAN*

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

20.1 The Group's consolidated financial statements

20.1.1 The Group's consolidated financial statements for the period ended December 31, 2018 and the corresponding Statutory Auditors' report

20.1.1.1 Group consolidated financial statements for the period ended December 31, 2018

1. CONSOLIDATED FINANCIAL STATEMENTS

The quantitative data for the twelve-month period of the 2018 fiscal year must be compared to the same twelve-month period from January 1, 2017 to December 31, 2017, the latter being extracted from the consolidated financial statements of the previous twenty-month fiscal period.

1.1. Consolidated income statement

(€k)	Notes	*12-month period at* 12/31/2018	*Additional information: 12-month period at* 12/31/2017	*Legal 20-month period at* 12/31/2017 *
Sales	5.1	**1,017,133**	**912,371**	**1,136,490**
Cost of sales	5.2	(367,828)	(327,266)	(404,812)
Gross margin**		**649,305**	**585,105**	**731,678**
Other net operating income and expenses	5.3	(265,522)	(239,850)	(297,634)
Personnel costs	5.4	(212,320)	(191,589)	(237,323)
Depreciation, amortization and impairment		(36,143)	(35,000)	(42,519)
Bonus shares allocation plan	5.5	(13,357)	(1,861)	(1,861)
Current operating income		**121,963**	**116,805**	**152,341**
Other income and expenses	5.6	(12,450)	(46,693)	(67,797)
Operating profit		**109,513**	**70,112**	**84,544**
Financial income and expenses	5.7	(1,443)	(1,804)	(1,812)
Cost of net debt		(17,998)	(68,122)	(93,724)
Financial income		**(19,441)**	**(69,925)**	**(95,535)**
Profit/(loss) before tax		**90,072**	**187**	**(10,991)**
Income tax expense	5.8	(39,869)	6,140	47,932
Net profit for the period		**50,203**	**6,327**	**36,941**
Attributable to owners of the Company		50,203	6,327	36,941
Attributable to non-controlling interests				
Net profit attributable to owners of the Company		**50,203**	**6,327**	**36,941**
Basic earnings per share attributable to owners *(€)*	5.9	**0.687**	**0.015**	**0.112**
Diluted earnings per share attributable to owners *(€)*	5.9	**0.638**	**0.015**	**0.111**

* *15 months of operating activity – see Note 2.3. Statement of compliance and basis of preparation.*

** *The presentation of the gross margin has been changed; commissions are not integrated in the cost of sales. They amounted to -€116,978 thousand at December 31, 2017 over a 12-month period and -€148,034 thousand over a 20-month period, they totaled -€123,186 thousand at December 31, 2018.*

No certification report was prepared for the January 1, 2017 to December 31, 2017 period.

Foreign currency items in the consolidated income statement and consolidated statement of comprehensive income are translated at the average exchange rate for each period presented (see Note 3.6.2 – Rates applicable at December 31).

1.2. Consolidated statement of comprehensive income

The 2018 fiscal year coincided with the 12-month calendar year, however the 2017 fiscal year started on May 1, 2016 and ended on December 31, 2017, i.e., a fiscal year of 20 months. In order to facilitate analyses, additional information is presented to show the Group's activity over the 12 calendar months of 2017.

	12-month period at	*Additional information: 12-month period at*	*Legal 20-month period at*
(€k)	**12/31/2018**	**12/31/2017**	**12/31/2017 ***
Net profit for the period	**50,203**	**6,327**	**36,941**
Actuarial losses on defined benefit plans, net of tax	412	(105)	(170)
Total other comprehensive income/(loss) that may not be reclassified to profit or loss	**412**	**(105)**	**(170)**
Gains/(losses) on derivative financial instruments (cash flow hedges), net of tax	(31)	231	348
Gains/(losses) on exchange differences on translation of foreign operations	57	(1,255)	(3,979)
Total other comprehensive income/(loss) that may be reclassified to profit or loss	**26**	**(397)**	**(3,631)**
Total other comprehensive income/(loss) net of taxes	**438**	**(502)**	**(3,801)**
Total comprehensive income/(loss)	**50,641**	**5,825**	**33,139**

* *15 months of operating activity – see Note 2.3 – Statement of compliance and basis of preparation.*

1.3. Consolidated statement of financial position

1.3.1. Assets

€K	**Notes**	**12/31/2018**	**12/31/2017**
Goodwill	6.1.1	630,071	630,071
Trademarks	6.1.2	600,000	600,000
Other intangible assets	6.1.2	136,076	128,761
Property, plant and equipment	6.2	75,982	67,755
Non-current financial assets	6.4	19,477	16,126
Other non-current assets		477	1,038
Deferred tax assets	5.8.2	33,435	56,181
Non-current assets		**1,495,518**	**1,499,932**
Inventories	6.5	221,400	179,359
Trade receivables	6.6	51,428	52,689
Other receivables	6.7	39,175	49,746
Other current financial assets		-	3
Cash and cash equivalents	6.8	46,528	40,422
Current assets		**358,531**	**322,219**
Total assets		**1,854,050**	**1,822,151**

1.3.2. Equity and liabilities

€K	Notes	12/31/2018	12/31/2017
Share capital	6.9.1	81,914	81,870
Share premium		951,522	951,566
Reserves and retained earnings		63,547	17,010
Other comprehensive income/(loss)		46,838	33,139
Treasury shares		(1,649)	(723)
Equity attributable to owners of the Company	1.5	**1,142,172**	**1,082,862**
Non-controlling interests		-	-
Total equity	1.5	**1,142,172**	**1,082,862**
Bonds	6.11	174,205	192,312
PIK shareholder loan	6.10.1	-	-
Other non-current liabilities		221	6
Non-current provisions	6.13	241	335
Prepaid income		(89)	94
Net employee defined benefit liabilities	6.14	3,346	3,196
Other non-current liabilities		44	2
Deferred tax liabilities	5.8.2	166,535	183,706
Non-current liabilities		**344,503**	**379,651**
Interest-bearing loans and borrowings (current)	6.11	2,153	2,371
Trade and other payables		115,536	102,868
Bank overdrafts and short-term borrowings and debt	6.11	143,917	137,708
Short-term provisions	6.13	3,196	2,755
Other liabilities	6.15	102,573	113,935
Current liabilities		**367,375**	**359,637**
Total equity and liabilities		**1,854,050**	**1,822,151**

1.4. Consolidated statement of cash flows

(€k)	*12-month period at* 12/31/2018	*Additional information: 12-month period at* 12/31/2017	*Legal 20-month period at* 12/31/2017 *
Profit/(loss) before tax	**90,073**	**187**	**(10,991)**
Depreciation, amortization and impairment	36,143	35,000	42,520
Other income and expenses	12,450	46,693	67,797
Financial income	19,441	69,925	95,536
Bonus shares allocation plan	13,357	1,861	1,861
Sub-total (1)	**171,464**	**153,666**	**196,722**
Cost of share-based payments	(11,257)	(9,145)	(9,145)
Non-operating expenses incurred during the period	(7,467)	(8,355)	(31,703)
(Increase)/decrease in trade and other receivables and prepayments	9,817	(7,123)	(22,825)
(Increase)/decrease in inventories after provisions	(41,191)	(35,532)	(35,426)
Increase /(decrease) in trade and other payables	(16,127)	823	11,555
Change in working capital (2)	**(47,501)**	**(41,832)**	**(46,696)**
Reimbursed (paid) income tax	(12,686)	(13,086)	(20,141)
Net cash flow from operating activities	**92,553**	**81,248**	**89,037**
Purchases of property, plant and equipment and intangible assets	(53,240)	(47,108)	(65,459)
Sales of property, plant, equipment and intangible assets	1,017	65	449
Purchases of financial instruments	(5,578)	(4,303)	(5,575)
Proceeds from sales of financial instruments	1,537	2,416	2,625
Purchases of subsidiaries net of cash acquired	-	-	(939,988)
Net cash flow used in investing activities	**(56,264)**	**(48,930)**	**(1,007,948)**
Capital increases	-	127,000	708,683
Purchases and resale of treasury shares	-	(723)	(723)
Issuance of bonds	-	-	446,804
Redemption of bonds	(20,034)	(270,660)	(270,660)
Issuance of long-term financial borrowings	219	6	300,006
Reimbursement of long-term financial borrowings	(2)	(90)	(290,603)
Issuance of short-term financial borrowings	5,000	132,454	132,454
Other financial income and expenses	(514)	(1,025)	(1,229)
Interest paid (3)	(15,992)	(37,346)	(68,420)
Net cash flow from financing activities	**(31,324)**	**(50,384)**	**956,330**
Net foreign exchange difference	229	(1,749)	(1,132)
Change in net cash and cash equivalents	**5,194**	**(19,814)**	**36,288**
Cash and cash equivalents at the beginning of the period	40,422	57,326	-
Bank credit balances at the beginning of the period	(4,136)	(1,224)	-
Net cash and cash equivalents at the beginning of the period	**36,286**	**56,102**	**-**
Cash and cash equivalents at the end of the period	46,528	40,422	40,422
Bank credit balances at the beginning/end of the period	(5,047)	(4,136)	(4,136)
Net cash and cash equivalents at the end of the period	**41,480**	**36,286**	**36,286**

* *15 months of operating activity – see Note 2.3. Statement of compliance and basis of preparation.*

(1) *Recurring operating income before other income and expenses, before depreciation, amortization and impairment and before the free shares allocation plan.*

(2) *Does not include other non-operating income and expenses with an impact on cash for -€7,467 thousand in 2018 and for -€8,355 thousand over the 12-month period at December 31, 2017, nor the cost of share-based payments with an impact on cash for -€11,257 in 2018 and €9,145 over the 12-month period ended December 31, 2017.*

(3) *Interest paid includes early payment penalties: €601 thousand in 2018 on the 2023 bond issue subscribed in 2016 for €371 million by the SMCP Group.*

1.5. Consolidated statement of changes in equity

(en k€)	Nombre d'AO	Capital social	Primes	Actions d'auto-contrôle	Réserves et report à nouveau	Réévaluation du passif des régimes à prestations définies	Ecarts de conversion	Couverture de flux de trésorerie futurs	Résultat net - Part du Groupe	Capitaux propres		
										Total Part du groupe	Participations ne donnant pas le contrôle	Total des capitaux propres
Solde au 19 avril 2016	**100**	**-**	**-**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Mouvements de l'exercice clos au 30 avril 2016									(10)	(10)	-	**(10)**
Solde au 1er mai 2016	**100**	**-**	**-**		**-**	**-**	**-**	**-**	**(10)**	**(10)**	**-**	**(10)**
Mouvements de la période de 20 mois close le 31 décembre 2017		-	-		-	-	-	-	36 941	36 941	-	**36 941**
Écarts actuariels cumulés sur régimes de retraite à prestations définies, nets d'impôts		-	-		-	(170)	-	-	-	(170)	-	**(170)**
Écarts de change résultant de la conversion des activités à l'étranger		-	-		-	-	(3 979)	-	-	(3 979)	-	**(3 979)**
Autres éléments du résultat global		-	-		-	-	-	348		348	-	**348**
Résultat global total		**-**	**-**	**-**	**-**	**(170)**	**(3 979)**	**348**	**36 941**	**33 139**	**-**	**33 139**
Affectation du résultat N-1		-	-		(10)	-	-	-	10	-	-	-
Dividendes versés		-	-		-	-	-	-	-	-	-	-
Augmentation / réduction de capital	73 169 923	80 763	952 673		-	-	-	-	-	1 033 436	-	**1 033 436**
Conversion des actions de préférence G		1 383	(1 383)		-	-	-	-	-	-	-	-
Conversion des actions de préférence 1		(276)	276							-		-
Plan d'attribution d'actions gratuites		-	-		17 020	-	-	-	-	17 020	-	**17 020**
Acquisition de titres d'auto-contrôle		-	-	(723)						(723)		**(723)**
Total des opérations avec les actionnaires		**81 870**	**951 566**	**(723)**	**17 010**	**-**	**-**	**-**	**10**	**1 049 733**	**-**	**1 049 733**
Solde au 31 décembre 2017	**73 170 023**	**81 870**	**951 566**	**(723)**	**17 010**	**(170)**	**(3 979)**	**348**	**36 941**	**1 082 862**	**-**	**1 082 862**
Résultat net au 31 décembre 2018 (12 mois)		-	-		-	-	-	-	50 203	50 203	-	**50 203**
Écarts actuariels cumulés sur régimes de retraite à prestations définies, nets d'impôts		-	-		-	412	-	-	-	412	-	**412**
Écarts de change résultant de la conversion des activités à l'étranger		-	-		-	-	57	-	-	57	-	**57**
Autres éléments du résultat global		-	-		-	-	-	(31)		(31)	-	**(31)**
Résultat global total		**-**	**-**	**-**	**-**	**412**	**57**	**(31)**	**50 203**	**50 641**	**-**	**50 641**
Affectation du résultat N-1		-	-		36 941	-	-	-	(36 941)	-	-	-
Dividendes versés		-	-		-	-	-	-	-	-	-	-
Augmentation / réduction de capital	-	-			-	-	-	-	-	-	-	-
Conversion des actions gratuites	3 992	4	(4)		-	-	-	-	-	-	-	-
Conversion des actions de préférence G		40	(40)							-		-
Plan d'attribution d'actions gratuites		-	-		10 974	-	-	-		10 974	-	**10 974**
Acquisition de titres d'auto-contrôle		-	-	(926)						(926)		**(926)**
Variations de périmètre		-	-		-	-	-	-	-	-	-	-
Rattrapage cumulatif IFRS 15 net d'impôts					(1 379)					(1 379)		**(1 379)**
Total des opérations avec les actionnaires		**44**	**(44)**	**(926)**	**46 536**	**-**	**-**	**-**	**(36 941)**	**8 669**	**-**	**8 669**
Solde au 31 décembre 2018	**73 170 023**	**81 914**	**951 522**	**(1 649)**	**63 546**	**242**	**(3 922)**	**317**	**50 203**	**1 142 172**	**-**	**1 142 172**

2. GENERAL INFORMATION

2.1. Presentation of the Group

SMCP S.A. was incorporated in France on April 19, 2016 as a simplified joint stock Company (*Société par actions simplifiée*). The Company's registered office is located at 49 rue Etienne Marcel, 75001 Paris, France.

The consolidated group ("the **Group**") includes parent company SMCP S.A. and its subsidiaries. It holds the three French brands, Sandro, Maje and Claudie Pierlot, leading international players in the apparel and accessories sector.

SMCP S.A. is indirectly owned by Ruyi International Fashion (China) Limited, Hong Kong company, RM 1201, 12/F Empire Center 68, Mody Road TST KL, Hong Kong, registered under the number 61544102-000-06-14-0, through its subsidiary European TopSoho S.à.r.l. in Luxembourg. The latter owns 53.9% of SMCP S.A. Ruyi International Fashion (China) Limited is a holding owned by the industrial group Shandong Ruyi and Yinchuan WeiXin Industry Funds Limited Partnership.

On October 20, 2017, SMCP S.A. was listed on Euronext Paris, with the strategic support of Shandong Ruyi Technology Group, its majority shareholder.

The Group's business mainly involves the creation and sale of apparel and accessories under the Sandro, Maje and Claudie Pierlot brands mostly through directly-operated stores, concessions ("corners") in department stores or its own websites.

At December 31, 2018, the Group operated 1,466 stores, of which 1,172 were directly operated and 294 were operated through partnerships. Its brands were present in 40 countries worldwide.

2.2. Significant events

During the fiscal year ended December 31, 2018, the Group continued its growth strategy, based on its organic levers (ready-to-wear for women and men, accessories, and e-commerce) as well as through the opening of new points of sales worldwide (notably in Asia and Europe).

2.2.1. Repayment of Senior Secured Notes

In May 2018, the Group repaid 10% of the nominal amount of the 2023 bond issue, i.e., 20 million plus a repayment penalty of €0.6 million and the payment of €0.06 million as incurred interest. As a result of the successive repayments, the gross nominal of the loan stood at €180 million at December 31, 2018 (excluding bond issue costs) (see Note 6.11 "Senior Bonds (2022 and 2023 Bonds)").

2.2.2. Change in the tax rate for the calculation of deferred taxes

For fiscal year 2017, following two consecutive reductions of the tax rate in France by the 2017 Finance Law and the 2018 Finance Law, which brought the rate from 34.43% to 28.92% and then from 28.92% to 25.83% as of 2022, long-term tax deferrals, mainly related to trademarks and leasehold rights, were revalued at this date at the applicable rate from 2022.

In fiscal year 2018, several countries voted for a decrease in taxes with an impact on tax deferrals linked to timing differences with the main country being the United States where the federal tax rate was reduced from 40% to 29.4%.

2.3. Statement of compliance and basis of preparation

The Group's consolidated financial statements as of December 31, 2018 cover a period of activity of 12 months, from January 1, 2018 to December 31, 2018.

The comparative period for the prior fiscal year covers the period from May 1, 2016 to December 31, 2017. The current fiscal year will thus be 20 months long and end on December 31, 2017. They must be read in conjunction with the Group's consolidated financial statements prepared for the 20-month period ended December 31, 2017 for which a set of complete financial statements have been published and from which the comparative 12-month period ended December 31, 2017 is extracted.

All amounts are expressed in thousands of euros (€k) unless stated otherwise.

The consolidated financial statements were prepared in accordance with international financial reporting standards (IFRS – see Note 3.2) as adopted by the European Union and with mandatory application as of December 31, 2018. The Group did not early adopt any standards, amendments or interpretations.

The applicable standards, amendments and interpretations are available on the European Union's website: http://ec.europa.eu/finance/company-reporting/index_fr.htm. (see Note 3.2 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. General principles and statement of compliance

Pursuant to European Regulation No1606/2002 of July 19, 2002, the consolidated financial statements of the SMCP Group for fiscal year 2018 have been prepared in compliance with the International Financial Reporting Standards as published and approved by the European Union on the closing date of these financial statements and the application of which is mandatory as of that date.

These International Standards include the International Financial Reporting Standards (IFRS), the International Accounting Standards (IAS) and the interpretations of the IFRS IC (International Financial Reporting Standards Interpretations Committee).

The financial statements presented do not take account of the draft standards and interpretations which, as of the closing date, were exposure drafts of the IASB (International Accounting Standards Board) and the IFRS IC.

All these texts adopted by the European Union are available on the European Union legislation website at: http://eur-lex.europa.eu/homepage.html.

3.2. Applied IFRS

3.2.1. Standards, amendments and interpretations adopted by the European Union and applicable on January 1, 2018

The Group applied to its financial statements, the standards and amendments newly applicable on or after January 1, 2018:

- amendments to IAS 28 and IFRS 1 were part of the 2014-2016 Cycle of annual improvements to the IFRS, and IAS 40, IFRS 2 and IFRS4. These amendments have no impact on the Group;
- IFRIC 22 interpretation – Foreign currency transactions and advance consideration, no impact on the Group;
- IFRS 9 – Financial Instruments, which sets out the principles for recognition and financial disclosure relating to financial assets and financial liabilities. These principles replace those previously stipulated by IAS 39 – Financial Instruments;
- IFRS 15 – Sales from Contracts with Customers, which defines the sales recognition model and replaces IAS 18 – Sales, on or after January 1, 2018.

IFRS 9 – *Financial Instruments*

SMCP Group opted for the application of stage 1 and stage 2 of IFRS 9 components as at January 1, 2018. The main impacts for each of the components are the following:

- stage 1 "Classification and Measurements" of financial assets: with regard to conducted analyses, there is no impact on the Group's financial statements;
- stage 2 "Provisions": IFRS 9 requires the application of the impairment model based on so-called "expected" losses (unlike the so-called "proven" losses model of IAS 39). For trade receivables, the Group chose to retain the approach based on a provisioning matrix proposed by IFRS 9. The risk associated with the recovery of trade receivables, primarily those of retail activities, is very limited. The Group protects the bulk of its trade receivables linked to the wholesale business with credit risk insurance, guarantees and requests for advance payments. Receivables from department stores are very short-term debts from prominent counterparties considered as having a very low default risk. Consequently, there is no impact on the Group's financial statements;
- stage 3 "Hedge accounting": the Group chose to apply the hedge component of IFRS 9 at January 1, 2019. In this respect, the main change with respect to IAS 39 will concern the handling of currency derivative instruments qualified as cash flow hedges. As such, the change in the time value of options and the change in the premium/discount of forward transactions are recorded in equity over the life of transactions and recorded in financial income/(loss) at realization of the hedged item. SMCP expects an impact of around €100 thousand on equity.

IFRS 15 – *Revenue from Contracts with Customers*

The SMCP Group is hardly impacted by the application of IFRS 15, given the nature of its activities. Indeed, the SMCP Group companies are mostly engaged in retail activities, with the exception of its wholesale activity. Consequently, the Group applied the "cumulative catch-up" transition method, considering that this method does not falsify the comparability of data between 2017 and 2018. A negative impact of €1.4 million net of deferred tax was recorded on January 1, 2018 in equity.

The basis of preparation and presentation integrated the application of these new standards.

3.2.2. Standards, amendments and interpretations adopted by the European Union but not applicable on January 1, 2018

The Group did not elect for early application of the following standards and interpretations for which the application is not mandatory at January 1, 2018:

- IFRS 16 – Leases, published in November 2017, sets out the recognition model for leases and will replace IAS 17 – Leases and IFRIC 4, SIC 15 and SIC 27 interpretations, of mandatory application as of January 1, 2019;

3.2.3. Expected impacts under the future standards, amendments and interpretations

IFRS 16 - *Leases*, applicable as of January 1, 2019

Application procedures of IFRS 16 by SMCP

The application of IFRS 16 on or after January 1, 2019 will significantly impact the financial statements of SMCP, due to its mostly retail activity. Indeed, nearly all lease agreements entered into by the Group are real estate leases (free-standing stores, outlets, headquarters and warehouses).

Consequently, the Group, through a multi-disciplinary team (finance, legal and IT) has chosen to roll out over its entire scope an IT tool dedicated to the operational management of real-estate leases, thus allowing the calculation of financial impacts to reflect operating reality as closely as possible.

For practical reasons, the Group has rejected the complete retrospective transition method, which entails applying IFRS 16 including for the comparative year, namely fiscal year 2018.

In accordance with the transitional arrangements described in Section C5 (b) of IFRS 16, the Group will consequently apply the partial retrospective method which entails recognizing the cumulative effect of the initial application on the date of the first application, namely on January 1, 2019.

Furthermore, pursuant to the transitional arrangements presented in Section C8 (b) (ii) of IFRS 16, the Group will apply this standard according to the simplified cumulative method by recognizing an asset under rights of use for lease agreements previously classified as operating leases (according to IAS 17) for the amount of the debt on lease agreements, adjusted for the amount of the rents paid in advance or to be paid which was already recognized in the statement of financial position at December 31, 2018.

Estimate of lease liabilities at January 1, 2019

In this perspective, the Group performed simulations to quantify the lease liabilities expected on the transition date and estimated an impact between €450 and €400 million, being an average estimate of €420 million. The definitive assessment of the amount of the debt on lease agreements is expected to change by the publication of the 2019 half-yearly accounts with regard to the estimate of the duration of certain leases: indeed, positions in place in certain countries are still likely to change by June 30, 2019 which may challenge certain assumptions selected to date for estimating lease terms.

This estimate is to be compared to the off-balance sheet commitments relating to the operating leases presented in Note 7.2. - Contractual obligations. The latter amounted to €303 million at December 31, 2018. The difference between this amount and the lease liability estimated according to IFRS 16 is due to the following elements:

- Logically, lease liabilities do not include leases already signed at December 31, 2018, but for which the effective date is subsequent to the transition date, contrary to off-balance sheet commitments;
- Lease liabilities do not include leases whose initial term is equal to or less than one year, pursuant to the exemption arrangements in paragraph 5 (a) of IFRS 16, contrary to off-balance sheet commitments;
- Lease liabilities do not include leases considered to have a low value underlying, pursuant to the exemption arrangements in paragraph 5 (b) of IFRS 16, contrary to off-balance sheet commitments;
- Estimate of the term of certain leases according to IFRS 16 may differ from that of off-balance sheet commitments: these are leases for which the Group is reasonably certain to exercise a renewal or early termination option, if necessary;
- Lastly, the impact of discounting lease liabilities does not apply to off-balance sheet commitments.

Impacts on the presentation of SMCP financial statements

The application of IFRS 16 assumes a new presentation of the consolidated financial statements as of the 2019 half-yearly accounts:

- The statement of the consolidated financial position will present:
- under Non-current assets, between Brands and other intangible assets and property, plant and equipment, a new heading "Lease assets" relating to right-of use for leases,
- under Non-current Liabilities and Current liabilities, a new heading "Lease liabilities" relating to the obligations linked to these rights-of-use;
- the consolidated income statement will present the impact of leases in three different headings:
- lease expenses, in Other current operating income and expenses, will restate the variable lease payments, all lease payments for low-value assets and contracts for which the initial term is equal to or less than one year, as well as all rental charges for all leases,

- amortization expense of rights-of-use, in Other current operating income and expenses as an integral part of non-current operating assets, and for the discounted fixed portion of lease payments for all leases for which the initial term exceeds one year or for which the underlying asset is not a low-value asset,
- the interest expense relating to Lease payables, in (net) Financial charges;
- the consolidated cash flow will present the impact of leases under two different headings:
- Net Cash flows linked to operating activities will include cash outflows linked to variable lease payments, all lease payments for low-value assets and contracts for which the initial term is equal to or less than one year, as well as all rental charges for all leases,
- Net Cash flows linked to financing activities will include, for their part, the cash outflows linked to fixed lease payments, corresponding to repayment of Lease liabilities (interest included).

3.3. 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.

3.4. 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 and goodwill (Note 6.1),
- measurement of deferred tax assets (Note 5.8.2),
- Calculation of provisions for contingencies and charges (Note 6.13)

Management reviews these estimates if there are changes in the circumstances on which they were based, if new information comes to light, or based on experience. As a result, the estimates used at December 31, 2018 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.

3.5. 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 Leases.

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 the subsidiaries owned by the Group are included in the scope of consolidation (Note 8.4).

3.6. Translation of foreign currency financial statements

3.6.1. 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 as equity under "Other comprehensive income".

Expenses, proceeds and cash flows for each of the two interim periods were converted using an average rate in accordance with the number of months of operations, i.e. the average for May to December 2016, the average for January to December 2017, and the average for January to December 2018.

3.6.2. Rates applicable at December 31

The rates used to translate foreign currency transactions into euros are indicated below:

		12/31/2018		12/31/2017		12/31/2016
		Closing	**Average**	**Closing**	**Average**	**Average**
			12 months		*12 months*	*Oct.-Dec. **
SWISS FRANC	EUR/CHF	1.1269	1.1549	1.1702	1.1115	1.0798
EURO	EUR/EUR	1.0000	1.0000	1.0000	1.0000	1.0000
POUND STERLING	EUR/GBP	0.8945	0.8848	0.8872	0.8761	0.8691
US DOLLAR	EUR/USD	1.1450	1.1815	1.1993	1.1293	1.0789
CANADIAN DOLLAR	EUR/CAD	1.5605	1.5304	1.5040	1.4644	1.4394
CHINESE YUAN	EUR/CNY	7.8714	7.8141	7.8132	7.6190	7.3803
HONG KONG DOLLAR	EUR/HKD	8.9675	9.2601	9.3720	8.8012	8.3698
SINGAPORE DOLLAR	EUR/SGD	1.5591	1.5929	1.6020	1.5582	1.5208
DANISH KRONE	EUR/DKK	7.4673	7.4532	7.4449	7.4387	7.4390
NORWEGIAN KRONE	EUR/NOK	9.9483	9.6022	9.8400	9.3286	9.0356
SWEDISH KRONA	EUR/SEK	10.2548	10.2573	9.8440	9.6369	9.7559
PATACA	EUR/MOP	9.2382	9.5402	9.6600	9.0700	8.6234
TAIWAN DOLLAR	EUR/TWD	35.0462	35.5925	35.6200	34.3600	-
JAPANESE YEN	EUR/JPY	125.8500	130.4000	-	-	-

* *Average over the 2016 business period*

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 are based on 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).

The transactions described below were carried out during the fiscal year preceding 2016-2017. No business combination was recorded during the 2018 fiscal year.

4.1. Reverse merger of European MidSoho S.à.r.l. by SMCP S.A.

To simplify the Group structure of SMCP, SMCP S.A. merged with and absorbed European MidSoho S.à.r.l. These transactions became definitive on October 23, 2017, following the initial public offering of SMCP S.A. on October 20, 2017.

4.2. Acquisition of SMCP Holding S.A.S. (formerly SMCP S.A.S.)

On October 10, 2016, SMCP S.A. acquired all of the shares of SMCP Holding S.A.S. through its subsidiary SMCP Group S.A.S. This company was previously controlled by its founders, its managers and KKR via Soho Holding France S.A.S., Soho Manco 1 S.A.S. and Soho Manco 2 S.A.S. The cash consideration for the purchase amounted to €949,380k.
In accordance with IFRS 3 – Business Combinations, the acquiree's identifiable assets and liabilities were recognized at fair value at the acquisition date.

The assignment of the acquisition price for the consideration transferred from SMCP S.A.S. (via Soho Holding France S.A.S., Soho Manco 1 S.A.S. and Manco 2 S.A.S.) is as follows:

(in €M)	**10/10/2016**
Trademarks	600.0
Other intangible assets	112.6
Other non-current assets	77.5
Deferred tax assets	44.1
Inventories	146.3
Other current assets	44.1
Cash and cash equivalents	20
Bonds	(302.9)
Deferred tax liabilities	(230)
Other non-current liabilities	(21.0)
Other liabilities	(160.9)
Current bank overdrafts	(10.6)
Total net assets transferred at October 10, 2016 (b)	**319.3**
Consideration transferred (a)	**949.4**
Final SMCP S.A. goodwill at October 10, 2016 = (a) - (b)	**630.1**

(in €M)	**10/10/2016**
Consideration transferred	(949.4)
Net acquired cash	9.4
Purchases of subsidiaries net of cash acquired	(940.0)

The fair values of assets and liabilities were determined as described below:

- The fair value of the three brands acquired (Sandro, Maje and Claudie Pierlot) was estimated using the royalties-on-sales method based on the 2016-2020 business plan and a royalty rate of between 4.4% and 7.0%. The discount rate used is 11%, assuming a long-term growth rate of 2%. Given the already strong reputation of these brands and the long-term care and development of the Group, their useful lives have been considered indeterminate within the meaning of IAS 38 - Intangible assets. The total fair value of the three brands was estimated at €600 million.

- Leasehold rights were measured using the direct method of valuation, based on the following inputs:
- Current market prices (rental value per square meter);
- Recent transaction values;
- Information provided by brokers;
- offers received.
- The total fair value of leasehold rights was estimated at €107.3 million;
- The loss making stores in North America have been provisioned by taking into account the future leases that the Group is committed to pay and the payment of exit indemnities;
- Deferred taxes in the US were recognized for temporary differences between reported values and values determined for tax purposes;
- Residual goodwill was recognized in a total amount of €630,071k, mainly relating to the worldwide growth potential of the three brands;
- The sales amount, sales after commissions and earnings of the acquiree since the acquisition date included in the consolidated statement of comprehensive income at December 31, 2017, i.e. for a period of 15 months, were as follows:
- Sales: €1,136,490k
- Sales after commissions: €988,456k
- Net profit for the period: €74,141k

Assuming that the acquisition had been completed on May 1, 2016, Group consolidated sales and sales after commissions would have totaled €1,456,190 thousand and €1,266,556 thousand respectively.

Transaction fees were booked for €21,002 thousand on the fiscal year ended December 31, 2017 (see Note 5.6 - Other income and expenses).

4.3. Segment information

According to IFRS 8 – Segment Reporting, an operating segment is a component of an entity that engages in business activities from which it may earn sales and incur expenses, including sales and expenses relating to transactions with other components of the same entity; and

- whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance;
- for which separate financial information is available.

4.3.1. Group operating segments

SMCP's operations are managed through three operating and reportable segments as defined by IFRS 8. These correspond to the three brands which each have their specific customer base:

- Sandro
- Maje
- Claudie Pierlot

These three brands each have their own identity along with dedicated creative teams, and play a primary role in the Group's strategy. They are managed by separate management teams based on financial information specific to each brand.

The main operational decision-maker is the Executive Committee of SMCP S.A which conducts a monthly review of the activities and performance of each of the three brands.

4.3.2. Financial information by operating segment

The tables below set out financial information by operating segment at December 31, 2018 and December 31, 2017 (12-month and 20-month periods):

(€k)	**Sandro**	**Maje**	**Claudie Pierlot**	**Others & Holdings**	**12/31/2018**
Sales *	500,542	391,409	125,184		1,017,134
Adjusted EBITDA	86,296	70,768	14,399	-	171,463
Current operating income	61,382	50,337	10,242		121,962
Goodwill **	336,038	237,327	56,706	-	630,071
Leasehold rights	59,390	41,063	15,071	8	115,533
Intangible assets	320,803	227,675	55,692	16,373	620,544
Property, plant and equipment	18,549	40,130	9,200	8,103	75,982
Capital expenditure ***	21,307	19,503	5,648	12,360	58,818

* *Sales includes retail sales and sales with Group partners.*

** *The assumption adopted consisted of allocating goodwill on the same weighting as brands.*

*** *At December 31, 2018, capital expenditure broke down as follows: (see Note 1.4. Consolidated statement of cash flows)*

- *Purchases of property, plant and equipment: €36,720k;*
- *Purchases of intangible assets: €16,520k;*
- *Purchases of financial instruments: €5,578k;*
- *Variation of accounts payable for fixed assets: -€3,662k;*

(€k)	Sandro	Maje	Claudie Pierlot	Others & Holdings	*12-month period at* 12/31/2017
Sales *	456,325	342,958	113,088	-	912,371
EBITDA	78,930	60,944	13,791	-	153,665
Current operating income	59,997	46,325	10,483	-	116,805
Goodwill **	336,038	237,327	56,706	-	630,071
Leasehold rights	58,081	40,409	15,157	-	113,647
Intangible assets	321,174	228,058	54,690	11,192	615,113
Property, plant and equipment	16,521	35,629	7,769	7,836	67,755
Capital expenditure ***	21,574	17,644	5,386	10,923	55,527

** Revenue includes retail sales and sales with Group partners.*

*** The assumption adopted consisted of allocating goodwill on the same weighting as brands.*

**** At December 31, 2017, capital expenditure broke down as follows: (see Note 1.4. Consolidated statement of cash flows)*

- *Purchases of property, plant and equipment: €31,501k;*
- *Purchases of intangible assets: €15,609k;*
- *Purchases of financial instruments: €4,303k;*
- *Variation of accounts payable for fixed assets: -€4,116k;*

(€k)	Sandro	Maje	Claudie Pierlot	Others & Holdings	*20-month period at* 12/31/2017 **
Sales *	568,552	425,306	142,632	-	1,136,490
EBITDA	101,907	76,241	18,961	(389)	196,720
Current operating income	78,943	58,938	14,746	(286)	152,341
Goodwill ***	336,038	237,327	56,706	-	630,071
Leasehold rights	58,081	40,409	15,157	-	113,647
Intangible assets	321,174	228,058	54,690	11,192	615,113
Property, plant and equipment	16,521	35,629	7,769	7,836	67,755
Capital expenditure ****	29,411	24,119	8,335	15,079	76,944

** Revenue includes retail sales and sales with Group partners.*

*** 15 months of operating activity (see Note 2.3 – Basis of preparation)*

**** The assumption adopted consisted of allocating goodwill on the same weighting as brands.*

***** At December 31, 2017, capital expenditure broke down as follows: (see Note 1.4. Consolidated statement of cash flows):*

- *Purchases of property, plant and equipment: €41,820k;*
- *Purchases of intangible assets: €23,639k;*
- *Purchases of financial instruments: €5,575k;*
- *Variation of accounts payable for fixed assets: €5,910k;*

Operating expenses of holding companies are rebilled to the brands pro rata to sales, plus a mark-up.

4.3.3. Key performance indicators

SMCP S.A.'s Board of Directors assesses the performance of the three segments in order to take operating decisions, mainly by reference to the following key indicators: retail sales including VAT, and EBITDA.

EBITDA is not defined by IFRS but was defined by the Group as being the recurring operating income deducted from depreciation, amortization and impairment.

	12-month period at	*Additional information: 12-month period at*	*Legal 20-month period at*
(€k)	**12/31/2018**	**12/31/2017**	**12/31/2017 ***
Current operating income	**121,963**	**116,805**	**152,341**
Depreciation, amortization and impairment	36,143	35,000	42,519
EBITDA	**158,106**	**151,805**	**194,860**
Bonus shares allocation plan	13,357	1,861	1,861
Adjusted EBITDA	**171,463**	**153,666**	**196,721**

* *15 months of operating activity – see Note 2.3 – Statement of compliance and basis of preparation.*

4.3.4. By geographical segment

The EMEA region in which the Group operates includes European countries except France (mainly the United Kingdom, Spain, Germany, Switzerland, Italy and Belgium), along with the Middle East (especially the United Arab Emirates).

The Americas covers the Group's activities in the US and Canada.

The APAC region covers the Group's activities in Asia/Pacific (especially China and Hong Kong).

The table below sets out sales by geographic region of delivery:

					12-month period at
(€k)	**France**	**EMEA**	**Americas**	**APAC**	**12/31/2018**
Sales	374,900	305,536	134,248	202,449	1,017,133
Total assets [(1)]	350,770	113,421	18,234	141,553	623,978

(1) Total assets consist of all assets except goodwill and brands, which are not allocated by country. Leasehold rights are geographically allocated as follows:

- *France for €94,874k;*
- *EMEA for €28,042k;*
- *USA for €1,288k*

Sales earned on wholesale and online sales are allocated on the basis of the customer's country of residence.

(€k)	France	EMEA	Americas	APAC	Additional information: 12-month period at 12/31/2017
Sales	376,810	274,741	107,625	153,195	912,371
Total assets (1)	340,250	112,004	48,864	90,963	592,080

(1) Total assets consist of all assets except goodwill and brands, which are not allocated by country. Leasehold rights are geographically allocated as follows:

- *France for €94,874k;*
- *EMEA for €28,042k;*
- *USA for €1,288k*

Sales earned on wholesale and online sales are allocated on the basis of the customer's country of residence.

(€k)	France	EMEA	Americas	APAC	Legal 20-month period at 12/31/2017
Sales	476,052	339,865	135,231	185,342	1,136,490
Total assets (1)	340,250	112,004	48,864	90,963	592,080

** 15 months of operating activity – see Note 2.3 – Statement of compliance and basis of preparation.*

(1) Total assets consist of all assets except goodwill and brands, which are not allocated by country. Leasehold rights are geographically allocated as follows:

- *France for €94,874k;*
- *EMEA for €28,042k;*
- *USA for €1,288k*

Sales earned on wholesale and online sales are allocated on the basis of the customer's country of residence.

4.3.5. Information by major customers

The Group did not have any customers that individually accounted for over 10% of its revenue in the period ended December 31, 2018.

5. NOTES TO THE INCOME STATEMENT

5.1. Sales

Sales of goods

"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.

Presentation of Group businesses

The various distribution channels used by the Group are described below:

- The retail business includes the network of directly-owned stores, including outlets used to market and sell collections from past seasons. 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 this amount to the Group;
- The Group also sells its goods through affiliates (in France and Spain): Sales is recognized at the time of the sale to the end customer.
- Local partners, or "wholesale/partnered retail" (outside France), are used wherever necessary to ensure a solid local presence or to meet applicable regulations. 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.

(€k)	*12-month period at* 12/31/2018	*12-month period at* 12/31/2017	*20-month period at* 12/31/2017 *
Sales of goods	1,016,961	912,369	1,136,490
Income from services rendered	172	2	-
Sales	**1,017,133**	**912,371**	**1,136,490**

* *15 months of operating activity – see Note 2.3. Statement of compliance and basis of preparation.*

At December 31, 2018, Group sales can be analyzed as follows by distribution channel:

(€k)	*12-month period at* 12/31/2018	*12-month period at* 12/31/2017	*20-month period at* 12/31/2017 *
Retail	948,744	854,349	1,066,762
• Directly operated stores	360,849	326,081	405,444
• Concessions (“corners”)	342,624	323,807	410,017
• Factory Outlets	86,689	70,610	89,024
• Affiliates	21,099	34,185	42,948
• Internet	137,483	99,666	119,329
Partnered retail sales	68,389	58,022	69,728
Sales	**1,017,133**	**912,371**	**1,136,490**

* *15 months of operating activity – see Note 2.3. Statement of compliance and basis of preparation.*

5.2. Cost of sales

Cost of sales include:

- The use of raw materials and products increased by subcontracting costs and ancillary expenses (customs, etc.);
- commissions paid to affiliates, to department stores and to local partners, as well as to third-party websites.

(€k)	*12-month period at* 12/31/2018	*12-month period at* 12/31/2017	*20-month period at* 12/31/2017 *
Raw materials consumed	(70,136)	(57,879)	(68,624)
Finished products consumed	(98,043)	(89,017)	(111,071)
Subcontracting and ancillary expenses	(76,463)	(63,392)	(77,083)
Commissions	(123,186)	(116,978)	(148,034)
Cost of sales	**(367,828)**	**(327,266)**	**(404,812)**

* *15 months of operating activity – see Note 2.3. Statement of compliance and basis of preparation.*

5.3. Other net operating income and expenses

(€k)	*12-month period at* 12/31/2018	*12-month period at* 12/31/2017	*20-month period at* 12/31/2017 *
Other operating income	2,945	1,672	2,823
Net exchange gain/ (loss)	(1,920)	(111)	(691)
Rental charges	(113,011)	(100,128)	(123,761)
Other external expenses (1)	(80,100)	(69,829)	(86,235)
Fees	(28,399)	(32,534)	(40,082)
Services provided	(25,185)	(18,448)	(22,882)
Purchases of small equipment and supplies not held in inventory	(10,721)	(10,127)	(12,564)
Other taxes	(9,131)	(10,345)	(14,243)
Other net operating income and expenses	**(265,522)**	**(239,850)**	**(297,635)**

* *15 months of operating activity – see Note 2.3. Statement of compliance and basis of preparation.*

(1) *"Other external expenses" relate to sales shipment and marketing costs.*

5.4. Personnel costs

(€k)	*12-month period at* 12/31/2018	*12-month period at* 12/31/2017	*20-month period at* 12/31/2017 *
Wages and salaries	(157,163)	(141,879)	(175,543)
Social security charges	(44,244)	(39,648)	(50,481)
Other staff expenses	(3,714)	(3,012)	(2,088)
Employee profit-sharing	(7,200)	(7,050)	(9,211)
Personnel costs	**(212,320)**	**(191,589)**	**(237,323)**

* *15 months of operating activity – see Note 2.3. Statement of compliance and basis of preparation.*

5.5. Share-based payments

Share-based payments

The Group has granted options which will be paid in equity instruments. Pursuant to IFRS 2, the advantage granted to employees under free share plan, valued at the date on which the option is granted, is recognized as additional compensation. Share allocation plans paid in equity instruments are valued on the allocation date based on the fair value of equity instruments granted. They are recognized as personnel costs for plans after the initial public offering which took place on October 20, 2017, on a straight-line basis over the vesting period, taking into account the Group's estimate of the number of instruments that will be vested at the end of the vesting period. The Monte-Carlo model can also be used to take certain market conditions into account.

The expense recognized during the fiscal year for the bonus share allocation plans totaled €13.4 million.

Plan #1 and #2

Exercising the authorization granted by the Shareholders' Meeting on October 5, 2017. This plan includes, for all beneficiaries, a vesting period per third of two, three and four years. On November 23, 2017, the Board decided the award of Plan #1 relating to 2,038,324 new bonus shares delivered to certain directors and managers. On April 25, 2018, the Board decided the award of Plan #2 relating to 25,709 new bonus shares delivered to certain directors and managers.

Plan #4 and #5

Exercising the authorization granted by the Shareholders' Meeting on June 18, 2018. This plan includes, for all beneficiaries, a vesting period per half of two and three years. On August 31, 2018, the Board decided the award of Plan #4 relating to 95,771 new bonus shares delivered to certain directors and managers. On November 20, 2018, the Board decided the award of Plan #5 relating to 57,694 new bonus shares delivered to certain directors and managers.

Bonus shares allocation plan	**Plan no. 1**	**Plan no. 2**	**Plan no. 4**	**Plan no. 5**
Initial allocation date	11/23/2017	4/25/2018	8/31/2018	11/20/2018
Vesting period	2, 3 and 4 years per third	2, 3 and 4 years per third	2 and 3 years per half	2 and 3 years per half
Availability date	11/23/2021	3/31/2022	11/23/2021	11/23/2021
Vesting date	11/23/2019 11/23/2020 11/23/2021	4/25/2020 3/31/2021 3/31/2022	11/23/2020 11/23/2021	11/23/2020 11/23/2021
Number of beneficiaries	125	4	35	14
Number initially granted	2,038,324	25,709	95,771	57,694
Number outstanding as at 12/31/2017	2,038,324			
Number canceled over the fiscal year	114,987			
Number exercised over the fiscal year				
Number of shares transferred		25,709	95,771	57,694
Number surrendered over the fiscal year				
Number outstanding as at 12/31/2018	1,923,337	25,709	95,771	57,694
Number that may be exercised over the fiscal year				
Performance conditions	Yes	Yes	Yes	Yes
Expense for the fiscal year (in €k)	1,997	24	33	5

5.6. Other income and expenses

Other non-recurring income and expenses comprise income statement items which, due to their nature, amount or frequency, may not be considered as inherent to the Group's recurring operations. This caption mainly includes:

(i) costs incurred on the acquisition of new entities;

(ii) provisions for impairment of brands, leasehold rights and goodwill, as well as any material capital gains or losses arising on the disposal of fixed assets;

(iii) restructuring costs, expenses incurred in respect of disputes, or any other non-recurring income or expense;

(iv) the expense linked to free shares;

The Group presents the other income and expenses separately to facilitate understanding of its recurring operating performance and to give financial statement users relevant information for assessing the Group's future earnings.

(€k)	12-month period at 12/31/2018	12-month period at 12/31/2017	20-month period at 12/31/2017 *
Other income	4,432	27,466	31,953
Other expenses	(16,881)	(74,159)	(99,750)
Other income and expenses	**(12,450)**	**(46,693)**	**(67,797)**

* *15 months of operating activity – see Note 2.3. Statement of compliance and basis of preparation.*

Other income and expenses break down as follows:

(€k)	12-month period at 12/31/2018	12-month period at 12/31/2017	20-month period at 12/31/2017 *
Restructuring costs [(1)]	-	(10,325)	(26,298)
Fixed assets depreciation [(2)]	(8,337)	(1,376)	(1,537)
Free shares [(3)]	(46)	(31,604)	(35,514)
Provision for risk	-	500	-
Others[(4)]	(4,067)	(3,888)	(4,448)
Other income and expenses	**(12,450)**	**(46,693)**	**(67,797)**

* *15 months of operating activity – see Note 2.3. Statement of compliance and basis of preparation.*

(1) Restructuring costs include expenses linked to the IPO plan

(2) On December 31, 2018, the Group performed an impairment test on its leasehold rights in France leading to the establishment of an impairment of €2,871 thousand versus €1,376 thousand at December 31, 2017 over the 12-month period ended and €1,537 thousand at December 31 over a 20-month period ended as well as a rent adjustment of €2,170 thousand on loss-making points of sale in the United States. Shutting down points of sale generated an expense of €3,297 k in 2018 of which €1,809 thousand in the United States and €776 thousand in France.

(3) In 2016, certain Group managers benefited exceptionally, from the award of SMCP S.A. bonus shares. (Class G preferred shares) The vesting period started on October 10, 2016 and ended on February 27, 2017. This expense had been recognized in the other non-current expenses in consideration for equity during the vesting period. The expenses recognized under the other bonus share allocation plans are included in current operating income.

(4) The other costs mainly concern canceled or postponed openings for -€2,154 thousand for disputes, for +€72 thousand and -€606 thousand of subsidiary set-up costs.

5.7. Financial income and expenses

Financial income and expenses include interest expenses (income) accrued on trade payables (receivables) measured using the effective interest method (mainly for medium- and long-term borrowings and debt as well as current account overdrafts). They also include foreign exchange gains and losses, gains and losses on derivative financial instruments and dividends earned. Interest expenses (income) also include interest expenses included within long-term employee benefits (IAS 19 – Employee Benefits), as well as the discounting adjustment for non-current provisions (IAS 37 – Provisions, Contingent Liabilities and Contingent Assets).

(€k)	12-month period at 12/31/2018	12-month period at 12/31/2017	20-month period at 12/31/2017 *
Interest expenses on borrowings	(17,998)	(68,122)	(93,724)
• *PIK shareholder loan*	-	*(19,493)*	*(24,940)*
• *2022 Bonds*	-	*(11,005)*	*(15,186)*
• *2023 Bonds*	*(13,695)*	*(35,898)*	*(50,671)*
• *Other*	*(4,303)*	*(1,726)*	*(2,927)*
Net exchange gain/ (loss)	(36)	(1,031)	(319)
Other financial expenses	(1,406)	(772)	(1,492)
Financial income	**(19,440)**	**(69,925)**	**(95,535)**

* *15 months of operating activity – see Note 2.3. Statement of compliance and basis of preparation.*

The breakdown of interest expense in 2022 and 2023 Bonds is as follows:

(€k)	12-month period at 12/31/2018	12-month period at 12/31/2017	20-month period at 12/31/2017 *
2022 Bonds	-	**(11,005)**	**(15,186)**
• Interest paid	-	(5,932)	(8,682)
• Accrued interest at the beginning of the period	-	1,116	-
• Accrued interest at the balance sheet date	-	-	-
• Repayment penalty	-	(1,000)	(1,000)
• Amortization of issuance costs	-	(5,189)	(5,504)
2023 Bonds	**(13,695)**	**(35,898)**	**(50,671)**
• Interest paid	(11,367)	(20,373)	(30,242)
• Accrued interest at the beginning of the period	2,143	3,955	-
• Accrued interest at the balance sheet date	(1,941)	(2,143)	(2,143)
• Repayment penalty	(601)	(8,320)	(8,320)
• Amortization of issuance costs	(1,928)	(9,017)	(9,966)

* *15 months of operating activity – see Note 2.3. Statement of compliance and basis of preparation.*

5.8. Income tax expense

Income tax expense for the period includes current and deferred taxes. These are recognized in the income statement, except if they relate to a business combination or to items recognized directly in equity or other comprehensive income.
Current taxes on taxable profit for the period represent the tax expense calculated based on the tax rates enacted at the reporting date, and any adjustments to the tax payables calculated in respect of previous periods.

Deferred tax

Deferred tax assets and liabilities adjust current tax expense for the impact of temporary differences between the carrying amount of assets and liabilities of consolidated entities and their tax base.

However, a deferred tax asset is not recognized if it arises from the initial recognition of an asset or liability other than in a business combination which, at the time of the transaction, does not affect accounting or taxable profit.

Deferred taxes are determined based on tax rates (and tax laws) that were enacted 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.

5.8.1. Income tax

Income tax includes the current tax expense for the period and deferred taxes arising on temporary differences:

(€k)	*12-month period at* **12/31/2018**	*12-month period at* **12/31/2017**	*20-month period at* **12/31/2017 ***
Deferred tax	(5,781)	16,015	57,712
Current tax	(34,088)	(9,875)	(9,780)
Income tax expense	**(39,869)**	**6,140**	**47,932**

* *15 months of operating activity – see Note 2.3. Statement of compliance and basis of preparation.*

5.8.2. Deferred tax position

The tax deficits capitalized in 2017 and mainly concerning France and the United States were used for 2018 for €5.7 million.

In the context of the acquisition of SMCP Holding S.A.S., the brands and the leasehold rights were revalued and a deferred tax was applied at the rate of 34.43% that was applicable on October 10, 2016.

Article 84 of the 2018 Finance Act progressively decreases the corporate tax rate to reach a statutory rate of 25.83% for all companies as of 2022. Taking into account the very low probability of sale of these assets in the short term, the deferred tax was updated in December 2017 to reflect the future rate.

a) Deferred taxes at December 31, 2018:

(€k)	12/31/2017	Change in the income statement	Change in other comprehensive income	Translation adjustments and other changes	12/31/2018	Deferred tax assets	Deferred tax liabilities
Restatement of pension liabilities	943	(56)	(168)	-	719	871	(152)
Elimination of internal gains and losses (margin on inventories)	14,703	(439)	-	8	14,272	14,276	(4)
Capitalization of tax loss carry forwards	6,034	(5,665)	-	3	372	372	-
Allocation of goodwill to brands and leasehold rights	(169,475)	2,822	-	-	(166,653)	2	(166,655)
Neutralization of start-up costs and acquisition costs	6,112	(2,739)	-	(1)	3,372	3,402	(30)
IFRS 15	-	(329)	-	557	228	229	-
Other restatements [(1)]	14,158	625	(22)	(171)	14,590	14,284	306
Net deferred tax assets/(liabilities)	**(127,525)**	**(5,780)**	**(190)**	**395**	**(133,100)**	**33,435**	**(166,534)**

(1) Mainly relates to temporary differences.

€K	5/1/2016	Changes in scope	Change in the income statement	Change in other comprehensive income	Translation adjustments and other changes	12/31/2017	Deferred tax assets	Deferred tax liabilities
Restatement of pension liabilities	-	784	209	(44)	-	943	981	(39)
Elimination of internal gains and losses (margin on inventories)	-	10,066	5,081	-	(445)	14,703	14,703	-
Capitalization of tax loss carry forwards	-	7,903	(2,518)	-	649	6,034	6,034	-
Allocation of goodwill to brands and leasehold rights	-	(225,698)	56,223	-	-	(169,475)	-	(169,475)
Neutralization of start-up costs and acquisition costs	-	2,387	3,735	-	(9)	6,112	6,141	(29)
Other restatements [(1)]	-	18,046	(5,017)	193	930	14,159	28,322	(14,163)
Net deferred tax assets/(liabilities)	**-**	**(186,512)**	**57,712**	**149**	**1,125**	**(127,525)**	**56,181**	**(183,705)**

(1) Mainly relates to temporary differences.

b) Breakdown of tax expense:

(€k)		12-month period at 12/31/2018	Additional information: 12-month period at 12/31/2017	20-month period at 12/31/2017 *
Profit/(loss) before tax		**90,072**	**187**	**(10,991)**
Statutory tax rate in France (1)	(1)	*34.43%*	*34.43%*	*34.43%*
Theoretical tax expense		(31,012)	(64)	3,784
Changes in tax rate(2)	(2)	(1,873)	20,900	56,600
Difference in income tax rates applied to earnings in countries other than that of the consolidating entity		2,313	19	98
Non-deductible or non-taxable income and expenses		(1,314)	(10,768)	(11,784)
• *France: Tax deductibility ceiling*		*(1,165)*		
• *France: Additional contribution on dividends*		*(162)*		
• *Other permanent differences*		*13*	*(10,768)*	
Other changes in deferred tax		(1,206)	(1,069)	2,454
Bonus share awards		(3,890)		
Tax expense before CVAE tax on value added net of income tax (3)	**(3)**	**(36,983)**	**9,018**	**51,152**
CVAE tax on value added net of income tax		(2,886)	(2,878)	(3,220)
Income tax expense		**(39,869)**	**6,140**	**47,932**

* *15 months of operating activity – see Note 2.3. Statement of compliance and basis of preparation.*

(1) *At December 31, 2018 the standard tax rate in France takes into account 3.3% of company social solidarity contribution.*

(2) *In 2017, the impact of changes in tax rates on deferred tax results from the reduction in the tax rate in France adopted by the 2018 Finance Act, which takes the tax rate to 25.83% as from 2022. As a result, long-term deferred taxes – related to brands and leasehold rights – were revalued based on the rate applicable as of 2022.*

(3) *The CVAE tax on value added levied on French companies is recognized as Income taxes 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, 2018, the Group's cumulative tax loss carryforwards represented deferred tax assets of €372 thousand:

d) Unrecognized deferred tax assets

None.

5.9. Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares.

Basic earnings per share is calculated by dividing net profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. **Diluted earnings per share** is calculated by adjusting net profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise stock options and free shares granted to employees.

Earnings per share is calculated as follows:

(€k)	*12-month period at* **12/31/2018**	*12-month period at* **12/31/2017**	*20-month period at* **12/31/2017 ***
Net profit attributable to owners of the Company	**50,203**	**6,327**	**36,941**
Weighted number of basic shares **	73,091,198	422,907,460	331,229,994
Dilutive effect of class G preferred shares	5,575,313	865,273	517,175
Weighted number of shares (diluted)	**78,666,510**	**423,772,733**	**331,747,169**
Basic earnings per share (€)	**0.687**	**0.015**	**0.112**
Diluted earnings/(loss) per share (€)	**0.638**	**0.015**	**0.111**

**   15 months of operating activity – see Note 2.3. Statement of compliance and basis of preparation.*

*** Takes account of 79,252 treasury shares held at December 31, 2018.*

6. NOTES TO THE STATEMENT OF FINANCIAL POSITION

6.1. Goodwill and intangible assets

6.1.1. Goodwill

Upon initial recognition of an acquired company, goodwill represents the excess of (i) the fair value of the consideration transferred plus the amount of all non-controlling interests in the acquired company over (ii) the identifiable assets acquired and liabilities assumed measured at fair value at the acquisition date. If the fair value of the identifiable assets and liabilities exceeds the fair value of the consideration transferred, the amount is recognized immediately in the income statement.

The table below illustrates changes in this item over the period presented:

(€k)	**1/1/2018**	**Changes in scope**	**Impairment/ Reversals**	**Translation adjustment**	**12/31/2018**
Goodwill - gross value	630,071	-	-	-	630,071
Impairment	-	-	-	-	-
Goodwill - net	**630,071**	**-**	**-**	**-**	**630,071**

The gross value of goodwill totaled €630,071 thousand at December 31, 2018 and concerns the Sandro, Maje and Claudie Pierlot CGUs. No impairment has been recognized since their recognition (see Note 4.2).

(€k)	**5/1/2016**	**Changes in scope**	**Impairment/ Reversals**	**Translation adjustment**	**12/31/2017**
Goodwill - gross value	-	630,071	-	-	630,071
Impairment	-	-	-	-	-
Goodwill - net	**-**	**630,071**	**-**	**-**	**630,071**

At December 31, 2017 changes in consolidated goodwill included the outcome of the purchase price allocation by SMCP Group S.A.S. (formerly Bisoho S.A.S.) for SMCP Holding S.A.S., Soho Holding France S.A.S., Soho Manco 1 S.A.S. and Manco 2 S.A.S. for €630,071 thousand. (See Note 4.2).

The allocation of goodwill to cash-generating units is found in Note 6.3.3.

6.1.2. Other intangible assets

Trademarks

The Sandro, Maje and Claudie Pierlot brands are classified as intangible assets with indefinite useful lives and are not therefore amortized, since:

- the brands 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 brands 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 has 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 brands 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 brands was estimated using the royalties-on-sales method based on the 2017-2021 business plan. Subsequently, brands are measured at cost less impairment in accordance with IAS 38 - Intangible Assets.

Leasehold rights

In France, leasehold rights (fonds de commerce or droit au bail) are defined as the amount paid by a new tenant to the previous tenant in order to obtain the right to lease a property and the legal guarantees attached thereto. From a legal point of view, leasehold rights include the right to lease the property as a tenant and the right to transfer the lease.

Since the useful life of leasehold rights is considered indeterminable, it is not amortized.

In France, the September 1953 decree regarding commercial leases is designed to protect the value of leasehold rights. The tenant's leasehold rights are protected by a decree that stipulates:

- a minimum lease period of nine years;
- the tenant's right to renew the lease unless the landlord pays a termination fee;
- any increase in rent is capped upon renewal of the lease or when the rent is revised during the lease term;
- the tenant's right to change the nature of the business.

For the SMCP purchase price allocation, the market value of leasehold rights was determined by the Group's Corporate Development department based on rental values per weighted square meter (regularly published by specialist bodies), a method widely used by the profession. Subsequently, leasehold rights are measured at cost less impairment in accordance with IAS 38 - Intangible Assets.

Any impairment losses are recorded in the income statement under other income or expenses.

Outside France, leasehold rights are generally not transferable and are therefore amortized over the term of the lease.

Software

The costs of acquiring software licenses are capitalized based on acquisition and installation costs. These costs are amortized over the estimated useful lives of the software, which range from three to seven years.

Costs associated with maintaining computer software in operating condition are expensed as incurred. Costs that are directly linked to the development of software and which meet all of the criteria set out in IAS 38 are recognized as intangible assets.

Software development costs recognized as assets are amortized over their estimated useful lives, which is one year.

Intangible assets are amortized on a straight-line basis over their estimated useful lives.

The useful lives are as follows:

Type of asset	Period (in years)
Trademarks	Indefinite
Leasehold rights – France	Indefinite
Leasehold rights – Other countries	Lease term
Licenses, software	3.-7.
Computer development costs	1

Judgments and estimates

The main assumptions used by the Group for its valuation model are (i) growth in 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 this item over the period presented:

(€k)	1/1/2018	Changes in scope	Acquisitions	Disposals	Depreciation & amortization	Impairment	Foreign exchange differences	Others[(1)]	12/31/2018
Trademarks	600,000	-	-	-	-	-	-	-	600,000
Leasehold rights	117,342	-	4,898	(2,072)	-	-	(62)	4,110	124,217
Other intangible assets	18,757	-	11,622	(6)	-	-	55	(1,672)	28,756
Intangible assets	**736,099**	**-**	**16,519**	**(2,078)**	**-**	**-**	**(7)**	**2,439**	**752,973**
Impairment of brands	-	-	-	-	-	-	-	-	-
Impairment of leasehold rights	(3,691)	-	-	-	(1,920)	(2,869)	7	(200)	(8,674)
Amort. /impairment of intangible assets	(3,647)	-	-	-	(4,447)	(86)	(43)	-	(8,223)
Amort. /impairment of intangible assets	**(7,338)**	**-**	**-**	**-**	**(6,367)**	**(2,955)**	**(37)**	**(200)**	**(16,897)**
Carrying amount of intangible assets	**728,761**	**-**	**16,519**	**(2,078)**	**(6,367)**	**(2,955)**	**(44)**	**2,239**	**736,077**

(1) Reclassifications to property, plant and equipment and fixed assets.

(€k)	5/1/2016	Changes in scope	Acquisitions	Disposals	Depreciation & amortization	Impairment	Foreign exchange differences	Others[1]	12/31/2017
Trademarks	-	600,000	-	-	-	-	-	-	600,000
Leasehold rights	-	107,280	8,436	(821)	-	-	(289)	2,736	117,342
Other intangible assets	-	5,316	15,203	35	-	-	(96)	(1,701)	18,757
Intangible assets	**-**	**712,595**	**23,639**	**(786)**	**-**	**-**	**(385)**	**1,035**	**736,099**
Impairment of brands	-	-	-	-	-	-	-	-	-
Impairment of leasehold rights	-	-	-	12	(2,424)	(1,763)	115	369	(3,691)
Amort. /impairment of intangible assets	-	-	-	-	(3,721)	-	74	-	(3,647)
Amort. /impairment of intangible assets	**-**	**-**	**-**	**12**	**(6,145)**	**(1,763)**	**189**	**369**	**(7,338)**
Carrying amount of intangible assets	**-**	**712,595**	**23,639**	**(773)**	**(6,145)**	**(1,763)**	**(197)**	**1,404**	**728,761**

(1) Reclassifications to property, plant and equipment and fixed assets.

At December 31, 2018, the Group's three brands Sandro, Maje and Claudie Pierlot, were valued for a total of €600 million respectively for €320 million, €226 million and €54 million.

6.2. Property, plant and equipment

Property, plant and equipment are initially recognized at cost less accumulated depreciation and any cumulative impairment losses. The depreciable amount of property, plant and equipment comprises the acquisition cost of components less residual value, which is the estimated disposal price of the assets at the end of their useful lives.
Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The Group has estimated the useful lives of property, plant and equipment at four to five years, depending on the type of asset. Costs for maintenance and repairs are expensed as incurred.

The main useful lives applied are as follows:

Type of asset	Period *(in years)*
Plant, equipment and tools	2 - 5
Miscellaneous fixtures and fittings	2 - 5
Office equipment, furniture	2 - 5

The table below illustrates changes in this item over the period presented:

(€k)	1/1/2018	Changes in scope	Acquisitions	Disposals	Depreciation & amortization	Impairment	Foreign exchange differences	Others[1]	12/31/2018
Technical fittings, equipment and industrial tools	3,787	-	339	(62)	-	-	-	81	4,145
Property, plant and equipment in progress	10,912	-	11,659	-	-	-	42	(14,902)	7,710
Advances and down payments on property, plant and equipment	856	-	1,124	-	-	-	(3)	(1,478)	499
Other property, plant and equipment	84,434	-	27,260	(773)	-	-	1752	13,450	126,122
Property, plant and equipment	**99,989**	**-**	**40,382**	**(835)**	**-**	**-**	**1790**	**(2,849)**	**138,477**
Amort. /impairment of buildings	-	-	-	-	-	-	-	-	-
Amort. /impairment of technical fittings, equipment and industrial tools	(791)	-	-	-	(991)	-	-	-	(1,782)
Amort. /impairment of other property, plant and equipment	(31,442)	-	-	-	(27,788)	-	(1,441)	(42)	(60,713)
Imp. of advances and down payments on property, plant and equipment	-	-	-	-	-	-	-	-	-
Amort. /impairment of property, plant and equipment	**(32,233)**	**-**	**-**	**-**	**(28,779)**	**-**	**(1,441)**	**(42)**	**(62,495)**
Carrying amount of property, plant and equipment	**67,755**	**-**	**40,382**	**(835)**	**(28,779)**	**-**	**350**	**(2,891)**	**75,982**

(1) Reclassifications to intangible assets and fixed assets.

(€k)	5/1/2016	Changes in scope	Acquisitions	Disposals	Depreciation & amortization	Impairment	Foreign exchange differences	Others[1]	12/31/2018
Technical fittings, equipment and industrial tools	-	1,375	2,277	(318)	-	-	-	453	3,787
Property, plant and equipment in progress	-	6,405	15,640	(7)	-	-	(83)	(11,042)	10,912
Advances and down payments on property, plant and equipment	-	239	1,162	-	-	-	(9)	(537)	856
Other property, plant and equipment	-	52,782	28,651	(631)	-	-	(4,607)	8,237	84,434
Property, plant and equipment	**-**	**60,802**	**47,730**	**(956)**	**-**	**-**	**(4,699)**	**(2,889)**	**99,989**
Amort. /impairment of buildings	-	-	-	-	-	-	-	-	-
Amort. /impairment of technical fittings, equipment and industrial tools	-	-	-	318	(786)	-	-	(323)	(791)
Amort. /impairment of other property, plant and equipment	-	-	-	-	(35,577)	-	3,310	824	(31,442)
Imp. of advances and down payments on property, plant and equipment	-	-	-	-	-	-	-	-	-
Amort. /impairment of property, plant and equipment	**-**	**-**	**-**	**318**	**(36,363)**	**-**	**3,310**	**501**	**(32,233)**
Carrying amount of property, plant and equipment	**-**	**60,802**	**47,730**	**(638)**	**(36,363)**	**-**	**(1,389)**	**(2,387)**	**67,755**

(1) Reclassifications to intangible assets and fixed assets.

6.3. Impairment testing of property, plant and equipment, intangible assets and goodwill

Basic principles

If indications of impairment are identified such as events or changes in circumstances that may affect the recoverable amount of an asset, IAS 36 – Impairment of Assets requires companies to perform an impairment test in order to verify that the carrying amount of property, plant and equipment and intangible assets does not exceed the recoverable amount.
Non-current assets with an indefinite life and non-current assets that have not yet been put into service must be tested for impairment at least annually or whenever there is an indication that they may be impaired.

The recoverable amount of assets is tested by comparing their carrying amount with the higher of their fair value less costs to sell and value in use.

The value in use of property, plant and equipment or intangible assets (except leasehold rights) is determined based on the estimated future cash flows expected to result from the use of the asset. These are calculated using a post-tax discount rate and factor in the risks relating to the performance of the asset tested.

The recoverable amount of leasehold rights is calculated by the Group's Corporate Development department based on rental values per weighted square meter (published regularly by specialist bodies), a method widely used by the profession. In view of potential market volatility, the market value of leasehold rights is tested whenever there is an indication that they may be impaired.

If the cash flows generated by a given asset cannot be estimated independently from the cash flows generated by other assets, the Group must identify the cash-generating unit (CGU) to which the asset belongs and with which the future cash flows – calculated objectively and generated independently of the cash flows generated by other assets – can be associated. Cash-generating units were identified based on the Group's organizational and operational structure.

If the impairment test reveals that an asset has lost value, its carrying amount is written down to its recoverable amount by recognizing an impairment loss in the income statement.

When the reasons for impairment cease to exist, the carrying amount of the asset or cash-generating unit (except goodwill) is increased to the amount resulting from the estimate of its recoverable value, not to exceed the carrying amount that would have been reported had the impairment loss not been recognized. Impairment losses are reversed through the income statement.

Allocation of assets/liabilities to cash-generating units ("CGUs") and estimated values

The Group has defined several types of CGUs in order to test its property, plant and equipment, intangible assets and goodwill for impairment.

Each store is allocated to a given CGU based on the specific geographic base of its customers and the property, plant and equipment owned by the store, and impairment tests are performed at this level.

Indefinite-lived intangible assets such as brands and certain leasehold rights are tested separately.

Goodwill is tested at the level of the operating segment in the three goodwill CGUs. For each brand, 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 brands: 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 as 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. Brand impairment tests

To determine the fair value of its brands, 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 2019-2023 business plan.

- **Key assumptions**

The key assumptions applied in determining the fair value of brands in 2018 are shown below:

	CGU		
Criteria:			
Calculation basis for recoverable amount	Relief-from-royalty method		
Source	Business plan/DCF		
	Sandro	**Maje**	**Claudie Pierlot**
Perpetuity growth rate	2%	2%	2%
Discount rate	11%	11%	11%
Normative tax rate	34.43%	34.43%	34.43%
Royalty rate	7.4%	6.5%	4.3%
Carrying amount of brands *(€m)*	**320**	**226**	**54**
Total carrying amount of brands *(€m)*	**600**		

SMCP retained the 11% discount rate used to calculate the fair value corresponds to the IRR of the October 2016 transaction.

The Group used an independent expert to determine the royalty rates of each brand, using the method described below:

- Determination of a royalty rate range for ready-to-wear sector peers. The analysis of royalty rates is based on implied rates used for valuations during the allocation of purchase prices published in the annual reports of listed companies. On this basis, the royalty rates applicable to brands in this sector range between 1.9% and 19.4% of sales.
- Strategic comparative analysis of SMCP brands to place them within rate range defined above. This strategic analysis allocates a rating of between 0 and 10 to each brand, based on the analysis of a certain number of factors which influence the brand's value.
- Determination of a royalty rate applicable to the brands. Based on the global rating achieved for brands during the strategic analysis and the range of comparative royalty rate values, the royalty rate before tax stood at 7.4% for Sandro, 6.5% for Maje and 4.3% for Claudie Pierlot.

The long-term growth rate of 2% was determined based on rates used by brokers and the projected 2020-2022 inflation rate in France, forecast by the IMF.

- **Results of brand impairment testing**

The Group analyzed the sensitivity of the fair value of key assumptions for each of the three brands at December 31, 2018, in respect of:

- a 1-point change in the discount rate; or
- a 1-point change in the perpetuity growth rate; or
- a 1-point reduction in the royalty rate; or
- a 5-point reduction in the sales growth rate from the 2019-2023 business plan.

None of these tests taken individually would lead to the recognition of an impairment loss against trademarks.

6.3.2. Leasehold rights impairment tests

- **Key assumptions**

Leasehold rights were measured using the direct method of valuation, based on the following inputs:

- Current market prices (rental value per square meter);

- Recent transaction values;
- Information provided by brokers;
- offers received.

Following this new estimate, the new leasehold right values used are assessed using the DCF method (Discounted cash flow). If the value of the leasehold right is lower than that obtained using the DCF method then the leasehold right is impaired.

- **Results of impairment testing of leasehold rights**

Management identified and recognized a €2,862 thousand impairment loss against 14 leasehold rights in France at December 31, 2018 compared to an impairment of €1,763 thousand on six leasehold rights in 2017.

6.3.3. Goodwill impairment tests

- **Key assumptions**

The key assumptions applied in determining the value in use of goodwill CGUs in 2018 were as follows:

	CGU		
Criteria:			
Calculation basis for recoverable amount	Value in use		
Source	Business plan/DCF		
	Sandro	**Maje**	**Claudie Pierlot**
Perpetuity growth rate	2%	2%	2%
Discount rate	11%	11%	11%
Normative tax rate	34.43%	34.43%	34.43%
Goodwill – net *(€m)*	**336**	**237**	**57**
Total goodwill – net *(€m)*	**630**		

Other than those set out above, the Group's key assumptions include:

- changes in sales, reflecting the Group's market penetration, presence and positioning;
- changes in EBITDA including requisite marketing and sales expenditure in line with changes in 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 Board of Directors. They reflect the Group's past experience and factor in any information affecting the Group's development in previous years. These assumptions represent management's best possible assessment of the market situation at the date of preparation and address market trends for 2019 to 2023.

- **Results of goodwill impairment testing**

The Group analyzed the sensitivity of the value in use of each goodwill CGU at December 31, 2018, in respect of:

- a 1-point change in the discount rate; or
- a 1-point change in the perpetuity growth rate; or
- a 0.5-point reduction in the EBITDA margin rate;
- a 0.5-point reduction in the EBITDA growth rate over the business plan (2019-2023) period.

None of these tests taken individually would lead to the recognition of an impairment loss against goodwill at December 31, 2018.

6.3.4. Impairment testing of property, plant and equipment

No impairment of property, plant and equipment was recognized at December 31, 2018.

6.4. Financial assets

Financial assets totaled €19,477 thousand at December 31, 2018 and mainly relate to loans and guarantees for €18,783 thousand, pledged mutual funds and a €351 thousand liquidity agreement.

6.5. Inventories

Raw materials and other supplies are recognized at the lower of purchase cost and their estimated net realizable value.

The cost of finished products and goods (excluding defective goods) is based on purchase price or production cost. Production cost is determined by including all costs that are directly attributable to the products.

The cost of finished products includes the cost of design, raw materials, and direct costs including logistic costs. It does not include borrowing costs.

At each balance sheet date (annual or interim), the Group recognizes an impairment on its inventories for all collections that have already been sold within its outlet network and based on their expected turnover.

The table below illustrates changes in inventories at the end of the period:

	12/31/2018		
(€k)	**Gross value**	**Impairment**	**Carrying amount**
Raw materials and other supplies	34,999	(4,900)	30,099
Finished products	198,441	(7,140)	191,301
Total inventories	**233,440**	**(12,040)**	**221,400**

	12/31/2017		
(€k)	**Gross value**	**Impairment**	**Carrying amount**
Raw materials and other supplies	29,947	(2,429)	27,518
Finished products	158,961	(7,120)	151,841
Total inventories	**188,908**	**(9,549)**	**179,359**

The allowance for impairment of inventories reflects the technical and stylistic obsolescence of the Group’s inventories at December 31, 2018.

(€k)	**12/31/2018**
Cumulative impairment at the beginning of the period	**(9,549)**
Impairment	(16,660)
Reversals	14,185
Foreign exchange differences	(16)
Cumulative impairment at the end of the period	**(12,040)**

(€k)	12/31/2017
Cumulative impairment at the beginning of the period	**-**
Impairment	(9,726)
Reversals	-
Foreign exchange differences	177
Cumulative impairment at the end of the period	**(9,549)**

6.6. Trade receivables

Trade receivables are initially recognized at fair value. Subsequent measurement takes account of the probability that the receivables will be collected and a specific impairment loss is recorded for any doubtful receivables, as follows:

- disputed receivables are impaired when there is certain and specific evidence showing that the receivables will not be collected;
- the impairment of other doubtful items is 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/ partnered retail, affiliate and department store sales activities.

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)	1/1/2018	Changes in scope	Changes in gross value	Impairment	Reversals	Translation adjustment	Other changes	12/31/2018
Trade receivables	52,732	-	(1,084)	-	-	(59)	-	51,589
Provisions for impairment	(43)	-	-	(130)	12	-	-	(161)
Trade receivables, net	**52,689**	**-**	**(1,084)**	**(130)**	**12**	**(59)**	**-**	**51,428**

(€k)	5/1/2016	Changes in scope	Changes in gross value	Impairment	Reversals	Translation adjustment	Other changes	12/31/2017
Trade receivables	-	25,261	29,026	-	-	(806)	(750)	52,732
Provisions for impairment	-	-	-	(43)	-	-	-	(43)
Trade receivables, net	**-**	**25,261**	**29,026**	**(43)**	**-**	**(806)**	**(750)**	**52,689**

Amounts owed by department stores are paid at 10 days. Amounts owed by local partners are paid between 30 and 45 days. Bank guarantees are set up where appropriate.

6.7. Other receivables

At December 31, 2018, other receivables totaled €39,175 thousand and included primarily prepayments for €17,773, tax receivables for €11,573 thousand, particularly VAT recoverable by the Group from the tax authorities in the countries in which it operates, and income tax receivables in France amounting to €3,888 thousand.

6.8. Cash and cash equivalents

Cash and cash equivalents consist of readily available liquid assets and financial investments with a maturity of no more than three months from the date of acquisition. These assets are highly liquid, readily convertible into cash, and subject to an insignificant risk of changes in value.
Financial investments pledged as collateral are recorded as non-current financial assets.

At December 31, 2018, consolidated cash and cash equivalents net of current bank overdrafts amounted to €41,480 thousand:

(€k)	12/31/2018	12/31/2017
Cash and cash equivalents	46,528	40,422
Current bank overdrafts	(5,047)	(4,136)
Cash and cash equivalents net of current bank overdrafts	**41,480**	**36,286**

6.9. Equity

6.9.1. Share capital

The total value of the shares issued by the parent company is recognized in full within equity, as these instruments represent its share capital.

At December 31, 2018, the Company's fully subscribed and paid-up share capital amounted to €81,913,824.30, or 73,174,015 common shares each with a par value of €1.10 and 1,293,098 class G preferred shares. An additional allocation of class G preferred share was issued on February 27, 2018 for a total of 393,000 class G preferred shares.

At December 31, 2018, Ruyi International Fashion (China) Limited indirectly held 53.9% of the share capital of SMCP S.A., through its subsidiary European TopSoho S.à.r.l.

12/31/2018

Shareholders	Ordinary shares	Class G preferred shares	Composition of share capital (€)	% share capital
European TopSoho	40,135,102	-	44,148,612	53.9%
Senior management	3,350,026	1,190,913	4,995,033	6.1%
Treasury shares	79,252	-	87,177	0.1%
Free float	29,609,635	102,185	32,683,002	39.9%
Total share capital	**73,174,015**	**1,293,098**	**81,913,824**	**100.0%**

12/31/2017

Shareholders	Ordinary shares	Class G preferred shares	Composition of share capital (€)	% share capital
European TopSoho	44,829,918	-	49,312,910	60.2%
Senior management	3,727,418	13,831,075	5,483,267	6.7%
Treasury shares	36,099	-	39,709	0.0%
Free float	24,576,588	-	27,034,247	33.0%
Total share capital	**73,170,023**	**13,831,075**	**81,870,133**	**100.0%**

6.9.2. Rights attached to shares

- *Voting rights attached to common shares*

Each share is entitled to one vote after its issuance, proportional to the portion of share capital they represent.

- *Voting rights attached to class G preferred shares*

The 13,831,075 G preferred shares present at December 31, 2017 were combined into 1,257,371 class G preferred shares during fiscal year 2018. Furthermore, 35,727 class G preferred shares were created in February 2018, i.e., a total of 1,293,098 existing class G preferred shares on the balance sheet date.

These class G preferred shares can be converted into 5,072,914 common shares as of January 1, 2019. All class G preferred shares that have not been converted will be automatically converted on January 1, 2025. The new ordinary shares issued on conversion of the class G preferred shares will carry the same rights as existing ordinary shares of the same category after the payment, where applicable, of a dividend in respect of the previous fiscal year.

There were four free shares allocation plans at December 31, 2018 (see Note 5.5 - Share-based payments).

6.9.3. Treasury shares

Treasury shares are recognized as a deduction from equity at their acquisition cost. Earnings from the disposal or cancellation of shares are recognized directly in equity.
The total amount of treasury shares includes the treasury shares purchased under the €2 million liquidity agreement set up on November 28, 2017: At December 31, 2018, SMCP held 79,252 shares purchased for €1.15 million and a liquidity balance of €0.4 million.

6.10. Fully repaid loan in 2017

6.10.1. Shareholder loan: "Payment-In-Kind" (PIK) shareholder loan

On October 10, 2016, SMCP S.A. (formerly TopSoho S.A.S.) issued a bond for a total amount of €300 million, 97.20% of which was subscribed by European MidSoho S.à.r.l. (SMCP S.A.'s parent company (formerly TopSoho S.A.S.)) before the initial public offering. This agreement was entered into for the purpose of the acquisition, the refinancing of the indebtedness of the Company in connection with the acquisition together with certain costs and fees in connection with the same.

To simplify the Group's structure, European MidSoho S.à.r.l was merged into SMCP S.A., which canceled the October 23, 2017 loan.

Prior to the merger of European MidSoho S.à.r.l. into SMCP S.A., European MidSoho S.à.r.l.'s loan from European TopSoho S.à.r.l. was capitalized in preparation for the initial public offering.

6.10.2. 2022 Senior Secured Bonds fully repaid in 2017

On May 18, 2016, SMCP Group S.A.S., subsidiary of SMCP S.A., was issued a bond for €100 million maturing in 2022 ("the Floating Rate Notes") fully repayable on November 1, 2022.

The 2022 bonds were issued by SMCP Group S.A.S. under the following terms:

Nominal: €100 million.

Interests and maturity: the Floating Rate Notes will mature on November 1, 2022. Cash interests will be paid at a per annum rate equal to 3 months EURIBOR 6.00% per year, reset quarterly.

On October 23, 2017, during the IPO, the 2022 Bonds were subject to early redemption and a €1 million early payment penalty.

6.11. Senior secured notes (2023 Bonds)

On May 18, 2016, SMCP Group S.A.S., subsidiary of SMCP S.A., issued a bond for €371 million maturing in 2023 ("the Fixed Rate Notes") fully repayable on May 1, 2023.

The 2023 bonds were issued by SMCP Group S.A.S. under the following terms:

Nominal: €371 million.

Interests and maturity: floating rate notes will mature on May 1, 2023. Cash interests will be paid semi-annually under a fixed rate of 5.875%.

Early redemption conditions for SMCP Group S.A.S. are as follows:

- Prior to May 1, 2019, the issuer may also repay during each twelve-month period commencing with the Issue Date (May 18, 2016) up to 10% of the aggregate amount of the Fixed Rate Notes (including Additional Notes, if any), at a redemption price equal to 103% of the principal amount of the Fixed Rate Notes redeemed, plus accrued and unpaid interest and additional amounts, if any, to the redemption date.

- After May 1, 2019, the issuer may redeem all or part of the Fixed Rate Notes at a redemption price equal to the percentage of principal amount set forth below, plus accrued and unpaid interest at the redemption date.

The Group carried out several early repayments on the 2023 Bonds in 2017 and 2018:

- On April 3, 2017, in accordance with the terms and conditions of redemption, the Group redeemed 10% of 2023 Bonds for a total amount of €39.1 million which corresponded to 103% of the principal, allocated as follows: €37.1 million and a €1.1 million early payment penalty, plus €0.9 million in accrued interests.
- On October 23, 2017, in accordance with the terms and conditions of redemption, the Group successively redeemed one third (i.e. €111.3 million of the principal and a €6.5 million early payment penalty at a rate of 5.875%) and then 10% (i.e., €22.2 million of the principal and a €0.7 million early payment penalty) of the 2023 Bonds (i.e., for a total amount paid of €140.8 million:. €133.6 million and €7.2 million in early payment penalties and €3.8 million in accrued interest.
- On May 3, 2018, the Group repaid €20 million with a repayment penalty of €0.6 million.

These redemptions decreased the nominal debt of the 2023 Bonds from €371 million to €180.3 million.

At December 31, 2018, total interest for 2023 Bonds amounted to €11,044 thousand and total accrued interest to €1,941 thousand.

The terms of the issuance agreement for the 2023 Bonds provide for the following redemption prices.

12-month period commencing May 1 in:	Ratio
2019	102.93750%
2020	101.46875%
2021 and thereafter	100.00000%

The 2023 Bonds are admitted to trading on the Euro MTF market in Luxembourg under ISIN Number XS1405781938 (Rule 144A).

Each quarter, the Group calculates consolidated net debt, which constitutes an important indicator of the Group's financial performance, as follows:

(€k)	**12/31/2018**	**12/31/2017**
Cash and cash equivalents	46,528	40,422
Current bank overdrafts	(5,047)	(4,136)
Cash and cash equivalents net of current bank overdrafts	**41,480**	**36,286**
Short-term borrowings and debt	(138,870)	(133,572)
Accrued interest on short-term borrowings and debt	(211)	(228)
Bank borrowings	-	-
Other loans and borrowings	(223)	(6)
Accrued interest on bonds	(1,941)	(2,143)
Operating net debt	**(99,765)**	**(99,663)**
Fixed rate Bonds (2023)	(174,205)	(192,312)
Consolidated net debt	**(273,970)**	**(291,975)**

6.12. Revolving Credit Facility

On October 23, 2017, the Group arranged a Revolving Credit Facility for a total amount of €250 million. At December 31, 2018, the Group had access to undrawn committed credit lines totaling €110 million and drawn on €140 million, presented net of issuance costs of €1.13 million.

6.13. Current and non-current provisions

Basic principles

A provision is recognized whenever the Group has an obligation with regard to a third party which is likely to result in an outflow of cash that can be reliably estimated. When execution of this obligation is expected to be deferred by more than one year, the provision is classified within "Non-current liabilities" and the amount is discounted, with the effects of discounting recognized as net financial expense using the effective interest rate method.

Judgments and estimates

The main estimates and judgments relating to provisions for contingent liabilities are based on the following assumptions:

- restructuring costs: number of employees, probable costs per employee;
- disputes and litigation (e.g., contractual penalties, tax risks): the assumptions underlying the assessment of the legal position and the valuation of risks based on the probability of occurrence.

The table below illustrates changes in this item over the period presented:

(€k)	1/1/2018	Changes in scope	Additions	Reversals (utilized provisions)	Reversals (surplus provisions)	Foreign exchange differences	Other comprehensive income/(loss)	Other	12/31/2018
Provisions for disputes	-	-	-	-	-	-	-	-	-
Provision for risk	229	-	364	(295)	(98)	1	-	-	200
Other provisions for contingencies and charges	106	-	(17)	(67)	-	2	-	17	41
Non-current provisions	**335**	**-**	**347**	**(362)**	**(98)**	**2**	**-**	**17**	**241**
Provisions for pension liabilities	3,196	-	931	(153)	-	-	(619)	(9)	3,346
Total non-current provisions	**3,531**	**-**	**1,278**	**(515)**	**(98)**	**2**	**(619)**	**8**	**3,587**
Provisions for disputes	2,588	-	734	(977)	(998)	-	-	-	1,347
Provision for risk	167	-	1,775	(151)	-	58	-	-	1,849
Other provisions for contingencies and charges	-	-	-	-	-	-	-	-	-
Total current provisions	**2,755**	**-**	**2,509**	**(1,128)**	**(998)**	**58**	**-**	**-**	**3,196**

(€k)	1/1/2018	Changes in scope	Additions	Reversals (utilized provisions)	Reversals (surplus provisions)	Foreign exchange differences	Other comprehensive income/(loss)	Other	12/31/2018
Provisions for disputes	-	20	64	-	-	-	-	(84)	-
Provision for risk	-	323	-	29	-	(10)	-	(114)	228
Other provisions for contingencies and charges	-	74	226	(188)	-	(6)	-	-	106
Non-current provisions	**-**	**417**	**290**	**(159)**	**-**	**(16)**	**-**	**(198)**	**334**
Provisions for pension liabilities	-	2,520	885	(104)	-	-	(105)	-	3,196
Total non-current provisions	**-**	**2,937**	**1,175**	**(263)**	**-**	**(16)**	**(105)**	**(198)**	**3,530**
Provisions for disputes	-	1,339	2,765	(1,010)	(589)	(1)	-	83	2,587
Provision for risk	-	984	349	(1,245)	-	(34)	-	114	169
Other provisions for contingencies and charges	-	-	76	-	-	-	-	(76)	-
Total current provisions	**-**	**2,323**	**3,190**	**(2,255)**	**(589)**	**(35)**	**-**	**121**	**2,756**

Provisions for disputes include provisions for labor-related risks, supplier-related risks and tax audits.

6.14. Employee benefits

Defined contribution plans

Under defined contribution plans, the Group pays contributions based on salaries to external bodies and has no obligation with regard to the level of benefits paid to the beneficiaries. Expenses are recorded when the contributions are due.

Defined benefit plans

Pension liabilities are recorded for defined benefit pension plans at the present value of the corresponding pension obligations at the reporting date. The Group's liability for defined benefit pension plans is calculated annually by independent actuaries, using a discount rate determined by reference to the EUR Composite AA curve published by Bloomberg on December 31, 2018.

The liability reflects the conditions for retirement under the collective bargaining agreement and the employees' seniority, since it is calculated based on the date of their potential retirement. The liability takes into account the probability of the employee leaving the Company and being entitled to a full-rate pension. All such costs, including social security taxes, are accrued and systematically taken to income over the working life of the employees. The provision for retirement indemnities includes retirement indemnities due under the collective bargaining agreements, which are specific to the French pension system. The Group has no liabilities of this nature related to its employees outside of France. The provision is estimated on an actuarial basis using the projected unit credit method (the accrued benefit method pro-rated on service) in accordance with IAS 19 - Employee Benefits.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized under "Other comprehensive income" and are not reclassified to income.

Past service costs are immediately recognized in the income statement.

The provision for pension liabilities only relates to France and takes into account:

- the rights vested by each employee at the end of each period. The salary revaluation rate (excluding inflation) is estimated at 2.5% for managerial-grade staff and supervisors and 1.5% for blue-collar workers and administrative staff;
- the probability of each employee being with the Group at retirement (and being entitled to a full-rate pension);
- the probability of termination of the employment contract by the employee;
- an inflation rate of 1% and a discount rate scale up to 1.61% at 15 years;
- top management is not eligible for pension benefits.

(€k)	12/31/2018	12/31/2017
Projected benefit obligation at the beginning of the period	**3,196**	**-**
Changes in scope	-	2,520
Current service cost	746	739
Estimated interest cost	34	42
Other comprehensive income/(loss)	(630)	(105)
Projected benefit obligation on the balance sheet date	**3,346**	**3,196**
Liability recognized on the statement of financial position	**3,346**	**3,196**
Service cost	**746**	**739**
Current service cost	746	739
Net interest cost	**34**	**42**
Interest cost	34	42
Net cost for the period	**780**	**781**

6.15. Other liabilities

Other liabilities amounted to €102,573 thousand at December 31, 2018 and were mainly composed of taxes, duties and other payroll-related liabilities totaling €51,242 thousand, advances and prepayments from customers for €11,043 thousand.

6.16. Fair value of financial assets and liabilities

Fair value measurement

Pursuant to IFRS 13 – Fair Value Measurement, fair value (or market value) is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

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

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by employing the asset in its highest and best use or by selling it to another market participant that would employ the asset in its highest and best use.

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

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

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

In “Non-current financial assets” (Note 6.4), the Group measures assets pledged as collateral at fair value at the end of each reporting period (Level 1 of the fair value hierarchy).

The fair value of derivative financial instruments recognized at December 31, 2018 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 as 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 as other comprehensive income. The ineffective portion is recognized immediately in profit or loss. 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:

(€k)				12/31/2018		12/31/2017	
	Notes	**Categories (IAS 39)**	**Fair value hierarchy**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Liquidity agreement		FV OCI	1	351	351	1,277	1,277
Pledged assets (**)		FV PL	1	333	333	333	333
Loans and receivables		L&R	(*)	18,793	18,793	14,516	14,516
Non-current financial assets	**6.4**			**19,477**	**19,477**	**16,126**	**16,126**
Other non-current assets		**L&R**	**(*)**	**(2,897)**	**(2,897)**	**1,038**	**1,038**
Trade receivables	**6.6**	**L&R**	**(*)**	**51,428**	**51,428**	**52,689**	**52,689**
Derivative instruments eligible for hedge accounting (***)		FV OCI/ FV PL	2	1,404	1,404	1,003	1,003
Other derivative instruments not eligible for hedge accounting		FV PL	2	25	25	6	6
Other current financial assets	**6.4**	**L&R**	**(*)**	**-**	**-**	**3**	**3**
Cash and cash equivalents	**6.7**	**L&R**	**(*)**	**46,528**	**46,528**	**40,422**	**40,422**
2023 Bonds	**6.11**	**Amortized costs**	**1**	**174,205**	**190,088**	**192,312**	**203,062**
2022 Bonds	**6.11**	**Amortized costs**	**1**	**-**	**-**	**-**	**-**
Other financial liabilities		**Amortized costs**	**(*)**	**221**	**221**	**6**	**6**
Accrued interest on bonds		FV PL	2	(1,941)	(1,941)	2,143	2,143
Other accrued interests		Amortized costs	(*)	4,094	4,094	228	228
Interest-bearing liabilities (current)	**6.11**			**2,153**	**2,153**	**2,371**	**2,371**
Trade and other payables		**Amortized costs**	**(*)**	**115,536**	**115,536**	**102,868**	**102,868**
Current bank overdrafts		Amortized costs	(*)	5,047	5,047	4,136	4,136
Short-term borrowings and debt		Amortized costs	(*)	138,870	140,000	133,572	135,000
Bank overdrafts and short-term borrowings and debt	**6.11**			**143,917**	**145,047**	**137,708**	**139,136**
Derivative instruments eligible for hedge accounting (***)		FV OCI/ FV PL	2	1,048	1,048	239	239
Other derivative instruments not eligible for hedge accounting(***)		FV PL	2	-	-	-	-
Other liabilities				**1,048**	**1,048**	**239**	**239**
Loans and receivables		*L&R*					
Fair value on the income statement		*FV PL*					
Fair value of other comprehensive income		*FV OCI*					

(*) Fair value is not provided since the net book value represents a reasonable estimate of their fair value.

(**) Refers to pledged mutual funds whose fair value is disclosed by the issuing bank.

(***) These are forward contracts or options intended to hedge foreign currency-denominated cash flows.

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 1 of the fair value hierarchy according to IFRS 13).

At December 31, 2018, the fair value of derivative instruments were estimated based on their market value, taking into account changes in the Group's credit risk (using Level 2 of the fair value hierarchy according to IFRS 13, by reference to recent transactions between knowledgeable, willing parties in an arm's length transaction).

6.17. Financial instruments and market risk management

6.17.1. Organization of foreign exchange, interest rate and market risk management

Financial instruments are mainly used by the Group to hedge risks arising from its business activities and to protect its assets.

Foreign exchange and interest rate risk along with financial instruments are managed on a centralized basis.

The Group has implemented a strict policy and rigorous guidelines to manage, assess and monitor these market risks.

6.17.2. Foreign exchange risk

A significant portion of the Group's sales (42.4% during the twelve month period ended December 31, 2018) is generated in foreign currencies, notably pound sterling, Chinese yuan, Swiss franc and U.S. dollars. A portion of its cost of sales is also denominated in other currencies, particularly purchases denominated in US dollars or Chinese yuan from its Asian suppliers. Some assets are also recorded in foreign currencies on the Group's balance sheet.
The Group is therefore exposed to changes in these currencies, as its reporting currency is the euro.

However, the Group has cash pooling and centralized foreign exchange risk management arrangements designed to limit its foreign exchange exposure and the related hedging costs by matching as far as possible proceeds from sales made in US dollars with purchases made in the same currency with suppliers and private label manufacturers in Asia. This helps reduce the sensitivity of its net margin to foreign exchange risk. For other currencies, the Group's policy is to translate all excess cash not needed to fund future growth into the presentation currency (euros) at the end of each month, in order to reduce the Group's sensitivity to these other exposures as far as possible.

For this purpose, the Group anticipates its cash surpluses and hedges any highly-probable future cash flows using forward rate agreements or plain vanilla options as part of a prudent risk management policy. The Group also hedges its current accounts in foreign currency used to fund its subsidiaries' foreign currency investments. It does this by means of swaps that hedge the full amount of its subsidiaries' short-term commitments. However, the Group is still exposed to foreign exchange risk due to investments in countries with a currency other than the presentation currency (stores and leasehold rights in the United States, United Kingdom, etc.) and for which it does not seek refinancing in the currency concerned.

6.17.3. Interest rate risk

The Group's main financing is through 2023 fixed-rate bonds issued as part of the acquisition by Shandong Ruyi.

Short-term refinancing facilities are at floating rates indexed to the six-month EURIBOR + a 2.0% profit margin**.** The applicable margin was initially set at 2.50% per annum, with a ratchet mechanism upwards or downwards. It dropped to 2% in May 2018 after the publication of consolidated financial statements of December 31, 2017.

6.17.4. Sensitivity to interest rate risk

Based on the Group's financial commitments at December 31, 2018, a 0.5% rise in interest rates would have had a negative impact of €726 thousand.

6.17.5. Derivatives used to manage foreign exchange risk

Foreign currency transactions

Transactions carried out by consolidated companies in a currency other than their functional currencies are translated at the exchange rate prevailing at the transaction date.

Trade receivables, trade payables and liabilities denominated in currencies other than the entities' functional currencies are translated at the applicable exchange rates at the reporting date. Unrealized gains and losses resulting from this translation are recognized:

- as cost of sales in the case of commercial transactions;
- as net financial expense in the case of financial transactions.

Foreign exchange gains and losses arising from the translation of intragroup transactions or receivables and payables denominated in currencies other than the entities' functional currency are recorded in the income statement.

The Group uses financial instruments to reduce its exposure to foreign exchange risks.

Derivative financial instruments are initially recognized at fair value on the date the derivative contract is signed, and are subsequently revalued to fair value, regardless as to whether the derivatives are qualified for hedge accounting under IAS 39 or not. The recognition of the resulting gains or losses depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group hedges exchange rate risk on recognized assets or liabilities, or highly-probable future transactions (cash flow hedges).

The fair value of asset and liability derivative financial instruments (in euros at December 31, 2018) are as follows:

€	Positive Fair value	Negative Fair Value	Net Fair Value
Terms	787,079	(523,085)	263,994
Options	616,885	(525,773)	91,112
Total	**1,403,964**	**(1,048,858)**	**355,106**

At the inception of the transaction, the Group documents the relationship between the hedging instrument and the hedged item, the management objectives and hedging strategy. The Group also documents the efficiency of the hedge in offsetting changes in fair value or cash flows of hedged items from the time of its application and for its full duration.

A significant portion of Group companies' sales to customers and to their own retail subsidiaries as well as some of their purchases are denominated in currencies other than their functional currency. Hedging instruments are used to reduce the risks arising from currency fluctuations for transactions planned in future periods (cash flow hedges).

Future foreign currency-denominated cash flows are estimated in the budget preparation process and are hedged progressively over average maturity for a collection period rarely exceeding one year. As such, and according to market trends, identified foreign exchange risks are hedged using forward contracts or options.

Type of impact	Hedge type	USD Export	GBP Export	CHF Export	HKD Export	CNY Import	CAD Export	SEK Export	12/31/2018
OCI impacts	CFH	4,178	479,477	(156,098)	-	28,981	126,973	-	483,512
P&L impacts	FVH total	(122,972)	(53,212)	(27,690)	147,512	33,899	73,551	(5,232)	45,855
P&L impacts	CFH	(43,424)	(85,834)	(19,355)	-	(21,119)	(29,134)	-	(198,866)
P&L impacts	Trading	1,535	17,590	(440)	-	-	5,920	-	24,605
Total in €		**(160,683)**	**358,021**	**(203,583)**	**147,512**	**41,761**	**177,311**	**(5,232)**	**355,106**
Position (in million currency)		25.97	60.80	11.55	142	53.24	16.3	11	

Cash flow hedges are used to hedge purchases and sales of the Group's spring/summer and autumn/winter collections.

Foreign exchange risk sensitivity analysis

An increase (decrease) in the euro against the various currencies at December 31 would have affected the value of the financial instruments denominated in foreign currencies and would have led to an increase (decrease) in equity and profit as indicated in the table below. This analysis was carried out based on exchange rate fluctuations that the Group deemed reasonable at the balance sheet date. For the purposes of this analysis, it was assumed that all other variables and particularly interest rates, remained constant. Impacts on forecast sales and purchases were not taken into account.

	Equity		Income statement	
12/31/2018 ***(in €k)***	**Increase**	**Decrease**	**Increase**	**Decrease**
USD (+/-10% change)	(1,234)	1,217	(1,145)	839
GBP (+/-10% change)	(4,568)	5,439	(1,773)	1,402
CHF (+/-10% change)	(1,211)	845	(50)	(68)
HKD (+/-10% change)	-	-	(1,433)	1,728
CNY (+/-10% change)	255	(197)	(896)	922
CAD (+/-10% change)	(480)	785	(353)	395
SEK (+/-10 % change)	-	-	(113)	102
Net cash flow sensitivity	**(7,239)**	**8,089**	**(5,763)**	**5,319**

An increase (decrease) in the euro against these currencies at December 31 would have affected the presentation of the consolidated financial statements to the extent indicated in the table below (excluding the impact of financial instruments and derivatives above). This analysis was based on the impact of applying the exchange rates in force at the end of the reporting period to the main financial statements denominated in foreign currency of entities within the scope of consolidation at December 31, 2018.

12/31/2018	Equity		Income statement	
(€k)	**Increase**	**Decrease**	**Increase**	**Decrease**
USD (+/-10% change)	(3,430)	(1,426)	1,329	2,243
GBP (+/-10% change)	(1,159)	(20)	(199)	(11)
HKD (+/-10% change)	7,220	7,955	13,790	15,424
CNY (+/-10% change)	(8,841)	(6,078)	3,763	7,052
Sensitivity to exchange rate	**(6,210)**	**432**	**18,683**	**24,707**

6.17.6. Liquidity risk

The Group’s exposure to liquidity risk can be assessed in relation to the amount of its short-term borrowings excluding derivatives, net of cash and cash equivalents.

At December 31, 2018, the Group had access to undrawn committed credit lines totaling €110 million, as well as non-confirmed credit lines of €54.6 million, drawn for €1.4 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, 2018.

At December 31, 2018, the Group’s borrowings and debt mainly comprised €180.3 million in 2023 Bonds (at an initial nominal amount of €371 million), carrying interest of 5.875% and maturing in 2023. These borrowings were subscribed on May 18, 2016 for the acquisition of

SMCP S.A.S. by Shandong Ruyi. In addition to these bonds, the Group had a Facilities Agreement bearing interest equal to 1-, 2-, 3-, 6-month EURIBOR + 2.5% and maturing at October 23, 2022.

(€k)	**2019**	**2020**	**2021**	**2022**	**2023**	**> 5 years**	**Total**
Fixed rate Bonds (2023)	-	-	-	-	180,306	-	180,306
Variable rate Bonds (2022)	-	-	-	-	-	-	-
Accrued interests on fixed-rate bonds	10,593	10,593	10,593	10,593	3,531	-	45,903
Accrued interests on variable-rate bonds	-	-	-	-	-	-	-
PIK Loan	-	-	-	-	-	-	-
Other loans and borrowings	-	-	-	-	-	223	223
Bank overdrafts and short-term borrowings and debt	145,047	-	-	-	-	-	145,047
Gross financial debt	155,640	10,593	10,593	10,593	183,837	223	371,479
Trade and other payables	115,531	-	-	-	-	-	115,531
Other liabilities [(1)]	102,573	-	-	-	-	-	102,573
Other financial liabilities	218,105	-	-	-	-	-	218,105
Total financial liabilities at December 31, 2018	**373,745**	**10,593**	**10,593**	**10,593**	**183,837**	**223**	**589,584**

(1) Including €1,048 thousand of liabilities derivative instruments maturing in 2018.

6.17.7. Credit risk

The Group has a low credit risk. SMCP's goods are sold through various distribution channels:

- A large part of its business is retail for which customers pay cash.
- Affiliates are billed once or twice per month and pay within a few days. The Group has bank guarantees for each of its affiliates.
- Department store partners are billed once a month and payment is made ten days later.
- Local partners, or "wholesale/partnered retail" (outside France) pay within thirty to forty five days except if the local partners are located in a country considered at risk, in that case the local partners pay before the delivery of the goods.

7. OFF-BALANCE SHEET COMMITMENTS

7.1. Commitments received

(€k)	12/31/2018	12/31/2017
Sureties	2,364	2,213
Undrawn credit lines	110,000	171,840
Commitments received	**112,364**	**174,053**

7.2. Commitments given

(€k)	12/31/2018	12/31/2017
Letters of credit	5,957	6,272
Pledge of leasehold rights	-	16
Guarantee commitments	21,150	16,897
Commitments given	**27,107**	**23,185**

Commitments given under operating leases at December 31, 2018 are as follows:

(€k)	12/31/2018	12/31/2017
Operating leases	**302,803**	**329,442**
Less than one year	86,589	76,335
1 to 5 years	165,130	185,941
> 5 years	51,084	67,166

In France, store leases have a term of nine years with an exit option in the third and sixth years and a renewal option in the ninth year. In the United States, leases are for a term of ten years and no early exit option is generally available. However in Asia, leases are for a short term of between two and three years.

8. OTHER INFORMATION

8.1. Headcount

	Operational headcount (1)		Average number of full-time equivalent operational employees (2)	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
France	2,415	2,332	2,443	2,240
Europe (except France)	1,580	1,353	1,444	1,185
America	1,050	761	900	629
Asia	786	645	689	511
Total headcount	**5,831**	**5,091**	**5,476**	**4,565**

(1) The Group's operational headcount includes employees of Group companies on permanent or temporary contracts included on the payroll at December 31, regardless of their working hours. This includes employees on maternity or adoption leave, employees seconded to another Group entity and employees on sabbatical leave (more than six months) who have been replaced. It excludes subcontractors, temporary staff, interns, apprentices and those on work-study contracts, employees seconded to a company outside the Group and employees on sabbatical leave (more than six months) who have not been replaced.

(2) The average number of full-time equivalent (FTE) operational employees corresponds to the operational headcount at the end of each month of the period, adjusted to reflect the number of part-time employees using the individual attendance rate, as well as employees present for only part of the period, divided by the number of months of the period concerned.

8.2. Fees to Statutory Auditors

Fees to Statutory Auditors for the consolidated financial statements of SMCP S.A. and its subsidiaries for the fiscal year ended December 31, 2018:

	KPMG SA		Deloitte & Associés	
	Amount	%	Amount	%
Certification of accounts				
Issuer	402	47%	365	44%
Fully consolidated subsidiaries	449	53%	459	56%
Sub-total	**851**	**100%**	**824**	**100%**
Services other than the certification of accounts				
Issuer	-	0%	-	0%
Fully consolidated subsidiaries	-	0%	-	0%
Sub-total	-	0%	-	**0%**
Total	**851**	**100%**	**824**	**100%**

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 a company that controls the Group with shareholdings with non-controlling interests in 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.

8.3.2. Transactions with KKR (a)

Following the sale of the shares of SMCP S.A.S., the Group incurred expenses. Some of these costs were re-invoiced to KKR for €2,440 thousand on fiscal year 2017.

8.3.3. Transactions with European MidSoho S.à.r.l. (b)

See Note 6.10. Shareholder loan: 2017 Shareholder PIK ("Payment in Kind") loan.

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, 2018 and 2017 as shown below:

	12/31/2018 *(12 months)*			
(€k)	**Consultancy services**	**Executive management services**	**Rental charges**	**Affiliation agreements**
	(1)	(2)	(3)	(4)
Evelyne Chétrite SASU, managed by Evelyne Chétrite	375.0	833.2		
Judith Milgrom SASU, managed by Judith Milgrom	375.0	935.8		
SCI MAJ, managed by Judith Milgrom and her brother Alain Moyal			439.0	
Company managed by Lévana Gampel, daughter of Judith Milgrom				729.8
Total for the period	**750.0**	**1,769.0**	**439**	**729.8**
Total transactions for the period	**3,687.8**			

The Group has also negotiated severance packages with some of its managers to be paid if they leave the Group. Total commitments for services represented €6,159 thousand at December 31, 2018.

	12/31/2017 *(12 months)*			
(€k)	**Consultancy services**	**Executive management services**	**Rental charges**	**Affiliation agreements**
	(1)	(2)	(3)	(4)
Evelyne Chétrite SASU, managed by Evelyne Chétrite	375.0	1,504.1		
Judith Milgrom SASU, managed by Judith Milgrom	375.0	1,291.2		
SCI MAJ, managed by Judith Milgrom and her brother Alain Moyal			809.6	
Company managed by Lévana Gampel, daughter of Judith Milgrom				872.3
Total for the period	**750.0**	**2,795.3**	**809.6**	**872.3**
Total transactions for the period	**5,227.2**			

(€k)	12/31/2017 *(20 months)* Consultancy services	Executive management services	Rental charges	Affiliation agreements
	(1)	(2)	(3)	(4)
Evelyne Chétrite SASU, managed by Evelyne Chétrite	528.8	2,652.2		
Judith Milgrom SASU, managed by Judith Milgrom	569.5	2,512.1		
SCI MAJ, managed by Judith Milgrom and her brother Alain Moyal			984.6	
Company managed by Lévana Gampel, daughter of Judith Milgrom				1,054.8
Total for the fiscal year	**1,098.3**	**5,164.3**	**984.6**	**1,054.8**
Total transactions for the fiscal year		**8,301.9**		

b) Executive compensation

Total compensation recognized in respect of members of the Executive Committee and Board of Directors in respect of their functions within the Group, breaks down as follows:

The provision for retirement indemnities related to Group's managers is presented as follows:

(€k)	*12-month period at* **12/31/2018**	*12-month period at* **12/31/2017**	*20-month period at* **12/31/2017**
Gross fixed salary	4,213	4,045	5,123
Variable salary	5,967	4,162	8,767
Social security charges	1,968	2,678	4,465
Termination indemnities	45	-	15
Fringe benefits	35	47	78
Directors' fees	143	-	-
Free shares	8,664	23,129	26,259
Total	**21,033**	**34,062**	**44,706**
Retirement indemnities	**179**	**188**	**350**

The Group has also negotiated severance packages with some of its managers to be paid if they leave the Group. Total commitments represented €5,828 thousand at December 31, 2018.

8.4. Scope of consolidation

The table below shows the scope of consolidation at December 31, 2018:

	12/31/2018		12/31/2017	
Companies	**% interest***	**Consolidation method**	**% interest***	**Consolidation method**
SMCP S.A.	**100.00%**	**Parent company**	**100.00%**	**Parent company**
SMCP GROUP S.A.S.	100.00%	FC	100.00%	FC
SMCP HOLDING S.A.S.	100.00%	FC	100.00%	FC
SMCP LOGISTIQUE	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
SMCP 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 USA Retail East, Inc.	100.00%	FC	100.00%	FC
SMCP USA Retail West, Inc.	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	100.00%	FC
SMCP TAIWAN	100.00%	FC	100.00%	FC
SMCP JAPAN	100.00%	FC	-	-

* *Percentage stake is identical to percentage ownership.*

Abbreviations used: FC = Full consolidation

8.5. Subsequent events

8.5.1. Conversion of class G preferred shares

95,859 class G preferred shares were converted on January 1, 2019 leading to the creation of 376,053 common shares. Therefore, the share capital comprises 73,550,068 common shares and 1,197,239 class G preferred shares.

20.1.1.2 Statutory Auditors' report on the consolidated financial statements for the year ended December 31, 2018

"To the SMCP Annual General Meeting,

Opinion

In compliance with the assignment entrusted to us by your Shareholders' Meeting, we performed an audit of the consolidated financial statements of the company SMCP relating to the fiscal year ended December 31, 2018, as attached to this report.

In our opinion the consolidated financial statements give a true and fair view of the results of operations at the end of the fiscal year, and of the financial position, assets and liabilities of the group of persons and entities included in the consolidation, in accordance with IFRS as adopted by the European Union.

The above opinion is consistent with the content of our report to the Audit Committee.

Basis of the opinion

Audit guidelines

We conducted our audit according to the professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our responsibilities under these standards are indicated in the section "Statutory Auditors' responsibility with respect to the audit of the consolidated financial statements" in this report.

Independence

We performed our audit engagement in accordance with the independence rules applicable to our profession, from January 1, 2018 until the issue date of our report, and in particular, we provided no service prohibited by Article 5, section 1 of Regulation (EU) No 537/2014 or by the code of ethics of the Auditors' profession.

Without calling into question the conclusion expressed above, we draw your attention to 3.2 "Applied IFRS standards" of the Notes to the consolidated financial statements which presents the change of accounting method relating to the application of IFRS 9 on financial instruments and IFRS 15 on revenue recognition as of January 1, 2018.

Justification of our assessments - Key points of the audit

Pursuant to the provisions of Articles L.823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we draw your attention to the key points of the audit relating to material misstatements which, in our professional opinion, were most significant for the audit of the consolidated financial statements for the fiscal year, and the response we provided to address these risks.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and led to the opinion expressed above. We express no opinion on the information contained in these consolidated financial statements taken in isolation.

Goodwill and trademarks impairment testing

Identified risk

At December 31, 2018, the value of the Group's intangible fixed assets amounted to €1,366 million compared to a total balance sheet of €1,854 million. These intangible fixed assets mainly consist of the Sandro, Maje and Claudie Pierlot trademarks and the goodwill recognized at the acquisition of SMCP Holding.

Goodwill and intangible assets with indefinite life such as trademarks are tested for impairment once a year or more frequently if signs of impairment are identified.

Indefinite-lived intangible assets are tested separately for impairment.

Goodwill is allocated to three cash-generating units (hereinafter "CGUs") which correspond to the three trademarks and is tested for impairment in these CGUs.

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.

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.

The value in use of intangible assets 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.

We considered that the evaluation of these fixed assets is a key point of the audit considering their material importance in the Group's accounts because determining their recoverable value, often based on discounted future cash flow forecasts, requires the use of assumptions implying *a high level of judgment from Management as indicated in 6.3 ("Impairment testing of property, plant and equipment, intangible assets and goodwill") of the Notes to the consolidated financial statements.*

Our response

Our procedures required assessing the compliance of the methodology applied by the Group. We also performed a critical review of the procedures used to apply this methodology.

Our audit consisted of:

- *assessing the assumptions used by Management to estimate future cash flows in the light of our knowledge of the economic environment in which the Group operates;*
- *assessing the reasonable nature of the discount rates applied to the estimated cash flows by assessing in particular whether the different parameters comprising the average weighted cost of capital of each CGU can be used to evaluate the remuneration rate expected by market participants for similar activities;*
- *comparing the accounting estimates of cash flow projections for the previous periods with the corresponding actual achievements to evaluate the reliability of the budget process;*
- *assessing the analyses of the sensitivity of the value in use to a change in the main assumptions made by Management and presented in Notes 6.3 and following;*
- *performing a critical review of the royalty rates applied to trademarks in the estimation of the value of the trademarks;*

Lastly, we assessed whether the information provided in the Notes to the consolidated financial statements is appropriate.

Specific verifications

As required by the laws and regulations, we also performed, in accordance with the professional standards applicable in France, specific audits of the information about the Group presented in the Board of Directors' management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We hereby attest that the consolidated non-financial performance declaration stipulated by Article L. 225-102-1 of the French Commercial Code appears in the information about the Group presented in the Group's management report. It is specified that, in accordance with the provisions of Article L. 823-10 of the Code, we have not verified that the information contained in this declaration is true and fair, or consistent with, the consolidated financial statements, and a report on this information should be prepared by an independent third party.

Information resulting from other legal and regulatory obligations

Appointment of Statutory Auditors

Deloitte et Associés was appointed statutory auditor of SMCP SA by your Shareholders' Meeting of September 25, 2017 with deferred effect to September 29, 2017. KPMG S.A. was appointed statutory auditor of SMCP SA by your Shareholders' Meeting of April 22, 2016.

At December 31, 2018, KPMG SA was in the third year of its uninterrupted engagement, i.e., the second year since the company's securities were admitted for trading on a regulated market.

At December 31, 2018, Deloitte et Associés was in the second year of its uninterrupted assignment, i.e., the second year since the company's securities were admitted for trading on a regulated market.

Responsibilities of management and of corporate governance members with regard to the consolidated financial statements

Management is responsible for preparing the consolidated financial statements and for ensuring that they present a true and fair view in accordance with IFRS as adopted by the European Union and for setting up the internal control that it considers necessary for the preparation of consolidated financial statements that are free of any material misstatements, be they from fraud or errors.

While preparing the consolidated financial statements, management is responsible for evaluating the company's capacity to continue its operation, for presenting in these financial statements, as applicable, the required disclosures about going concern and for applying the going concern accounting principle, unless there are plans to wind up the company or to discontinue its activity.

The Audit Committee is responsible for monitoring the financial reporting preparation process and for monitoring the effectiveness of the internal control and risk management systems, and as applicable, of internal audit, with respect to procedures concerning the preparation and processing of accounting and financial information.

These consolidated financial statements have been approved by the Board of Directors.

Responsibilities of statutory auditors with respect to the audit of the consolidated financial statements

Audit aim and procedure

It is our responsibility to draw up a report on the consolidated financial statements. Our aim is to obtain reasonable assurance that the consolidated financial statements taken as a whole are free of any material misstatements. Reasonable assurance corresponds to a high level of assurance without, however, providing a guarantee that an audit performed in accordance with professional standards will systematically lead to the detection of material misstatements. Misstatements may occur as a result of fraud or errors and are considered as material when one can reasonably expect that they might, taken individually or together, influence the economic decisions that the users of the financial statements make on the basis of these statements.

As stated in Article L. 823-10-1 of the French Commercial Code, under our engagement to certify the financial statements, we are not required to guarantee either the viability or the quality of the management of your company.

During an audit carried out in accordance with the professional standards applicable in France, statutory auditors apply their professional judgment throughout the audit. Furthermore:

- *they define and evaluate the risks that the financial statements might contain material misstatements, whether such misstatements stem from fraud or errors, define and implement audit procedures to address these risks, and gather elements that they consider sufficient and appropriate to use as the basis for their opinion. The risk of non-detection of a material misstatement stemming from fraud is higher than the risk of a material misstatement stemming from an error, because fraud can imply collusion, falsification, willful omissions, misrepresentations or the circumvention of internal control;*
- *they obtain an understanding of the relevant internal control for the audit in order to define the appropriate audit procedures for the specific context, and not for the purpose of expressing an opinion on the effectiveness of internal control.*
- *they assess the suitability of the accounting methods adopted and the reasonable nature of the accounting estimates made by management, and the disclosures related thereto provided in the consolidated financial statements;*
- *they assess the suitability of the application by management of the going concern accounting principle and, according to the collected elements, the existence or not of a material uncertainty linked to events or circumstances likely to call into question the company's capacity to continue its operation. This assessment is based on the elements collected up to the date of the auditors' report, on the understanding, however, that circumstances or subsequent events may call into question the going concern. Should they conclude on the existence of a material uncertainty, they draw the attention of the readers of their report to the disclosures in the consolidated financial statements regarding this uncertainty or, if this information is not disclosed or is not pertinent, they issue a qualified certification or may refuse to certify:*
- *they assess the overall presentation of the consolidated financial statements and evaluates whether the consolidated financial statements adequately reflect the underlying transactions and events to provide a true and fair view;*
- *concerning financial reporting of the persons or entities included in the scope of consolidation, they collect the elements that they consider sufficient and appropriate to express an opinion on the consolidated financial statements. They are responsible for managing, supervising and performing the audit of the consolidated financial statements and for the opinion expressed on these financial statements.*

Report to the Audit Committee

We present a report to the Audit Committee which contains in particular, the scope of the audit proceedings and the work program implemented, and the conclusions from our audit. We also notify the Audit Committee, if necessary, of the significant weaknesses in the internal control system that we identified with respect to the procedures relating to the preparation and processing of accounting and financial information.

The elements disclosed in the report to the Audit Committee include the risks of material misstatements that we considered to be the most significant for the audit of the consolidated financial statements for the fiscal year and which therefore represent the key points of the audit, and which we are required to describe in this report.

We also provide the Audit Committee with the declaration specified by Article 6 of Regulation (EU) No. 537-2014 confirming our independence, as defined by the rules applicable in France, and as stated in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the Statutory Auditors' Code of Ethics. As applicable, we discuss the risks impacting our independence and the precautionary measures taken with the Audit Committee.

The Statutory Auditors
Paris La Défense, on April 26, 2019

KPMG Audit	*DELOITTE Audit*
KPMG S.A. department	
Valéry Foussé	*Albert Aidan*
Associate	*Associate"*

20.2 Company Statutory Financial Statement

20.2.1 Company statutory financial statements for the twenty-month fiscal year ended December 31, 2018 and the corresponding Statutory Auditors' report

20.2.1.1 Company statutory financial statements for the fiscal year ended December 31, 2018

Balance sheet - Assets

Headings	Gross amount	Depreciation, Amortization and	12/31/2018	12/31/2017
Subscribed, uncalled capital				
INTANGIBLE ASSETS				
Start-up costs	44,523	19,297	25,226	34,130
Development costs				
Concessions, patents and similar rights				
Leasehold rights	4,100		4,100	4,100
Other intangible assets	50,000		50,000	
Advances and down payments on intangible				
PROPERTY, PLANT AND EQUIPMENT				
Land				
Buildings				
Technical fittings, equipment and industrial tools				
Other property, plant and equipment				
Assets under development				
Advances and down payments				
FINANCIAL INVESTMENTS				
Equity interests consolidated by the equity				
Other equity interests	581,532,866		581,532,866	581,532,866
Receivables on equity interests				
Other non-current securities				
Loans	460,923,505		460,923,505	444,981,754
Other non-current financial assets	11,893,894	494,000	11,399,894	8,452,231
TOTAL FIXED ASSETS	**1,054,448,888**	**513,297**	**1,053,935,591**	**1,035,005,081**
INVENTORIES AND WORK IN PROGRESS				
Raw materials, consumables				
Goods work in progress				
Services work in progress				
Components and finished goods				
Goods & merchandise				
Advances and down payments on orders				
RECEIVABLES				
Trade receivables	4,006,490		4,006,490	7,033,894
Other receivables	52,759,771		52,759,771	30,846,067
Subscribed and called, unpaid capital				
MISC.				
Marketable securities				
Cash at hand	15,670		15,670	900,808
ACCRUAL ACCOUNTS				
Prepayments	1,320		1,320	
TOTAL CURRENT ASSETS	**56,783,251**		**56,783,251**	**38,780,769**
Deferred bond issue costs				
Bond redemption premiums				
Conversion differences - assets				6
TOTAL LIABILITIES	**1,111,232,138**	**513,297**	**1,110,718,840**	**1,073,785,856**

Balance sheet - Liabilities and Shareholders' Equity

Headings	**12/31/2018**	**12/31/2017**
Individual or share capital (of which 81,913,824)	81,913,824	81,870,133
Issue, merger and contribution premiums	951,522,922	951,566,613
Revaluation difference (o.w. equity-method valuation difference:)		
Legal reserve	700,079	
Statutory or contractual reserves		
Regulatory reserves (o.w. res. Prov. exchange rate fluctuation)		
Other reserves (o.w. purchase of original works of art)		
Retained earnings	13,301,493	-4,100
PROFIT/(LOSS) FOR THE FISCAL YEAR	**35,403,947**	**14,005,672**
Investment subsidies		
Regulated provisions		
EQUITY	**1,082,842,265**	**1,047,438,318**
Income from the issue of equity securities		
Contingent advances		
TOTAL OTHER EQUITY		
Provisions for risks		6
Provisions for liabilities		
PROVISIONS		**6**
FINANCIAL LIABILITIES		
Convertible bonds		
Other bonds		
Bank borrowings		
Other debt (o.w. subordinated loans)		
Advances and down payments received on orders in hand		
OPERATING LIABILITIES		
Trade and other payables	2,764,678	3,832,928
Income tax and social security liabilities	18,400,553	16,394,163
MISCELLANEOUS LIABILITIES		
Payables to fixed asset suppliers		
Other liabilities	6,711,344	6,120,416
ACCRUAL ACCOUNTS		
Prepaid income		
TOTAL LIABILITIES	**27,876,576**	**26,347,507**
Translation adjustment (liabilities)		25
TOTAL LIABILITIES	**1,110,718,840**	**1,073,785,856**

Income statement

Headings	France	Exports	12/31/2018	12/31/2017
Sales of goods				
Production sold - goods				
Production sold - services	10,251,163		10,251,163	8,011,710
NET SALES	**10,251,163**		**10,251,163**	**8,011,710**
Production taken to inventories				
Production of own assets				
Operating subsidies				
Reversals of impairments, provisions (and depreciation), expense transfers			6	
Other income			451	436
OPERATING INCOME			**10,251,620**	**8,012,146**
Purchases of goods (including customs duties)				
Changes in inventory (goods)				
Purchases of raw materials and other consumables (and customs duties)				
Changes in inventory (raw materials and consumables)				
Other purchases and external expenses			1,013,118	846,787
Taxes other than on income			542,541	651,564
Wages and salaries			5,356,185	7,171,795
Social security charges			1,929,938	2,246,200
PROVISIONS FOR LIABILITIES				
On fixed assets: depreciation and amortization			8,905	10,393
On fixed assets: impairment				
On current assets: impairment				
Provisions				6
Other expenses			242,003	60,203
OPERATING EXPENSES			**9,092,690**	**10,986,948**
OPERATING INCOME			**1,158,930**	**2,974,802**
JOINT TRANSACTIONS				
Profit allocated or loss transferred				
Loss borne or profit transferred				
FINANCIAL INCOME				
Financial income from investments				
Income from other marketable securities and fixed asset receivables			29,374,921	30,489,730
Other interest and similar income				102
Reversals of impairments and provisions, expense transfers			18,748	
Foreign exchange gains				72
Gains on sales of investment securities				
FINANCIAL INCOME			**29,393,670**	**30,489,903**
Financial allocation for amortization, depreciation, and provisions			494,000	18,748
Interest and similar expenses			107,175	24,963,942
Foreign exchange losses			153	327
Losses on sales of investment securities				
FINANCIAL EXPENSES			**601,328**	**24,983,017**
FINANCIAL RESULT			**28,792,341**	**5,506,886**
PRE-TAX PROFIT ON ORDINARY ACTIVITIES			**29,951,272**	**2,532,083**

Income statement

Headings	12/31/2018	12/31/2017
Non-recurring income on operating transactions		
Non-recurring income on share capital transactions		23,581,386
Reversals of impairments and provisions, expense transfers		
NON-RECURRING INCOME		**23,581,386**
Non-recurring expenses on operating transactions	1,262,565	39,234,023
Non-recurring expenses on share capital transactions	1,371,151	1,243,559
Non-recurring amortization, depreciation, and provisions		
NON-RECURRING EXPENSES	**2,633,716**	**40,477,582**
NON-RECURRING INCOME	**-2,633,716**	**16,896,197**
Employee profit-sharing	199,921	149,634
Income tax	-8,286,313	28,519,419
TOTAL INCOME	**39,645,290**	**62,083,435**
TOTAL EXPENSES	**4,241,343**	**48,077,763**
PROFIT OR LOSS	**35,403,947**	**14,005,672**

NOTES TO THE BALANCE SHEET AND INCOME STATEMENT

Accounting principles and methods

Notes to the balance sheet before appropriation of earnings for the year ended 12/31/2018, showing a gross value of €1,111,232,138, impairment of €513,297 and a net value of €1,110,718,840 and notes to the income statement for the fiscal year, presented in list form, and showing income of €35,403,947.

The fiscal year covers a period of 12 months, starting on 1/1/2018 and ending on 12/31/2018. Note: fiscal year 2017 covers a period of 20 months, starting on May 1, 2016 and ending on December 31, 2017. The notes or tables below are an integral part of the annual financial statements.

The general accounting principles were applied as dictated by the principle of prudence, in accordance with the following basic assumptions:

- going-concern;
- consistency of accounting methods from one period to the next;
- independence of fiscal years;

and observance of the general rules governing the preparation and presentation of annual financial statements.

The financial statements have been prepared in accordance with ANC regulations No. 2014-03, No. 2015-06 and No. 2016-07, No. 2017-03 - Classification of changes relating to the application of new rules at January 1, 2016.

The basic method used to evaluate accounting data is the historic cost method.

Intangible assets

Set-up costs mainly include fees. They represent an amount of €44,523 and are amortized over five years.

On October 23, 2017, the company completed the universal transfer of the assets and liabilities of MIDSOHO S.A.S. This universal transfer of assets and liabilities resulted in a merger loss of €4,100 recognized as intangible assets.

In accordance with ANC regulation No. 2015-06 - Classification of changes relating to the application of new rules at January 1, 2016 on leasehold rights, the technical merger loss, market share and goodwill, the technical merger loss recognized on the universal transfer of the assets and liabilities of MIDSOHO S.A.S. was allocated to brands and leasehold rights.

Property, plant and equipment

Property, plant and equipment are valued at their acquisition cost (purchase price and associated costs).

Depreciation and amortization is calculated on a straight-line basis depending on the expected useful life.

Under new rules governing property, plant and equipment (CRC 2002-10 and CRC 2004-06) the Company has not identified any significant elements. In terms of useful lives, the durations applied reflect the duration of use of the good and were not modified during the fiscal year.

Financial investments

The gross value of capitalized securities is based on the purchase price excluding associated costs.

When the inventory value is less than the gross value, impairment is recognized in the amount of the difference.

SMCP S.A. signed a liquidity agreement on November 28, 2017 for a total amount of €2 million. SMCP S.A. holds 79,252 shares under this contract. An impairment of €494 thousand was recognized on December 31, 2018.

Equity interests, other long-term investments, short-term investments

The gross value of investments in associates includes the purchase price, including acquisition costs. When the inventory value is less than the gross value, impairment is recognized in the amount of the difference. The inventory value is calculated by taking into account outlook for profitability which is determined using the estimated cash flow approach. This outlook is established according to the information available at the time. These estimates are based on the going concern assumption.

Share capital

The total value of the shares issued by the parent company is recognized in full within equity, as these instruments represent its share capital.

At December 31, 2018, the Company’s fully subscribed and paid-up share capital amounted to €81,913,824.30 and broke down as follows:

- 73,174,015 fully-paid up ordinary shares with a nominal value of one euro and ten cents (€1.10),
- 1,293,098 class G shares preferred shares which are the preferred shares within the meaning of Articles L 228-11 et seq. of the French commercial code and with a nominal value of one euro and ten cents (€1.10).

Significant events during the fiscal year

No significant event occurred during the fiscal year.

In 2018, the Group continued its strong growth and operated 1,466 stores (1,172 of which are directly operated and 294 are managed through partners) through 40 countries.

Employment Competitiveness Tax Credit (CICE)

In accordance with the third Amended Finance Act for 2012, SMCP S.A. benefits from the Employment Competitiveness Tax Credit (CICE). In line with current texts, the Company has opted to recognize the accrued income from the CICE as a deduction from "Wages and salaries". Accrued income recognized as eligible compensation and paid as of January 1, 2017 totaled €6,688.81 in the Company accounts at December 31, 2018.

The CICE was used in accordance with the provisions of Article 244 quater C of the French General Tax Code, and mainly contributed to efforts by the Company in terms of employee benefits.

Compensations allocated to members of management bodies

For reasons of privacy, these compensations are not disclosed.

Receivables

Receivables are valued at their nominal value. An allowance for impairment is recorded when their fair value is lower than their carrying amount.

Average number of employees

- Managerial-grade employees 30

Accrued expenses

€6,578 thousand in accrued expenses include trade payables of €2,343 thousand and income tax and social security liabilities of €4,231 thousand and €4 thousand of other debts.

Foreign currency transactions

Income and expenses in foreign currencies are recognized at the collection's coverage rate.

The related payables, receivables and cash assets are included in the balance sheet at their equivalent value at the closing rate. The difference arising from the discounting of payables and receivables in foreign currencies at this closing rate is recognized as translation difference, with unrealized foreign exchange losses that are not offset subject to a provision for contingencies.

Provisions for contingencies and charges

These provisions, recognized in line with CRC regulation 2000-06, are made to cover contingencies and charges that current or past events render probable, and which are clearly identifiable but whose timing or amount is uncertain. These mainly include compensation estimated by the Group and its advisors for disputes, litigation and claims from third parties.

Non-recurring income and expenses

Non-recurring expenses of €2,634 thousand include 2017 IPO-related costs of €275 thousand, social charges of €1,563 thousand, personnel costs of €801 thousand, non-deductible penalties and fines of -€9 thousand and other non-recurring expenses of €4 thousand.

Additional information

Fees

Details about Statutory Auditors' fees are provided in the notes to the consolidated financial statements.

Sales

Sales for 2018 was composed of intra-company re-billing for the provision of services.

Sales is presented excluding tax after any reductions, discounts or rebates awarded.

Off-balance sheet retirement commitments

Commitments relating to retirement were estimated at December 31, 2018, after taking into account a discount to present value ratio based on the "Eur Ind AA+AA" curve published by Bloomberg at December 31, 2018.

This amount is calculated according to the agreement-based retirement conditions, with employees' seniority calculated based on the date of their potential retirement at 65 years' old. It takes into account the probability of the employee leaving company before reaching retirement age.

The estimate of end-of-career indemnity commitments includes agreement-based indemnities that are specific to French regimes through the application of a retrospective actuarial method which takes into account mortality risk, projected wage trends, staff turnover and a discount rate.

The end-of-career indemnity commitment totaled €90,971 and is not recognized in the statutory financial statements.

Tax consolidation

SMCP S.A. has opted for the ordinary tax consolidation regime.

In line with the current tax consolidation agreement within the Group, each subsidiary bears a tax charge equivalent to the amount payable in the absence of a tax group. The Company posted a tax deficit of €8,284,844 for 2018.

For the 2018 fiscal year, the tax consolidation group included the following companies:

- Sandro Andy S.A.S.
- MAJE S.A.S.
- Claudie Pierlot SAS
- Suite 341 S.A.S.
- SMCP Logistique
- SMCP Group S.A.S.
- SMCP Holding S.A.S.

Bonus shares allocation plan	Plan no. 1	Plan no. 2	Plan no. 4	Plan no. 5
Initial allocation date	11/23/2017	4/25/2018	8/31/2018	11/20/2018
Vesting period	2, 3 and 4 years per third	2, 3 and 4 years per third	2 and 3 years per half	2 and 3 years per half
Availability date	11/23/2021	3/31/2022	11/23/2021	11/23/2021
Vesting date	11/23/2019	4/25/2020	11/23/2020	11/23/2020
	11/23/2020	3/31/2021	11/23/2021	11/23/2021
	11/23/2021	3/31/2022		
Number of beneficiaries	125	4	35	14
Number initially granted	2,038,324	25,709	95,771	57,694
Number outstanding as at 12/31/2017	2,038,324			
Number canceled over the fiscal year	114,987			
Number exercised over the fiscal year				
Number of shares transferred		25,709	95,771	57,694
Number surrendered over the fiscal year				
Number outstanding as at 12/31/2018	1,923,337	25,709	95,771	57,694
Number that may be exercised over the fiscal year				
Performance conditions	Yes	Yes	Yes	Yes
Expense for the fiscal year (in €k)	1,997	24	33	5

Post closing significant events

At January 1, 2019, 95,859 class G preferred shares were converted resulting in the creation of 376,053 ordinary shares. Therefore, the share capital comprises 73,550,068 common shares and 1,197,239 class G preferred shares.

Fixed assets

Headings	Beginning of period	Revaluation	Acquisit., contribution	Transfer	Disposal	End of year	Original value
FORMATION AND DEVELOPMENT EXPENSES	**44,523**					**44,523**	
OTHER INTANGIBLE ASSETS	**4,100**		**50,000**			**54,100**	
Land							
Of which components							
Buildings on own property							
Buildings on land of third parties							
Buildings, Gen. equip., fixtures and fittings							
Equip., machinery and tools							
Gen. equip., fixtures and fittings							
Transportation equipment							
Office and IT equipment, furniture							
Recoverable packaging and other							
Property, plant and equipment in progress							
Advances and down payments							
PROPERTY, PLANT AND EQUIPMENT							
Equity interests consolidated by the equity method							
Other equity interests	581,532,866					581,532,866	
Other non-current securities							
Loans and other non-current financial assets	453,452,734		45,306,416		25,941,751	472,817,399	
FINANCIAL INVESTMENTS	**1,034,985,600**		**45,306,416**		**25,941,751**	**1,054,350,265**	
TOTAL LIABILITIES	**1,035,034,223**		**45,356,416**		**25,941,751**	**1,054,448,888**	

Depreciation & amortization

Headings	Beginning of period	Additions	Reversals	End of year
FORMATION AND DEVELOPMENT EXPENSES	**10,393**	**8,905**		**19,297**
OTHER INTANGIBLE ASSETS				
Land				
Buildings on own property				
Buildings on land of third parties				
Buildings, gen. equip., fixtures, fittings, improvements				
Equipment, machinery and tools				
Gen. equip., other fixtures and fittings				
Transportation equipment				
Office and IT equipment, furniture				
Recoverable packaging and other				
PROPERTY, PLANT AND EQUIPMENT				
TOTAL LIABILITIES	**10,393**	**8,905**		**19,297**

BREAKDOWN OF FLOWS AFFECTING THE PROVISION FOR SPECIAL DEPRECIATION ALLOWANCES

Headings	Additions			Reversals			Changes in depreciation at end of year
	Duration differential	Declining basis	Additional tax	Duration differential	Declining basis	One-off tax depreciation	
FORM. & DEV. EXP. OTHER INC.							
Land							
Buildings							
• own land							
• third party land							
• gen. equip.							
General Install.							
General Install.							
Shipp Equip.							
Off. Equip.							
Rec. pack.							
PROP. P & EQUIP.							
Acquis. sec.							
TOTAL							

Expenses attributed to several periods	Beginning of period	Increases	Additions	End of year
Deferred bond issue costs				
Bond redemption premiums				

Provisions and impairments

Headings	Beginning of period	Additions	Reversals	End of year
Provisions for mining and oil resources				
Provisions for investment				
Provisions for price increases				
Special depreciation allowances				
Of which non-recurring 30% surcharge				
Provisions for start-up loans				
Other regulated provisions				
REGULATED PROVISIONS				
Provisions for disputes				
Provisions for warranties				
Provisions for losses on futures markets				
Provisions for fines and penalties				
Provisions for foreign-exchange losses	6		6	
Provisions for pensions and similar obligations				
Provisions for taxes				
Provisions for replacement of fixed assets				
Provisions for major maintenance or refurbishment				
Provisions for social charges on paid leave				
Other provisions for contingencies and charges				
PROVISIONS FOR CONTINGENCIES AND CHARGES	**6**		**6**	
Impairment of intangible assets				
Impairment of property, plant and equipment				
Impairment of equity-accounted securities				
Impairment of investments in associates				
Impairment of other non-current financial assets	18,748	494,000	18,748	494,000
Impairment of inventories and work in progress				
Impairment of account receivables				
Other impairments				
IMPAIRMENTS	**18,748**	**494,000**	**18,748**	**494,000**
TOTAL LIABILITIES	**18,755**	**494,000**	**18,755**	**494,000**
Operating expenses and reversals			6	
Financial expenses and reversals		494,000	18,748	
Non-recurring expenses and reversals				
Impairment of investments in equity associates at the end of the period				

Receivables and payables

RECEIVABLES	Gross amount	up to 1 year	more than one year
Receivables on equity interests			
Loans	460,923,505		460,923,505
Other non-current financial assets	11,893,894	2,000,000	9,893,894
Doubtful and disputed trade receivables			
Other trade receivables	4,006,490	4,006,490	
Receivables on securities lent			
Personnel and related expenses			
Social security and other social institutions			
State, local authorities: income tax	6,733,034	6,733,034	
State, local authorities: value added tax	65,434	65,434	
State, local authorities: taxes other than on income	80,474	80,474	
State, local authorities: miscellaneous receivables			
Group and associates	3,598,929	3,598,929	
Miscellaneous debtors	42,281,900	42,281,900	
Prepayments	1,320	1,320	
TOTAL LIABILITIES	**529,584,979**	**58,767,580**	**470,817,399**
Loans granted during the period	15,941,751		
Repayments received during the period			
Loans and advances granted to partners			

LIABILITIES	Gross amount	up to 1 year	Between 1 and 5 years	More than 5 years
Convertible bonds				
Other bonds				
Borrowings and debt due within one year at the outset				
Borrowings and debt due within more than one year at the outset				
Borrowings and other financial debt				
Trade and other payables	2,764,678	2,764,678		
Personnel and related expenses	3,541,083	3,541,083		
Social security and other social institutions	900,131	900,131		
State: income tax	13,631,135	13,631,135		
State: value added tax	286,847	286,847		
State: guaranteed bonds				
State: taxes other than on income	41,358	41,358		
Payables to fixed asset suppliers Group and associates				
Other liabilities	6,711,344	6,711,344		
Payables representative of borrowed securities				
Prepaid income				
TOTAL LIABILITIES	27,876,576	27,876,576		
Borrowings contracted during the period				
Borrowings repaid during the period				
Borrowings, debt contracted with partners				

Accrued expenses

Account No.	Heading	12/31/2018	12/31/2017	Difference
Trade and other payables				
408100	Trade payables, INVOICES PENDING OVERHEADS	2,342,947.45	3,662,094.49	-1,319,147.04
TOTAL TRADE AND OTHER PAYABLES		**2,342,947.45**	**3,662,094.49**	**-1,319,147.04**
Other liabilities				
468600	Accrued expenses	4,183.00		4,183.00
Total other receivables		**4,183.00**		**4,183.00**
Income tax and social security liabilities				
428200	Social debt prov. For paid leave	154,900.03	147,071.80	7,828.23
428220	Social debt prov. For compensatory rest	275.00	351.56	-76.56
428400	Social debt prov. For employee Profit sharing	205,017.00	149,634.00	55,383.00
428600	Other accrued liabilities	1,562,888.00	721,024.00	841,864.00
428610	Other accrued liabilities NDF	24,315.08	13,944.55	10,370.53
428640	Social debt prov. For bonus	1,586,196.60	2,782,065.20	-1,195,868.60
428660	Social debt prov. For bonus on fixed-term contracts		994.32	-994.32
438200	Social debt, prov. for paid leave	69,705.04	66,182.33	3,522.71
438220	Social debt, prov. for compensatory rest	123.75	158.20	-34.45
438240	Prov. social security charges, bonus	386,706.92	806,052.08	-419,345.16
438600	Accrued expenses on corp. contrib.	36,820.00	29,928.00	6,892.00
438610	Provisions social security charges, bonus		447.44	-447.44
438630	Prov. for continuous voc. training	118,544.99	46,151.26	72,393.73
438640	Prov. construction effort	32,394.69		32,394.69
438650	Prov. apprenticeship tax	48,951.59	31,343.23	17,608.36
448000	Statement - accrued liabilities and income	4,493.00		4,493.00
Total tax and social security liabilities		**4,231,331.69**	**4,795,347.97**	**-564,016.28**
Total accrued liabilities		**6,578,462.14**	**8,457,442.46**	**-1,878,980.32**

Accrued income

Account No.	Heading	12/31/2018	12/31/2017	Difference
Trade and other receivables				
418900	Trade receivables, Pending invoices Interco France	634,332.43	1,838,789.00	-1,204,456.57
Total trade and other receivables		**634,332.43**	**1,838,789.00**	**-1,204,456.57**
Other receivables				
409800	Red. Disc. Reb. and other credit not yet received	60,000.00	60,000.00	
Total trade and other receivables		**60,000.00**	**60,000.00**	
Total accrued receivables		**694,332.43**	**1,898,789.00**	**-1,204,456.57**

Share capital – Changes in equity

	Closing at 12/31/2017	Capital increase	Distribution of dividends	Appropriation of income	Profit (loss) for the fiscal year	Closing at 12/31/2018
Share capital	81,870,133	43,692				81,913,824
Share premium	135,136,906	-43,692				135,093,215
Merger premium	816,429,707					816,429,707
Legal reserve	0			700,079		700,079
Other reserves	0					0
Retained earnings	4,100			13,297,393		13,301,493
Profit (loss) for the fiscal year	13,997,472			-13,997,472	35,403,947	35,403,947
Total	**1,047,438,318**	**0**		**0**	**35,403,947**	**1,082,842,265**

Shareholders	Number of ordinary shares	Number of Class G preferred shares	Total number of shares
European TopSoho Sàrl	40,135,102		40,135,102
Founders & Managers	3,350,026	1,190,913	4,540,939
Free float	29,609,635	102,185	29,711,820
Treasury shares	79,252		79,252
TOTAL	**73,174,015**	**1,293,098**	**74,467,113**

Financial commitments given and received

Commitments given

Categories of commitments	Total	In favor of				
		Senior management	Subsidiaries	Equity interests	Other related parties	Other
None						
TOTAL						

Commitments received

Categories of commitments	Total	Granted by				
		Senior management	Subsidiaries	Equity interests	Other related parties	Other
None						
TOTAL						

Mutual commitments

Categories of commitments	Total	Senior management	Subsidiaries	Equity interests	Other related parties	Other
None						
TOTAL						

Breakdown of income tax

Breakdown	Profit/(loss) before tax	Tax due	Net income after tax
Profit on ordinary activities	29,951,272		29,951,272
Short-term non-recurring income	-2,633,716		-2,633,716
Long-term non-recurring income			
Employee profit-sharing	-199,921		-199,921
Tax receivables on prior tax benefits	8,286,313		8,286,313
ACCOUNTING NET INCOME	**35,403,948**		**35,403,948**

Subsidiaries and equity interests

Company name	Capital	Q. Share Held	Net Value Securities	Loans, advances	Sales	Observations
Registered office	**Equity**	**Div. Rec.**	**Net Val. Securities**	**Guarantees**	**Income**	
SUBSIDIARIES (more than 50%)	58,153,391				38,021,740	
SMCP GROUP	499,631,215	100%			-10,967,846	
EQUITY INTERESTS (10 to 50%)		0.00				
OTHER EQUITY INTERESTS		0.00				

Related-party transactions 2018

TABLE OF RELATED COMPANIES FOR BALANCE SHEET AND INCOME STATEMENT ITEMS

BALANCE SHEET ITEM (*in €k*)	Closing at 12/31/2018
Equity loans	
SMCP GROUP	460,924
Total	**460,924**
Accrued interests equity loans	
SCMP GROUP	9,894
Total	**9,894**
Trade and other payables	
SMCP HOLDING	-181
Total	**-181**
Trade and other receivables	
SANDRO ANDY	2,260
MAJE SAS	1,251
CLAUDIE PIERLOT	471
SUITE 341	26
Total	**4,008**
Current accounts - liabilities	
SMCP GROUP	226
Total	**226**
Other current accounts receivable and payable	
SANDRO ANDY	119
SMCP GROUP	163
SMCP HOLDING	35,215
Total	**35,497**
Tax consolidation	
SMCP LOGISTIQUE	-190
SANDRO ANDY	11,166
MAJE SAS	8,921
CLAUDIE PIERLOT	357
SUITE 341	689
SMCP HOLDING	-17,403
SMCP GROUP	-168
Total	**3,372**

INCOME STATEMENT (€)	Closing at 12/31/2018
Services	
SANDRO ANDY	-4,779
MAJE SAS	-3,741
CLAUDIE PIERLOT	-1,463
SUITE 341	-47
Total	**-10,030**
Income from other activities	
SANDRO ANDY	-1,380
MAJE SAS	-88
SMCP GROUP	1,247
Total	**-221**
Tax consolidation	
SANDRO ANDY	-15,299
MAJE SAS	-10,910
CLAUDIE PIERLOT	-1,467
SMCP GROUP	-241
Total	**-27,917**
Income from loans, interco trade receivables	
SMCP GROUP	-29,375
Total	**-29,375**
Other external expenses	
SMCP HOLDING	151
Total	**151**
Interests on current accounts	
SMCP GROUP	63
Total	**63**

20.2.1.2 Statutory Auditors' report on the Company's consolidated financial statements for the year ended December 31, 2018

"To the SMCP Annual General Meeting,

OPINION

In compliance with the assignment entrusted to us by the Annual General Meeting, we performed an audit of the annual financial statements of SMCP relating to the fiscal year ended December 31, 2018, as attached to this report.

In our opinion, the annual financial statements, in accordance with the French accounting rules and principles, give a true and fair view of the results of the Company's operations for the fiscal year just ended and of its financial position and assets and liabilities as at the end of the fiscal year.

The above opinion is consistent with the content of our report to the Audit Committee.

Basis of the opinion

Audit guidelines

We conducted our audit according to the professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our responsibilities under these standards are indicated in the section named "Statutory Auditors' responsibility with respect to the audit of the annual financial statements" in this report.

Independence

We performed our audit engagement in accordance with the independence rules applicable to our profession, from January 1, 2018 until the issue date of our report, and in particular, we provided no service prohibited by Article 5, section 1 of Regulation (EU) No 537/2014 or by the code of ethics of the Auditors' profession.

JUSTIFICATION OF OUR ASSESSMENTS - KEY POINTS OF THE AUDIT

Pursuant to the provisions of Articles L.823-9 and R.823 -7 of the French Commercial Code relating to the justification of our assessments, we draw your attention to the key points of the audit relating to material misstatements which, in our professional opinion, were most significant for the audit of the annual financial statements for the fiscal year, and the response used to address these risks.

These assessments were made as part of our audit of the financial statements taken as a whole, and led to the opinion expressed above. We express no opinion on the information contained in these annual financial statements taken in isolation.

Measurement of investments

Identified risks

The section on investments presents the securities of the SMCP Group subsidiary. They are posted in the balance sheet at December 31, 2018 for a net amount of €581,533 thousand and represent 52.36% of the balance sheet total. They are recognized on their entry date at acquisition cost and are measured at their net asset value, which is equal to their value in use.

As indicated under "Financial investments" in the Notes to the financial statements, if the net asset value, which is equal to the value in use, is less than the gross value, a provision for impairment is recognized for an amount equal to the recorded difference.

Group management uses its judgment to estimate the value of these equity interests, due to the elements that have to be taken into consideration to assess their value. Net asset value is determined by taking into account the profitability outlook modeled by the Company on the basis of estimated cash flow. The latter requires management's judgment (especially with respect to sales growth).

Since the valuation of these investments is sensitive to the economic environment of certain subsidiaries and to the competition status of the three trademarks, we considered that measurement of the equity interests was a key point of the audit.

Audit procedures implemented to address identified risks

To assess the reasonable nature of the values in use of the investments, based on information that we were given, we verified that the estimated values determined by management are based on an appropriate measurement method and that the calculation parameters used are justified. To this end, our audit work included the following:

- *obtaining the cash flow and business operation projections of the entity concerned drawn up by their operational departments;*
- *assessing the consistency of the data derived from the forecast budget approved by the Board, for each of the Group's trademarks and activities;*
- *verifying the consistency of the assumptions retained with the economic environment on the reporting dates and the dates for preparation of the financial statements;*

- *comparing the assumptions retained for prior periods with the corresponding achievements in order to assess the achievement of past objectives.*

Lastly, we verified that the "Financial Investments" section in the Notes to the consolidated financial statements provides appropriate information.

SPECIFIC VERIFICATIONS

In accordance with the professional standards applicable in France, we also conducted the specific audits required by the laws and regulations.

Information given in the management report and in other documents on the financial position and on the annual financial statements addressed to shareholders.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the documents addressed to shareholders with respect to the financial position and the financial statements.

We hereby certify that the information on the terms of payment mentioned in Article D.441-4 of the French Commercial Code is true and fair and consistent with the annual financial statements.

Information on the company's corporate governance

We certify the existence, in the section of the Board of Directors' management report devoted to corporate governance, of the disclosures required by Articles L.225-37-3 and L.225-37-4 of the French Commercial Code.

With respect to disclosures made in application of the provisions of Article L.225-37-3 of the French Commercial Code regarding corporate officers' compensation and benefits in kind and on the commitments granted in their favor, we have checked their consistency with the financial statements or with the data used to prepare these financial statements and, as appropriate, with the information gathered by your Company from the companies that control your Company or companies that it controls. Based on this work, we certify that this information is true and fair.

Information resulting from other legal and regulatory obligations

Appointment of Statutory Auditors

Deloitte et Associés was appointed statutory auditor of SMCP SA by your Shareholders' Meeting of September 25, 2017 with deferred effect to September 29, 2017. KPMG S.A. was appointed statutory auditor of SMCP SA by your Shareholders' Meeting of April 22, 2016.

At December 31, 2018, KPMG SA was in the third year of its uninterrupted engagement, i.e., the second year since the company's securities were admitted for trading on a regulated market.

At December 31, 2018, Deloitte et Associés was in the second year of its uninterrupted assignment, i.e., the second year since the company's securities were admitted for trading on a regulated market.

Responsibilities of management and of corporate governance members with regard to the consolidated financial statements

Management is responsible for drawing up annual financial statements that present a true and fair view in accordance with French accounting standards and for setting up the internal control that it considers necessary for the preparation of annual financial statements free of any material misstatements, be they from fraud or errors.

While preparing the annual financial statements, management is responsible for evaluating the company's capacity to continue its operation, for presenting in these financial statements, as applicable, the required disclosures about going concern and for applying the going concern accounting principle, unless there are plans to wind up the company or to discontinue its operations.

The Audit Committee is responsible for monitoring the financial reporting preparation process and for monitoring the effectiveness of the internal control and risk management systems, and as applicable, of internal audit, with respect to procedures concerning the preparation and processing of accounting and financial information.

These financial statements have been approved by the Board of Directors.

Responsibilities of auditors with respect to the audit of the annual financial statements

Audit aim and procedure

It is our responsibility to draw up a report on the annual financial statements. Our aim is to obtain reasonable assurance that the annual financial statements taken as a whole are free of any material misstatements. Reasonable assurance corresponds to a high level of assurance without, however, providing a guarantee that an audit performed in accordance with professional standards will systematically lead to the detection of material misstatements. Misstatements may occur as a result of fraud or errors and are considered as material when one can reasonably expect that they might, taken individually or together, influence the economic decisions that the users of the financial statements make on the basis of these statements.

As stated in Article L.823 -10-1 of the French Commercial Code, under our assignment to certify the financial statements, we are not required to guarantee either the viability or the quality of management of your company.

During an audit carried out in accordance with the professional standards applicable in France, statutory auditors apply their professional judgment throughout the audit. Furthermore:

- *they define and assess the risks that the annual financial statements contain material misstatements, whether such misstatements stem from fraud or errors, define and implement audit procedures to address these risks, and gather elements that they consider sufficient and appropriate to use as the basis for their opinion; The risk of non-detection of a material misstatement stemming from fraud is higher than the risk of a material misstatement stemming from an error, because fraud can imply collusion, falsification, willful omissions, misrepresentations or the circumvention of internal control;*
- *they obtain an understanding of the relevant internal control for the audit in order to define the appropriate audit procedures suitable for the specific context, and not for the purpose of expressing an opinion on the efficiency of internal control;*
- *they evaluate the suitability of the accounting methods adopted and the reasonable nature of the accounting estimates made by management, and the disclosures related thereto provided in the annual financial statements;*
- *they evaluate the suitability of the application by management of the going concern accounting principle and, according to the collected elements, the existence or not of a material uncertainty linked to events or circumstances likely to jeopardize the company's capacity to continue its operation. This assessment is based on the elements collected up to the date of the auditors' report, on the understanding, however, that circumstances or subsequent events may call into question the going concern. Should they conclude on the existence of a material uncertainty, they draw the attention of the readers of their report to the disclosures in the annual financial statements regarding this uncertainty or, if this information is not disclosed or is not pertinent, they shall issue a qualified certification or refuse to certify:*
- *they assess the overall presentation of the annual financial statements and assess whether the annual financial statements reflect the underlying transactions and events so as to provide a true and fair image;*

Report to the Audit Committee

We present a report to the Audit Committee which contains the scope of the audit proceedings and the work program implemented, in addition to the findings from our audit. We also notify the Audit Committee, if necessary, of the significant weaknesses in the internal control system that we identified with respect to the procedures relating to the preparation and processing of accounting and financial information.

The elements disclosed in the report to the Audit Committee include the risks of material misstatements that we considered to be the most significant for the audit of the annual financial statements for the fiscal year and that accordingly represent the key points of the audit, which we are required to describe in this report.

We also provide the Audit Committee with the declaration specified by Article 6 of Regulation (EU) No. 537-2014 confirming our independence, as defined by the rules applicable in France, specified in particular by Articles L.822 -10 to L.822 -14 of the French Commercial Code and in the Statutory Auditors' Code of Ethics. As applicable, we discuss the risks impacting our independence and the precautionary measures taken with the Audit Committee.

The Statutory Auditors

Paris-La Defense, April 26, 2019

KPMG AUDIT	*Deloitte & Associés*
KPMG S.A. department	
Valéry FOUSSE	*Albert AIDAN*
Associate	*Associate"*

20.3 Date of latest financial information

December 31, 2018.

20.4 Dividend distribution policy

No dividend was distributed by the Company, which was created in April 2016, for the fiscal year ended December 31, 2018.

The Group does not plan to distribute any dividend in the short and intends to distribute a dividend once changes to the financial structure are complete; the Group's free cash flow will be used to support its growth strategy.

20.5 Table of the results over the last five fiscal years

Table of the results over the last five fiscal years:

	2017 fiscal year	**2018 fiscal year**
1. Closing share capital	81,870.133	81,913.824
Share capital	87,001.098.	74,467.113
Number of shares	73,170.023	73,174,015
- ordinary	-13,831.075	-1,293.098
- Class G preferred shares	81,870.133	81,913.824
2. Operations and profit or loss for the year		
Sales excluding tax	8,011.710	10,251.163
Profit/(loss) before tax, employee profit-sharing, depreciation, amortization and provisions	-14,334.972	27,801.712
Income tax	28,519.419	8,286.313
Employee profit-sharing due in the fiscal year	-149,634	-199,921
Profit/(loss) after tax, employee profit-sharing, depreciation, amortization and provisions	14,005.672	35,403.947
Distributed profits	-	10,251.163
3.Earnings per share		
Profit/(loss) after tax, employee profit-sharing, but before depreciation, amortization and provisions	0.16	0.48
Profit/(loss) after tax, employee profit-sharing, depreciation, amortization and provisions	0.16	0.48
Dividend paid per share	-	-
4.Personnel		
Average headcount during the year	9	30
Annual payroll	7,171.795	5,356.185
Amount of social security payments and fringe benefits for the year	2,246.200	1,929.938

20.6 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 brands 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, 2018, the total amount of provisions for disputes involving the Group was €1.3 million..

20.7 Significant changes in the financial or commercial position

To the Company's knowledge, there have been no significant changes in the financial or commercial position of the Group since December 31, 2018.

21. ADDITIONAL INFORMATION

On the date of registration of this Registration Document, the Company is incorporated as a joint-stock company.

21.1 Share capital

21.1.1 Paid up Share Capital and Authorized but Unissued Share Capital

On the date of registration of this Registration Document, the Company's capital totaled €82,222,037.70, divided as follows:

- 73,550,068 shares of common stock with a par value of €1.10; and
- 1,197,239 class G preferred shares with a par value of €1.10 (the "**G PS**") (also see the section on "Post closing significant events" indicated in Section 20.2.1 of this Registration Document).

The 73,550,068 ordinary shares and the 1,197,239 class G preferred shares are issued and fully paid up.

The Company Shareholders' Meeting held June 18, 2018 approved the following financial delegations:

Resolution	Nature of the delegation	Maximum maximum	Maximum nominal maximum	Utilization in fiscal year 2018
17th Resolution	Authorization to trade in the Company's shares (share buyback program)	18 months	Subject to a limit of 10% of the total number of shares forming the share capital or 5% of the total number of shares with a view to their retention and subsequent remittance for payment or exchange in connection with external growth transactions Maximum purchase price: €44	Liquidity contract with Exane BNP Paribas to stimulate the shares of the Company. The contract came into effect on November 28, 2017 and expires on December 31, 2018, and may be renewed tacitly for one-year periods. At December 31, 2018, 79,252 SMCP S.A. shares were reported as contract assets.
18th Resolution	Authorization granted to the Board of Directors to reduce the share capital by canceling treasury shares	26 months	Subject to a limit of 10% of the share capital every 24 months	None.
19th Resolution	Delegation of authority to the Board of Directors to increase the share capital through the capitalization of reserves, profits or premiums or any other sum that may be capitalized	26 months	€16,000,000 (Approximately 20% of the capital)	None.
20th Resolution	Delegation of authority to the Board of Directors to increase the share capital through the issuance, maintaining preemptive subscription rights, of shares and/or equity securities giving rights to other equity securities and/or giving rights to the allocation of debt securities and/or securities giving rights to equity securities to be issued	26 months	For the capital increases: €32,000,000 (Approximately 40% of the capital (1)) For issues of debt securities: €500,000,000 (2)	None.
21th Resolution	Delegation of authority to the Board of Directors to increase the share capital through the issuance, eliminating preemptive subscription rights, of shares and/or equity securities giving rights to other equity securities and/or giving rights to the allocation of debt securities and/or securities giving rights to equity securities to be issued in the context of public offerings(6)	26 months	For the capital increases: €8,000,000 (10% of the capital (2)) For issues of debt securities: €500,000,000 (3)	None

Resolution	Nature of the delegation	Maximum maximum	Maximum nominal maximum	Utilization in fiscal year 2018
22th Resolution	Delegation of authority given to the Board of Directors to increase the share capital through the issuance, with elimination of preemptive subscription rights, of shares and/or equity securities giving rights to other equity securities and/or giving the right to the allocation of debt securities and/or of securities giving rights to equity securities to be issued, through private placement as described in Article L.411-2 II of the French Monetary and Financial Code(1)	26 months	For the capital increases: €8,000,000 (10% of the capital (2)) For issues of debt securities: €500,000,000 (3)	None.
23th Resolution	Authority to the Board of Directors, in the event of an issue with elimination of the preemptive subscription right, through public offerings or private placements as described in Article L. 411-2-II of the French Monetary and Financial Code, in order to set the issue price in accordance with the conditions established by the Shareholders' Meeting, up to a limit of 10% of the capital per year.	26 months	For the capital increases: €8,000,000 (10% of the capital(1) per year) For issues of debt securities: €500,000,000 (3)	None.
24th Resolution	Authority given to the Board of Directors to increase the amount of issues with or without preemptive subscription rights	26 months	Limit laid down by the applicable regulations (currently 15% of the initial issue) (1)	None.
25th Resolution	Delegation of authority to the Board of Directors to increase capital through the issue of shares or equity securities giving rights to other equity securities and/or giving rights to the allocation of debt securities and/or securities giving rights to equity securities to be issued in consideration for in-kind contributions up to a limit of 10% of the share capital	26 months	For the capital increases: €8,000,000 (10% of the capital (1)) For issues of debt securities: €500,000,000 (3)	None.
26th Resolution	Delegation of authority to the Board of Directors to increase share capital, with elimination of the preemptive subscription right, through the issuance of shares of the Company reserved for the participants in a company savings plan	26 months	3% of capital (1) (4)	None.
27th Resolution	Delegation of authority to the Board of Directors to increase the share capital through the issuance of shares, with elimination of preemptive subscription rights, to a defined category of beneficiaries (employees and officers of the Company and affiliated companies)	18 months	3% of capital (1) (4)	None.
28th Resolution	Authority given to the Board of Directors to allot existing or new bonus shares to the employees and officers of the Company and affiliated companies	38 months	350,000 shares, including a maximum amount of 35,000 shares for the benefit of executive officers	Board of Directors meeting of November 23, 2017 and Chief Executive Officer's decision of November 23, 2018: Definitive allocation of 3,992 bonus shares to 998 employees and officers of the Company.
29th Resolution	Authority given to the Board of Directors to award stock options to the eligible employees and officers of the Group	38 months	3% of capital (1) (4)	None.

Resolution	Nature of the delegation	Maximum maximum	Maximum nominal maximum	Utilization in fiscal year 2018

(1) Delegation subject to the total ceiling of €32,000,000 for capital increases (40% of the share capital).

(2) Delegation subject to the total ceiling of €32,000,000 for capital increases (40% of the share capital).

(3) Delegation subject to the total ceiling of €500 million for issues of debt securities.

(4) The maximum total of the capital increases that may be executed under this authority is charged against the total ceiling for operations reserved for employees that is set at €2,400,000.

(5) A sub-limit of 10% of the capital is applied to these issues.

(6) Including as part of a public exchange offer initiated by the Company (Art. L 225-148 of the French Commercial Code).

The table below shows the financial resolutions to be recommended for adoption to the Company Shareholders' Meeting scheduled on June 7, 2019:

Resolution	Nature of the delegation	Maximum period	Maximum nominal amount
17th Resolution	Authorization to trade in the Company's shares (share buyback program)	18 months	Subject to a limit of 10% of the total number of shares forming the share capital or 5% of the total number of shares with a view to their retention and subsequent remittance for payment or exchange in connection with external growth transactions Maximum purchase price: €44
19th Resolution	Authorization granted to the Board of Directors to reduce the share capital by canceling treasury shares	26 months	Subject to a limit of 10% of the share capital every 24 months
20th Resolution	Delegation of authority to the Board of Directors to increase the share capital through the capitalization of reserves, profits or premiums or any other sum that may be capitalized	26 months	€16,000,000 (Approximately 20% of the capital)
21th Resolution	Delegation of authority to the Board of Directors to increase the share capital through the issuance, maintaining preemptive subscription rights, of shares and/or equity securities giving rights to other equity securities and/or giving rights to the allocation of debt securities and/or securities giving rights to equity securities to be issued	26 months	For the capital increases: €32,000,000 (Approximately 40% of the capital (1)) For issues of debt securities: €500,000,000 (2)
22th Resolution	Delegation of authority to the Board of Directors to increase the share capital through the issuance, eliminating preemptive subscription rights, of shares and/or equity securities giving rights to other equity securities and/or giving rights to the allocation of debt securities and/or securities giving rights to equity securities to be issued in the context of public offerings(6)	26 months	For the capital increases: €8,000,000 (10% of the capital (2)) For issues of debt securities: €500,000,000 (3)
23th Resolution	Delegation of authority given to the Board of Directors to increase the share capital through the issuance, with elimination of preemptive subscription rights, of shares and/or equity securities giving rights to other equity securities and/or giving the right to the allocation of debt securities and/or of securities giving rights to equity securities to be issued, through private placement as described in Article L.411-2 II of the French Monetary and Financial Code(1)	26 months	For the capital increases: €8,000,000 (10% of the capital (2)) For issues of debt securities: €500,000,000 (3)
24th Resolution	Authority to the Board of Directors, in the event of an issue with elimination of the preemptive subscription right, through public offerings or private placements as described in Article L. 411-2-II of the French Monetary and Financial Code, in order to set the issue price in accordance with the conditions established by the Shareholders' Meeting, up to a limit of 10% of the capital per year.	26 months	For the capital increases: €8,000,000 (10% of the capital(1) per year) For issues of debt securities: €500,000,000 (3)
25th Resolution	Authority given to the Board of Directors to increase the amount of issues with or without preemptive subscription rights	26 months	Limit laid down by the applicable regulations (currently 15% of the initial issue) (1)

Resolution	Nature of the delegation	Maximum period	Maximum nominal amount
26th Resolution	Delegation of authority to the Board of Directors to increase capital through the issue of shares or equity securities giving rights to other equity securities and/or giving rights to the allocation of debt securities and/or securities giving rights to equity securities to be issued in consideration for in-kind contributions up to a limit of 10% of the share capital	26 months	For the capital increases: €8,000,000 (10% of the capital (1)) For issues of debt securities: €500,000,000 (3)
27th Resolution	Delegation of authority to the Board of Directors to increase share capital, with elimination of the preemptive subscription right, through the issuance of shares of the Company reserved for the participants in a company savings plan	26 months	3% of capital (1) (4)
28th Resolution	Delegation of authority to the Board of Directors to increase the share capital through the issuance of shares, with elimination of preemptive subscription rights, to a defined category of beneficiaries (employees and officers of the Company and affiliated companies)	18 months	3% of capital (1) (4)
29th Resolution	Authority given to the Board of Directors to allot existing or new bonus shares to the employees and officers of the Company and affiliated companies	38 months	3% of capital (1) (4)
30th Resolution	Authority given to the Board of Directors to award stock options to the eligible employees and officers of the Group	38 months	3% of capital (1) (4)

(1) *Delegation subject to the total ceiling of €32,000,000 for capital increases (40% of the share capital).*

(2) *Delegation subject to the total ceiling of €32,000,000 for capital increases (40% of the share capital).*

(3) *Delegation subject to the total ceiling of €500 million for issues of debt securities.*

(4) *The maximum total of the capital increases that may be executed under this authority is charged against the total ceiling for operations reserved for employees that is set at €2,400,000.*

(5) *A sub-limit of 10% of the capital is applied to these issues.*

(6) *Including as part of a public exchange offer initiated by the Company (Art. L 225-148 of the French Commercial Code).*

21.1.2 Non-equity securities

On the date of registration of this Registration Document, the Company has not issued any non-equity securities.

21.1.3 Shares held by the Company or on its behalf

As of December 31, 2018, pursuant to its liquidity contract signed with Exane BNP Paribas, the Company held 79,252 treasury shares (par value of €1.10; for the carrying amount of these shares, see Note 6.9.3 in Section 20.1.1.1 of this Registration Document) in addition to €352,025 of cash.

The Shareholders' Meeting of June 7, 2019 authorized the Board of Directors, for a period of 18 months from the date of the Meeting, with the option of sub-delegation in accordance with laws and regulations and pursuant to the provisions of Articles L. 225-209 ff. of the French Commercial Code, to purchase on one or more occasions at the times it shall establish, a number of shares of the Company that may not exceed 10% of the total number of shares composing the share capital, at any time, or 5% of the total number of shares composing the share capital for shares acquired by the Company in order to retain them and subsequently remit such shares as payment or exchange within a merger, demerger or spin-off transaction; it is specified that the number of shares held by the Company may not under any circumstances result in the Company holding at any time more than 10% of the shares composing its share capital.

The shares may be acquired, by resolution of the Board of Directors, in order to:

- ensure liquidity and stimulate the Company securities market through an investment service provider acting independently under a liquidity contract in accordance with the ethics charter recognized by the AMF;
- allocate shares to members of the Company's personnel, particularly in respect of (i) Company profit-sharing; (ii) any Company share purchase option plan, under the provisions of Articles L. 225-177 ff. of the Commercial Code; or (iii) any savings plan pursuant to Articles L. 3331-1 ff. of the Employment Code or any free allocation of shares under the provisions of Articles L. 225-197-1 ff. of the Commercial Code, and perform any hedging transactions relating to these transactions, under the conditions laid down by the market authorities and at the times which the Board of Directors or the person acting by delegation of the Board of Directors will determine;

- hand over the Company shares at the time of exercise of the rights attached to securities granting the right, by repayment, conversion, exchange, presentation of a note or in any other way, to the allocation of shares of the Company under the regulations in force, and perform any hedging transactions relating to these transactions, under the conditions laid down by the market authorities and at the times which the Board of Directors or the person acting by delegation of the Board of Directors will determine;
- hold the Company shares and remit them at a later date for payment or exchange in connections any external growth transactions;
- cancel the shares of the Company in connection with a reduction in share capital;
- implement any market practice that may be accepted by the AMF and, more generally, perform any transactions complying with the regulations in force.

The maximum unit purchase price, excluding fees, may not be greater than €44.

In the event of transactions in the Company's capital, particularly a change in the nominal value of the share, an increase in capital through the incorporation of reserves followed by the creation and the free allocation of shares, or the division or grouping of securities, the Board of Directors may adjust the aforementioned maximum purchase price, however, in order to account for the effect of these transactions on the Company's share value.

These shares may be acquired, disposed of or transferred and paid for by any means authorized by the regulations in force, on a regulated market, on a multilateral trading system, with a systematic internalizer or over the counter, particularly through the acquisition or transfer of blocks of shares, the use of options or other derivative financial instruments, or notes or, more generally, to securities granting the right to shares of the Company, at times determined by the Board of Directors, excluding public offer periods involving the Company's securities.

The Board of Directors will have all powers, with the option of sub-delegation under the statutory and regulatory conditions, to effect the permitted reallocations of shares bought back with a view to one of the objectives of the program or to one or more of its other objectives, or to transfer them, on or off the market, in adherence to the relevant statutory and regulatory provisions.

The Board of Directors will inform the general meeting of the transactions performed, under the statutory conditions.

21.1.4 Other securities granting access to the capital

As of the registration date of this Registration Document, the Company had not issued any securities giving rights to capital other than ordinary shares, the Class G preferred shares, and the performance shares described in Section 18.1 of this Registration Document.

21.1.5 Conditions governing any right of acquisition and/or any obligation attached to the capital subscribed but not paid up

None.

21.1.6 Share capital of any Group company that is subject to an option or an agreement providing for options to be issued

None.

21.1.7 Change in the Company's capital over the last three financial years

Date	Nature of the transaction	Capital before the transaction	Number of shares before the transaction	Number of shares after the transaction	Unit price per share *(in euros)*	Par value *(in euros)*	Capital after the transaction *(in euros)*
April 20, 2016	Formation of the Company	0	0	100 ordinary shares	-	1	100
October 10, 2016	Capital increase	100	100	581,684,802 shares divided into: 575,671,600 ordinary shares 6,013,202 Class 1 preferred shares	0.10	0.10	58,168,480.20
September 13, 2017	Capital increase	58,168,480.20	581,684,802 shares divided into: 575,671,600 ordinary shares 6,013,202 Class 1 preferred shares	581,684,807 shares divided into: 575,671,602 ordinary shares 6,013,205 Class 1 preferred shares	0.10	0.10	58,168,480.70

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)*	Par value *(in euros)*	Capital after the transaction *(in euros)*
October 19, 2017	Capital increase (issue of Class G preferred shares, reverse stock split of ordinary shares and conversion of Class 1 preferred shares into ordinary shares)	58,168,480.70	581,684,807 shares divided into: 575,671,602 ordinary shares 6,013,205 Class 1 preferred shares	85,631,598 shares divided into: 73,170,023 ordinary shares 12,461,575 Class G preferred shares	Ordinary shares: 22 Class G preferred shares: 0.10	Ordinary shares: 1.10 Class G preferred shares: 0.10	81,733,182.80
December 14, 2017	Capital increase	81,733,182.80	85,631,598 shares divided into: 73,170,023 ordinary shares 12,461,575 Class G preferred shares	87,001,098 shares divided into: 73,170,023 ordinary shares 13,831,075 Class G preferred shares	Ordinary shares: 1.10 Class G preferred shares: 0.10	Ordinary shares: 1.10 Class G preferred shares: 0.10	81,870,132.80
February 27, 2018	Capital increase	81,870,132.80	87,001,098 shares divided into: 73,170,023 ordinary shares 13,831,075 Class G preferred shares	87,394,098 shares divided into: 73,170,023 ordinary shares 14,224,075 Class G preferred shares	Ordinary shares: 1.10 Class G preferred shares: 0.10	Ordinary shares: 1.10 Class G preferred shares: 0.10	81,909,432.80
March 20, 2018	Capital increase	81,909,432.80	87,394,098 shares divided into: 73,170,023 ordinary shares 14,224,075 Class G preferred shares	87,394,101 shares divided into: 73,170,023 ordinary shares 14,224,078 Class G preferred shares	Ordinary shares: 1.10 Class G preferred shares: 0.10	Ordinary shares: 1.10 Class G preferred shares: 0.10	81,909,433.10
June 6, 2018	Grouping of class G preferred shares	81,909,433.10	87,394,101 shares divided into: 73,170,023 ordinary shares 14,224,078 Class G preferred shares	74,463,121 shares divided into: 73,170,023 ordinary shares 1,293,098 Class G preferred shares	Ordinary shares: 1.10 Class G preferred shares: 1.10	Ordinary shares: 1.10 Class G preferred shares: 1.10	81,909,433.10
November 23, 2018	Capital increase	81,909,433.10	74,463,121 shares divided into: 73,170,023 ordinary shares 1,293,098 Class G preferred shares	74,467,113 shares divided into: 73,174,015 ordinary shares 1,293,098 Class G preferred shares	Ordinary shares: 1.10 Class G preferred shares: 1.10	Ordinary shares: 1.10 Class G preferred shares: 1.10	81,913,824.30
January 1, 2019	Capital increase	81,913,824.30	74,467,113 shares divided into: 73,174,015 ordinary shares 1,293,098 Class G preferred shares	74,747,307 shares divided into: 73,550,068 ordinary shares 1,197,239 Class G preferred shares	Ordinary shares: 1.10 Class G preferred shares: 1.10	Ordinary shares: 1.10 Class G preferred shares: 1.10	82,222,037.70

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 description below summarizes the principal provisions of the Articles of Association and the internal rules governing the Board of Directors, particularly its operating procedures and its powers.

In addition to the provisions regarding the Board of Directors mentioned below, the internal rules stipulate the organizational structure and operating procedures, and the jurisdictions and powers of the Board committees that it has established (see Section 16.3 of this Registration Document).

a) Board of Directors (Articles 16, 17 and 18 of the Articles of Association and 1, 2, 3 and 6 of the internal rules)

Composition

The Company is administered by a Board of Directors with a minimum of three and a maximum of eighteen members, subject to the exceptions provided for by law.

The Board of Directors ensures that the proportion of independent members amounts, as far as possible, to at least one-third of the Board of Directors, at least two-thirds of the Audit Committee and more than half of the Nominations and Remuneration Committee.

In accordance with the AFEP-MEDEF code of corporate governance 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-appointed or nominated, and at least once a year prior to publication of the Company's annual report, the Board of Directors assesses the independence of each of its members (or candidates). During this assessment, after obtaining the opinion of the Nominations and Compensation Committee, the Board of Directors reviews the qualifications of each of its members (or candidates), in terms of the criteria referred to below, the particular circumstances and situation of the individual concerned in relation to the Company. The conclusions of this review are presented to shareholders in the annual report and, where appropriate, to the Shareholders' Meeting at the time of the appointment of Board members.

The Board of Directors may appoint one or more non-voting members up to a maximum of three. The observers are natural or legal persons, selected from among the shareholders or otherwise. The term of office of observers is four years, except in the event of resignation or early termination of office as decided by the Board. The arrangements for performance of the observers' task, including any remuneration, are decided by the board of directors. Observers may be re-elected. They are invited to meetings of the Board of Directors and take part in the deliberations in an advisory capacity.

Appointment

During the lifetime of the Company, the directors are nominated, re-elected or dismissed under the conditions provided for by the laws and regulations in force and by the Articles of Association.

Each member of the Board of Directors must own at least 100 shares throughout their term of office and, in any event, within twelve (12) months of their appointment at the latest. Share loans by the Company to the members of the Board of Directors are not permitted.

At the time of taking up their duties, members of the Board of Directors must register the securities they hold. The same applies to any securities subsequently acquired.

Term of office – age limits

A director's term of office is four years.

Directors may be re-elected. They may be dismissed by the ordinary shareholders' 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.

Directors representing employees

Where the number of directors, calculated as required by law, is less than or equal to 12, the Board of Directors shall include a member representing appointed by the Company's works committee to represent employees.

Where the number of directors appointed pursuant to the foregoing section is less than 12 and provided that this criterion is fulfilled on the day of such appointment (which should occur within a period of six months reckoned from the date on which this threshold is exceeded), a second director representing employees shall be appointed by the works committee. Furthermore, in the event that the number of directors might become less than or equal to 12, the term of office of the second director representing employees appointed by the works committee shall be maintained until its expiration.

In addition to the applicable legal provisions, it is specified, as necessary, that in the absence of an appointment, pursuant to the law and to this article, of a director representing employees by the aforementioned staff representative bodies (regardless of the reason and in particular due to a delay in such appointment), shall have no impact on the validity of the Board of Directors' deliberations.

Chairman of the Board of Directors

The Board of Directors elects a chairman from its members who are natural persons.

The Chairman is elected for a term that may not exceed that of his or her term as director. The Chairman may be re-elected.

The Chairman of the Board of Directors organizes and manages Board proceedings and reports on them to the general meeting of shareholders. They ensure the proper functioning of Company bodies and ensure, in particular, that the directors are able to perform their tasks.
The Board of Directors may elect, among its members who are natural persons, a Vice-Chairman who is appointed for a term which may not exceed that of their office of director. The Vice-Chairman is required to replace the Chairman in the event of temporary unavailability or death. In the case of temporary unavailability, this temporary replacement shall remain valid for the duration of the unavailability; in the event of death, it is valid until the election of the new chairman.

Deliberations of the Board of Directors

The Board of Directors assumes the tasks and exercises the powers conferred on it by the law, the Company's Articles of Association and the internal rules of the Board of Directors. The Board of Directors determines the Company's business strategy and monitors its implementation. Subject to the powers expressly attributed to shareholders' meetings and within the limits of the Company purpose, it deals with any questions concerning the proper running of the Company and settles the business that concerns it through its resolutions. The Board of Directors carries out the checks and inspections it considers advisable.

The Board of Directors meets at the invitation of the Chairman or one of its members as often as the Company's interests so require, it being stipulated that the frequency and duration of the Board of Directors' meetings must be such as to allow for in-depth examination and discussion of the matters falling within the Board's remit.

Decisions of the Board of Directors are valid, even in the absence of a notice of meeting, if all its members are present or represented.

Decisions of the Board of Directors are only valid if at least one half if its members are present. Decisions are taken by a simple majority of members present or represented. In the event of a tie vote, the chairman of the meeting casts the deciding vote.

The following decisions are subject to the prior authorization of the Board of Directors, ruling by a simple majority of members present or represented:

- the approval of/or amendments to the annual budget;
- Approval or material amendments to the three-year annual business plan;
- Issue of all securities giving access, immediately or on a deferred basis, to the capital of the Group;

- Subscription of any indebtedness for an aggregate amount larger than €10,000,000 per year above annual budget and any modification of the terms of the indebtedness, including amendment of financing documentation entered into in connection with the initial public offering;
- any decision that may lead to an event of default or an acceleration under the terms of the financing documentation;
- any capital expenditure (Capex) more than 10% over the annual budget;
- The conclusion, the termination or any significant modification of any contract representing more than €4,000,000 per year, other than those described in (v) and (ix);
- Any expenditure of an individual amount superior to €2,000,000, not present in the annual budget;
- The creation, acquisition, selling, termination or constitution of any guarantee on any activity, subsidiary, or assets for an amount superior to €2,000,000 or representing more than €7,000,000 turnover/Group annual profit or inducing annual investments of more than €3,000,000 (unless approved in the budget);
- Any firing, dismissal, change of scope of duties or remuneration of any employee or a corporate officer of the Group whose annual remuneration (both fixed and variable) exceeds €250,000;
- Conclusion of any industrial or commercial joint-venture agreement or merger agreements with a third party that could have a significant impact on the Group;
- Amendment of the methods and accounting principles currently used by the companies within the Group in relation to the establishment of their interim and consolidated accounts;
- Review and approval of the annual and consolidated accounts of any subsidiaries of the Group with an annual turnover of €25,000,000;
- The opening of a store or a subsidiary or a new activity in a new country;
- The appointment or renewal of statutory auditors;
- Any significant transformation or restructuring of a Group entity;
- The commercialization of any new line of products;
- any transaction that directly or indirectly modifies the share capital or equity (including any merger, demerger or spin-off or dividend distribution);
- Modification of more than 3% per year of the remuneration of the Group salaries compared to the annual budget;
- The execution, termination or modification of any agreement entered into with the founders or the principal executives of the Group (including their employment contract or service agreement);
- 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 19 of the Articles of Association)

Operating procedure

The general management of the Company is assumed, under its responsibility, either by the Chairman of the Board of Directors or by any other natural person nominated by the Board of Directors and holding the title of Chief Executive Officer.

The Board of Directors may choose between these two procedures for general management at any time and at least each time the term of office of the Chief Executive Officer or of the Chairman of the Board of Directors expires if the Chairman also takes on the general management of the Company.

The shareholders and third parties are informed of this choice under the regulatory conditions.

When the general management of the Company is taken on by the Chairman of the Board of Directors, the following provisions relating to the Chief Executive Officer are applicable to the Chairman. They then assume the title of Chairman and Chief Executive Officer.

General management

The Chief Executive Officer may propose that the Board of Directors nominate one or more natural persons to assist the Chief Executive Officer, with the title of Deputy Chief Executive Officer.

There may be no more than five Deputy Chief Executive Officers.

Age limit – term of office – remuneration

The Chief Executive Officer and the Deputy Chief Executive Officers may be no more than 65 years of age.

The term of office of the Chief Executive Officer or Deputy Chief Executive Officers is determined at the time of appointment; this period cannot exceed their term of office as director, where appropriate.

The Chief Executive Officer may be dismissed by the Board of Directors at any time. The same applies to the Deputy Chief Executive Officers, on the proposal of the Chief Executive Officer. If dismissal is decided without valid reason, it may give rise to damages.

When the Chief Executive Officer ceases to perform or is prevented from performing his duties, unless decided otherwise by the Board, the Deputy Chief Executive Officers will retain their duties and their powers until the new Chief Executive Officer is appointed.

The Board of Directors determines the remuneration of the Chief Executive Officer and the Deputy Chief Executive Officers.

Powers of the Chief Executive Officer and the Deputy Chief Executive Officers

The Chief Executive Officer is vested with the most extensive powers to act in all circumstances on behalf of the Company. He or she exercises these powers within the limits of the corporate purpose and subject to those powers expressly attributed by law to Shareholders' Meetings and to the Board of Directors.

He represents the Company with third parties. The Company is even bound by acts of the Chief Executive Officer that do not fall within the Company purpose, unless it can prove that the third party knew that the act exceeded such purpose or that the party could not fail to be aware of it under the circumstances; publication of the articles of association alone is not sufficient to constitute such proof.

Decisions of the Board of Directors limiting the powers of the Chief Executive Officer are not enforceable against third parties.

By agreement with the Chief Executive Officer, the Board of Directors determines the scope and the duration of the powers 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 deem appropriate, for one or more specific purposes, to any agents, even from outside the Company, either individually or forming a committee or commission, with or without the power of substitution, subject to the limitations set by law. These powers may be permanent or temporary and may include the power of substitution or otherwise. The delegations thus granted retain their full effects despite expiry of the office of the person conferring them.

21.2.3 Rights, privileges and restrictions attached to 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 preferred 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 Class G preferred shares

Class G preferred shares are preferred shares within the meaning of Article L.228-11 of the French Commercial code, allocated to certain managers and employees of the Group. These preferred 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.

On the date of registration of this Registration Document, 1,197,239 Class G preferred shares, with a par value of €1.10, are issued and no Class G preferred shares are being vested. Since January 1, 2019, the Company's class G preferred shares can be converted into ordinary company share, on the basis of an exchange rate of 0.356640 ordinary shares for one class G preferred share.

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 Shareholders' meetings (Article 20 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 Thresholds and identification of shareholders (Article 15 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 French Autorité des Marchés Financiers), equal to or greater than 1% of the capital or voting rights, or any multiple thereof, including beyond the thresholds set by the legal and regulatory framework, must inform the Company of the total number (i) of shares and voting rights they own, directly or indirectly, alone or jointly; (ii) of the securities granting future access to the Company capital that they own, directly or indirectly, alone or jointly, and the voting rights potentially attached thereto; and (iii) of the shares already issued which those persons may acquire under an agreement or a financial instrument mentioned in Article L. 211-1 of the French Monetary and Financial Code. Such notification must be given, by registered letter with acknowledgment of receipt, within a period of four business days as from the crossing of the threshold concerned.

The obligation to inform the Company also applies, within the same periods and under the same conditions, when the shareholder's interest in the capital, or voting rights, falls below one of the aforesaid thresholds.

In the event of failure to comply with the obligation to make the aforesaid declaration of crossing of thresholds and at the request, recorded in the minutes of the general meeting, of one or more shareholders representing at least 5% of the Company's capital or voting rights, those shares exceeding the portion that should have been declared will be deprived of voting rights up until the expiry of a period of two years following the date of that the situation with regard to notification was rectified.

The Company reserves the right to inform the public and the shareholders either of the information notified to it or of failure to meet the aforesaid obligation by the person concerned.

21.2.8 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 Section 10.2.2 of this Registration Document.

23. THIRD-PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST

This Registration Document contains information on the Group's markets and its competitive positions, including information on the size of its markets. In addition to the estimates and analyses prepared by the Group, the information on which the Group's declarations are based originates from studies and statistics from third parties and professional organizations, including Euromonitor and Altagamma, and the Boston Consulting Group (which has provided consultancy services for the Group, including conducting research and surveys), as part of the Company's IPO 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 various business segments would arrive at the same results.

24. DOCUMENTS ACCESSIBLE TO THE PUBLIC

The Articles of Association, minutes of shareholders' meetings and other corporate documents of the Company, together with the historic financial data and any valuation or declaration prepared by an expert at the Company's request which must be made available to shareholders pursuant to applicable legislation may be consulted at the Company's registered office.

Regulated information as defined by the General Regulations of the AMF is also available on the Company's website.

25. INFORMATION ON EQUITY INTERESTS

Information on equity interests is provided in Section 20.1.1 of this Registration Document in Note 8.4 “Scope of consolidation” to the Company’s consolidated financial statements for the period ended December 31, 2018.

APPENDICES

Appendix I
Board of Directors' Report on Corporate Governance
(Articles L. 225-37 *et seq.* of the French Commercial Code)

This corporate governance report was drawn up by the Board of Directors of SMCP S.A. (The "Company") pursuant to the provisions of Articles L. 225-37 *et seq.* of the French Commercial Code, to supplement the management report.

This report also provided to the Company's Statutory Auditors for the purpose of their report on this report, as required by Article L.225-235 of the French Commercial Code. This report is included in the statutory auditors' report to the annual financial statements.

1. CORPORATE GOVERNANCE

1.1 Code of Corporate Governance

Since the Company's shares were listed for trading on Euronext Paris regulated market (Euronext Paris) in October 2017, the Company has referred to and, subject to the information below, complied with the Code of Corporate Governance for listed companies published by the Association française des entreprises privées (AFEP) and Mouvement des entreprises de France (MEDEF) in December 2008, the version updated in June 2018 (the "**AFEP-MEDEF Code**").

The AFEP-MEDEF Code to which the Company refers may be consulted at the following website: http://www.medef.com. The Company keeps copies of the Code available for members of its corporate bodies at all times.

The Company applies the AFEP-MEDEF Code (as revised in June 2018), with the exception of the following recommendations:

Recommendation of the AFEP-MEDEF Code.	Company's comment
Recommendation 16.1 and 17.1 of the AFEP-MEDEF Code **"It [*the committee responsible for nominations*] must not include any corporate executive officer and the majority of the members must be independent directors."** **"It [*the committee responsible for compensation*] must not include any corporate executive officer and the majority of the members must be independent directors. It is recommended that the Chairman of the committee be independent and that a salaried director be a member."**	The Nominations and Compensation Committee is composed of four members, including two independent members, one representative of Shandong Ruyi and Evelyne Chétrite, CEO of the Company. As a result, the membership of this committee does not comply with recommendations 16.1 and 17.1 of the AFEP-MEDEF Code, which require a majority of independent directors and the absence of executive officers on the committee. Given the importance of the appointment and compensation of executives for the development of the SMCP Group (the "Group"), it was in fact decided to appoint a representative of the majority shareholder and one of the founders of the Group to sit on this committee.
Recommendation 13.2 of the AFEP-MEDEF Code. **"The scheduling of terms of office is organized in order to avoid block replacements and to promote harmonious replacement of the Board members."**	With the exception of the director representing employees, the terms of the other members of the Board of Directors of the Company will all expire at the Shareholders' Meeting called to approve the financial statements for the fiscal year ended December 31, 2020. As a result, the staggering of members' terms will not comply with Recommendation 13.2 of the AFEP-MEDEF Code, which recommends avoiding block replacement of the directors, as all Board members were elected simultaneously at the time of the Company's initial public offering. While believing that the absence of scheduled replacements does not prevent the correct operation of the Board of Directors, the Company is planning for the Board to examine the terms of office for the next block replacements, possibly stipulating shorter terms for certain Board members.

Recommendation of the AFEP-MEDEF Code.	Company’s comment
Recommendation 24.5.1 of the AFEP-MEDEF Code. **“The performance conditions set by the boards for these indemnities must be assessed over a period of at least two years. ”**	The performance condition set for the payment of the severance package for Daniel Lalonde, Evelyne Chétrite, Judith Milgrom and Ylane Chétrite is assessed on the basis of the last twelve months prior to the termination of their duties in comparison with the performance achieved over the 12-month period preceding this reference period, whereas Recommendation 24.5.1 of the AFEP-MEDEF Code recommends the period for assessment of the performance conditions be at least 24 months. The Company in effect believes that, given the strong growth of the Group from one year to the next (+11.6% in 2018 over 2017) that the performance of the officers must be assessed over the 12-month period preceding the end of their duties.
Recommendation 24.5.1 of the AFEP-MEDEF Code. **“Severance payment, if any, must not exceed two years of compensation (annual fixed and variable).** **When a non-compete clause is also stipulated, the Board shall decide whether the clause is to be applied at the time of the executive’s departure, particularly when the executive leaves the company to claim, or after claiming, his retirement rights. In any event, the total of both indemnities may not exceed this ceiling (see above).”**	The amount of the severance package for Evelyne Chétrite and Judith Milgrom is a gross amount equal to 200% of the fixed and variable compensation they have received during the 12 months preceding their departure, provided that certain performance conditions related to the Group EBITDA have been met. These compensations include those paid under the service agreements signed with the companies Evelyne Chétrite SASU and Judith Milgrom SASU (see Section 16.2 of this Registration Document). As a result, the above indemnity, and therefore where applicable, the total of this indemnity and the non-compete indemnity exceeds two years of annual fixed and variable compensation paid for the corporate services alone. However, by including the compensation paid under the service agreements cited above, the ceiling of two years of compensation is met. In effect, the Company wanted to determine the compensation of Ms. Chétrite and Ms. Milgrom taking into account all the compensation paid to them by the Group for their corporate offices and other services in order to reflect the totality of their contribution to the development of the Group.
Recommendation 24.1.1 of the AFEP-MEDEF Code. **“The compensation for the Company's executives must be competitive and adapted to suit the strategy and context of the business. Its target must also be to promote the business's performance and competitiveness over the medium- and long-term, by including one or more criteria linked to social and environmental responsibility.”**	The variable compensation of the Company's executive officers does not currently include targets linked to the corporate social and environmental responsibility. The compensation policy for the Group's executive officers was introduced at the Company’s initial public offering in accordance with the AFEP-MEDEF Code that was applicable at the time. The AFEP-MEDEF Code did not require the inclusion of these criteria at the time. In the future, with an awareness of current CSR challenges, in 2019 the Group will take the time to consider including these components in executive officers' compensation as of fiscal year 2020.
Recommendation 24.3.2 of the AFEP-MEDEF Code. **“The Board defines the criteria that allow annual variable compensation to be fixed, as well as the objectives to be attained. These objectives must be specific and pre-determined.”**	Mr Lalonde's variable compensation depends on whether the performance objective linked to the Group's target EBITDA is met. This target is provided in the annual budget. The Group's target EBITDA objective was chosen by the Group because it includes the respective performance of each of the Group's three brands. In the future, the Group will consider including one or more other performance conditions (especially ones relating to the Group's social and environmental responsibility) in Mr Lalonde's compensation.

1.2 Members and operation of the Board of Directors

1.2.1 Rules for the composition of the Board of Directors

The Company's bylaws stipulate that the Company's Board of Directors (the "**Board**" or the "**Board of Directors**") have between three and eighteen members, subject to exceptions provided by law.

Pursuant to Article 16 of the articles of association, the term of office of directors is four years and may be renewed. This term of offices complies with the recommendations of the AFEP-MEDEF Code. Directors must not be more than 75 years of age (it being stipulated that the number of directors of more than 70 years of age may not be greater than one-third of the directors in office) and are subject to the statutory and regulatory provisions applicable to the accumulation of offices.

Directors are elected by the Shareholders' Meeting on the recommendation of the Board of Directors, which receives proposals from the Nominations and Compensation Committee. They may be dismissed by the ordinary shareholders' meeting at any time. The term of each director expires at the end of the Shareholders' Meeting that has been called to approve the financial statements for the previous year and is held in the year the term expires.

1.2.2 Internal Rules

The Board of Directors has internal rules intended to specify the operating conditions of the Board, in addition to the applicable laws and regulations and the Company's bylaws. In addition, as attachments to the Board's internal rules, the Audit Committee and the Nominations and Compensation Committee each have internal rules.

The internal rules of the Board of Directors follow market place recommendations aimed at guaranteeing compliance with the basic principles of corporate governance, and in particular those specified in the AFEP-MEDEF Code. These internal rules describe the operating method, the powers and attributions of the Board of Directors and specify the ethical rules applicable to its members. In particular, they provide for the rules applicable to the organization of Board of Directors' meetings, as well as the provisions on the frequency of meetings, the presence of directors and their disclosure obligations regarding the rules on multiple terms of office and conflict of interest.

The bylaws and internal rules of the Company are available on the Company's website (www.smcp.com).

1.2.3 Deliberations of the Board of Directors

The first priority of the Board of Directors is to determine the strategic directions of the Company. The Board reviews and decides major transactions. The members of the Board of Directors are informed of market changes, the competitive environment and the principal challenges, including in the area of the Company's social and environmental responsibility.

The Board of Directors assumes the 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 and addresses the Company's business strategy and objectives 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 also conducts the checks and verifications it deems appropriate and can request the communication of the documents that it considers useful for carrying out its task.

The Board of Directors sets the limits to the powers of the Chief Executive Officer, where applicable, pursuant to its internal rules, by targeting the operations for which the prior authorization of the Board of Directors is required (For more information, see section 1.4.2 "Conduct of Executive Management – Limitations of powers" of this report).

The Board ensures good corporate governance for the Company and the Group, respecting the socially responsible principles and practices of the Group and of its executive officers and employees.

The Board ensures that shareholders and investors receive relevant, balanced and educational information about the strategy, the business model, the consideration of significant non-financial challenges for the Company, and about its long-term prospects.

The internal rules define the procedures for informing Board members. The rules specify, in particular, that the Chairman of the Board of Directors provides to Board members, with sufficient time, except in emergency situations, the information or the documents in its possession that will allow the members to property perform their duties. Any member of the Board who has been unable to deliberate with full knowledge has a duty to so inform the Board and to demand the information crucial to the performance of his or her duties.

1.2.4 Meetings and deliberations of the Board of Directors

The internal rules of the Board of Directors stipulate the conditions for Board meetings. Thus, a meeting of the Board of Directors is called by the Chairman or one of the members, by any means, even verbally. The author of the notice of meeting sets the agenda for the meeting.

The Board meets at least four (4) times a year and at any other time, as often as the interest of the Company requires. The frequency and duration of Board meetings must be such as to allow for in-depth examination and discussion of the matters falling within the jurisdiction of the Board.

Board of Directors' meetings are chaired by the Chairman. In the event of the absence of the Chairman, Board meetings are chaired by a member of the Board of Directors nominated by the Board of Directors.

Decisions of the Board of Directors are only valid if at least one half if its members are present. For the calculation of a quorum and majority, members are deemed present to attend meetings via videoconferencing or telecommunications that allow them to be identified and guarantee their effective participation, under the conditions set forth by the applicable laws and regulations.

Each meeting of the Board of Directors and the Committees established by the Board must be long enough to properly discuss the agenda in detail. Decisions are taken by a simple majority of members present or represented. In the event of a tie vote, the chairman of the meeting casts the deciding vote.

The internal rules of the Board of Directors also set out the obligations for members of the Board, as they are described in the AFEP-MEDEF Code. In particular, the internal rules stipulate that the members of the Board may receive, when they are nominated, from additional training on the specific characteristics of the Company and the companies it controls, their businesses, and their business sector, and that they may periodically hear from the principal executives of the Company, who may be called to attend Board meetings.

Finally, it is stipulated that the Board of Directors is regularly informed about the financial position, the cash position, and the commitments of the Company and the Group, and that the Chairman and the Chief Executive Officer shall continually communicate to the Board members any information about the Company which they learn and which they believe to be useful or pertinent. The Board of Directors and the Committees also have the option to hear from experts in the areas which fall within their respective expertise.

Pursuant to the internal rules, each member of the Board of Directors is required to notify the Board of any situation of conflict of interest, even potential, and should refrain from participating in the corresponding deliberation.

1.2.5 Independence of directors

Pursuant to the AFEP-MEDEF Code used by the Company as a reference, the Board of Directors shall assess the independence of each of its members (or candidates) at the occasion of each renewal or appointment of a member of the Board of Directors and at least once a year prior to the publication of the Company's annual report. During this assessment, after obtaining the opinion of the Nominations and Compensation Committee, the Board of Directors reviews the qualifications of each of its members (or candidates), in terms of the criteria of the AFEP-MEDEF Code, the particular circumstances and situation of the individual concerned in relation to the Company. The conclusions of this review are presented to shareholders in the annual report and, where appropriate, to the Shareholders' Meeting at the time of the appointment of Board members.

At December 31, 2018, the Board of Directors had four independent members: Orla Noonan, Fanny Moizant, Patrizio di Marco and Dajun Yang, or a third of directors, in line with the recommendation of the AFEP-MEDEF Code.

At its meeting on March 19, 2019, the Nominations and Compensation Committee conducted the annual assessment of the independence of members of the Board of Directors on the basis of all the criteria defined by the AFEP-MEDEF Code. The conclusions of the Nominations and Compensation Committee were presented to and approved by the Board of Directors at its meeting on March 20, 2019.

Based on this analysis, the Board of Directors concluded, after an opinion from the Nominations and Compensation Committee, that four directors (Orla Noonan, Fanny Moizant, Patrizio di Marco and Dajun Yang) were independent.

1.2.6 Shares held by Board members

Under the terms of Article 16 of 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 in order to meet this obligation. 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.

The number of shares held by Board members is detailed in Section 17.2. "Equity interest and stock options held by members of the Board of Directors and executive management" of the Registration Document.

1.2.7 Functioning of the Board of Directors

(a) Composition: members of the Board of Directors at December 31, 2018

The below table shows the members of the Board of Directors at December 31, 2018:

Name	Age	Gender	Nationality	Date of first appointment	Date of Shareholders' Meeting approving the last appointment	Expiration date of the term of office	Nominating and Compensation Committee	Audit Committee	Principal duty performed for the Company
Yafu Qiu	61	M	Chinese	October 5, 2017(2)	October 5, 2017	Shareholders' meeting called to approve the financial statements for the year ended December 31, 2020	No	No	Chairman of the Board of Directors
Daniel Lalonde	55	M	Canadian	October 5, 2017(2)	October 5, 2017	Shareholders' meeting called to approve the financial statements for the year ended December 31, 2020	No	No	Chief Executive Officer Director
Evelyne Chétrite	61	F	French	October 5, 2017(2)	October 5, 2017	Shareholders' meeting called to approve the financial statements for the year ended December 31, 2020	Yes	No	Deputy Chief Executive Officer Director
Judith Milgrom	54	F	French	October 5, 2017(2)	October 5, 2017	Shareholders' meeting called to approve the financial statements for the year ended December 31, 2020	No	No	Deputy Chief Executive Officer Director
Weiying Sun	48	F	Chinese	October 5, 2017(2)	October 5, 2017	Shareholders' meeting called to approve the financial statements for the year ended December 31, 2020	No	No	Director
Chenran Qiu	38	F	Chinese	October 5, 2017	October 5, 2017	Shareholders' meeting called to approve the financial statements for the year ended December 31, 2020	Yes	No	Director
Xiao Su	43	F	Chinese	October 5, 2017	October 5, 2017	Shareholders' meeting called to approve the financial statements for the year ended December 31, 2020	No	Yes	Director
Francis Srun	53	M	French	October 5, 2017	October 5, 2017	Shareholders' meeting called to approve the financial statements for the year ended December 31, 2020	No	No	Director
Orla Noonan	49	F	Irish	October 5, 2017	October 5, 2017	Shareholders' meeting called to approve the financial statements for the year ended December 31, 2020	No	Yes	Independent Director

Name	Age	Gender	Nationality	Date of first appointment	Date of Shareholders' Meeting approving the last appointment	Expiration date of the term of office	Nominating and Compensation Committee	Audit Commit tee	Principal duty performed for the Company
Fanny Moizant	43	F	French	October 5, 2017	October 5, 2017	Shareholders' meeting called to approve the financial statements for the year ended December 31, 2020	Yes	No	Independent Director
Patrizio di Marco	57	M	Italian	October 5, 2017	October 5, 2017	Shareholders' meeting called to approve the financial statements for the year ended December 31, 2020	Yes	No	Independent Director
Dajun Yang	51	M	Chinese	October 5, 2017	October 5, 2017	Shareholders' meeting called to approve the financial statements for the year ended December 31, 2020	No	Yes	Independent Director
Lauren Cohen	36	F	French	June 18, 2018	June 18, 2018	Shareholders' meeting called to approve the financial statements for the year ended December 31, 2021	No	No	Directors representing employees

The list other current offices held by members of the Board as of April 26, 2019 is indicated in Section 14.1 of the Company's Registration Document for the year ended December 31, 2018 (the "**Registration Document**").

At December 31, 2018, the Board of Directors of the Company was composed of the following thirteen members: Yafu Qiu, Daniel Lalonde, Evelyne Chétrite, Judith Milgrom, Weiying Sun, Chenran Qiu, Xiao Su, Francis Srun, Orla Noonan, Fanny Moizant, Patrizio di Marco, Dajun Yang and Lauren Cohen. In addition, Ylane Chétrite was named a non-voting Board member at the Board's meeting of October 23, 2017, for a renewable term of four years (for more details, see Section 1.2.10 "Method of appointment, missions and prerogatives of the non-voting Board member" in this report). Francis Srun resigned from his position as director on March 13, 2019. Kelvin Ho was co-opted by the Board of Directors of March 20, 2019 at the proposal of the Shandong Ruyi group, after the opinion of the Nominations and Compensations Committee of March 19, 2019, for the outstanding period of the term of Mr. Srun, that is, until the Shareholders' Meeting convened to approve the financial statements for the fiscal year ended December 31, 2020. The Company's Annual General Meeting of Shareholders scheduled for June 7, 2019 will be required to give its opinion on the ratification of this co-optation.

Board membership also complies with the AFEP-MEDEF Code recommendation that at least one-third of Board members must be independent. The composition of the Board of Directors also complies with the recommendation of the AMF on the diversification of directors in terms of international experience; two thirds of the Board members are foreign nationals.

(b) Activities of the Board of Directors during the fiscal year ended December 31, 2018.

The Board of Directors met six (6) times in 2018. The attendance rate at these meetings for all directors was 92%.

The following table presents each director's attendance rate at Board of Directors' meetings:

Director	Presence at meetings	Total number of meetings	Individual attendance rate
Yafu Qiu	4	6	67%
Daniel Lalonde	6	6	100%
Evelyne Chétrite	6	6	100%
Judith Milgrom	5	6	83%
Weiying Sun	6	6	100%
Chenran Qiu	6	6	100%
Xiao Su	6	6	100%
Francis Srun	6	6	100%
Orla Noonan	5	6	83%
Fanny Moizant	6	6	100%
Patrizio di Marco	4	6	67%
Dajun Yang	6	6	100%
Lauren Cohen (1)	1	6	100%

(1) Lauren Cohen was nominated by the Board Meeting of November 20, 2018.

- on **January 25,** 2018, the Board of Directors held a meeting that was attended by eleven members. The Board examined in particular the 2017 annual sales;
- on **March 20,** 2018, the Board of Directors held a meeting that was attended by eleven members. The Board examined the following points in particular:
  - 2017 financial results;
  - Group strategy and roadmap in the digital world;
  - Misc.
    - Employee representation on the Board of Directors;
- on **April 25,** 2018, the Board of Directors held a meeting that was attended by eleven members. The Board examined the following points in particular:
  - Approval of the report of the Chairman of the Board on corporate governance and the internal control and risk management procedures
  - Approval of the Corporate Social Responsibility Report;
  - Sales for the first quarter 2018;
  - Invitation to the Ordinary Annual General Meeting of Shareholders (June 18, 2018);
  - Partial refinancing of high-yield bonds;
- on **August 9,** 2018, the Board of Directors held a meeting that was attended by ten members.
- on **August 30 and 31,** 2018, the Board of Directors held a meeting that was attended by twelve members. The Board examined the following points in particular:

- 2018 Business Plan;
- First half results;

- on **November 20,** 2018, the Board of Directors held a meeting that was attended by twelve members. The Board examined in particular the record of the appointment of Lauren Cohen, employee representative, to the Board of Directors.

(c) Description of the diversity policy on the Board of Directors as defined by Article L.225-37-4 6° of the French Commercial Code

The Board monitors the balance of its members and the balance on the Committees it creates, specifically in terms of diversity (international experience, expertise, etc.). Based on recommendations made by the Nominations and Compensation Committee, directors are appointed on the basis of their qualifications, their professional skills and independent mindset at Shareholders' Meetings or through co-optation.

The directors of the Company come from different backgrounds and have a variety of experience and skills and thus reflect the objectives of the Board.

The presentation of each director's profile under Section 14.1 of the Company's Registration Document sheds further light on this diversity and complementarity skill sets.

(d) Information on balanced gender representation on the Board of Directors

At December 31, 2018, the Board of Directors included seven women: Evelyne Chétrite, Judith Milgrom, Weiying Sun, Chenran Qiu, Xiao Su, Orla Noonan and Fanny Moizant, represent 58% of the Board.

The Board thus is in compliance with the provisions of Law 2011-103 of January 27, 2011 on the balanced representation of men and women on boards of directors and supervisory boards and equal opportunity in business, and the proportion of female directors is greater than 40% as required by Article L.225-18-1 of the French Commercial Code.

Lauren Cohen, an employee-representative director, is not included in the calculation of the proportion of directors of each gender pursuant to the provisions of Article L.225-27-1 of the French Commercial Code.

(e) Annual assessment

The internal rules of the Board of Directors stipulate the conditions under which the Board must evaluate its ability to respond to the expectations of shareholders by periodically analyzing its membership, organization and functions. For this purpose, once a year, the Board, on the report of the Nominations and Compensation Committee, must devote one item on its agenda to an evaluation of its operating conditions and procedures, a verification that important questions are properly prepared and discussed within the Board of Directors, and an assessment of the actual contribution of each member to the work of the Board on the basis of the member's expertise and participation in deliberations. This evaluation is performed on the basis of answers to an individual, anonymous questionnaire sent to each member of the Board of Directors once a year.

The Board of Directors assessed the composition, organization and operation of the Board and its Committees through discussion in the Nominations and Compensation Committee and at the Board meeting on March 20, 2019, which the members considered to be satisfactory and raised no points for specific attention or improvement.

1.2.8 Directors' fees

Under Article 6 of its internal rules, the Board, on the recommendation of the Nominations and Compensation Committee, freely distributes among its members the directors' fees allocated to the Board by the general meeting of shareholders, by taking into account the actual participation of directors on the Board and on Specialized Committees. A share fixed by the Board, and taken from the amount of directors' fees allocated to the Board, is paid to the members of the Specialized Committees, also taking into consideration the effective participation of those members in the meetings of said Specialized Committees.

The table below shows the director's fees and other compensations received by members of the Board of Directors for fiscal years 2017 and 2018:

Table 3 AMF nomenclature

Table for director's fees and other compensation received by members of the Board of Directors		
Members of the Board of Directors	**Amounts paid during the 2017 fiscal year**	**Amounts paid during the 2018 fiscal year**
Yafu Qiu	None	None
Daniel Lalonde	None	None
Evelyne Chétrite	None	None
Judith Milgrom	None	None
Weiying Sun	None	None
Chenran Qiu	None	None
Xiao Su	None	None
Francis Srun	None	None
Orla Noonan	None	€39,891
Fanny Moizant	None	€32,010
Patrizio di Marco	None	€35,102
Dajun Yang	None	€35,450
Lauren Cohen	N/A	N/A
Total	None	€142,453

1.2.9 Method of appointment, missions and prerogatives of the non-voting director

Under Article 16 of the Articles of Association, the Board of Directors may appoint one or more non-voting members up to a maximum of three. The observers are natural or legal persons, selected from among the shareholders or otherwise. The term of office of observers is four years, except in the event of resignation or early termination of office as decided by the Board. The arrangements for performance of the observers' task, including any remuneration, are decided by the Board of Directors. Observers may be re-elected. They are invited to meetings of the Board of Directors and take part in the deliberations in an advisory capacity.

By a decision of the Board on October 23, 2017, Ylane Chétrite, Deputy Chief Executive Officer, was named a non-voting member for a term of four years, ending at the end of the Ordinary Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2020, in accordance with Article 16 of the Company Articles of Association.

1.3 Specialized Committees of the Board of Directors

At its meeting of October 23, 2017, the Board of Directors of the Company decided to form two Board committees: an Audit Committee and a Nominations and Compensation Committee to assist it in some of its missions and to contribute effectively to the preparation of certain specific issues submitted for its approval. Each of these Committees has internal rules (attached to the internal rules of the Board).

The meetings of the Specialized Committees of the Board of Directors are regularly reported to the Board of Directors. The members of these Specialized Committees, detailed below, complies with the recommendations of the AFEP-MEDEF Code, except with respect to Recommendations 16.1 and 17.1 concerning the absence of executive corporate officers on the Nominations and Compensation Committee (for more details, see Section 1.1 "Corporate Governance Code" of this report).

1.3.1 Audit Committee

(a) Composition of the Audit Committee on December 31, 2018

Under the terms of Article 2 of its internal rules, the Audit Committee is composed of three members, two of whom are appointed from among the independent members of the Board of Directors on the recommendation of the Nominations and Compensation Committee. The composition of the Audit Committee may be amended by the Board of Directors and, in any event, must be modified in the event of any change in the general composition of the Board of Directors. In particular, pursuant to the applicable legal provisions, members of the Committee must have specific expertise in financial and/or accounting matters. The term of office of the members of the Audit Committee coincides with their terms on the Board of Directors. It may be renewed at the same time as their term on the Board of Directors.

After careful consideration, the chairman of the Audit Committee is appointed by the Board of Directors from among the independent members, on the recommendation of the Nominations and Compensation Committee. The Audit Committee may not include executive officers. The Audit Committee is chaired by an independent member of the Board of Directors.

At December 31, 2018, the Audit Committee was made up of three members: Orla Noonan (Chairman and independent Director), Dajun Yang (independent Director) and Xiao Su (Director).

(b) Missions of the Audit Committee

Under the terms of Article 1 of the internal rules of the Audit Committee, the Committee is tasked with following up on matters relating to the preparation and audit of accounting and financial information, to ensure the effectiveness of the risk monitoring and operational internal control process, and assist Board of Directors in is mission of control and verification in this area.

In this context, the Audit Committee performs the following primary duties:

- - monitor the process for preparing financial information;
- - monitor the effectiveness of the systems for internal control, internal audit and risk management relating to financial and accounting information;
- - monitor the legal audit of the corporate and consolidated financial statements by the Company's auditors; and
- - monitor the independence of the Statutory Auditors.

As required by its internal rules, the Audit Committee reports regularly to the Board of Directors on the performance of its missions and informs the Board promptly of any difficulties encountered.

(c) Activities and work of the Board of Directors during the fiscal year ended December 31, 2018.

As required by its internal rules, the Audit Committee meets at least twice a year when the annual and half-year financial statements are prepared.

The Audit Committee met three (3) times in 2018.

The attendance rate at these meetings for all directors was 100%.

The following table presents each director's attendance rate at Board of Directors' meetings:

Director	Presence at meetings	Total number of meetings	Individual attendance rate
Orla Noonan	3	3	100%
Dajun Yang	3	3	100%
Xiao Su	3	3	100%

- on **January 29,** 2018, the Audit Committee held a meeting attended by three members. The Board examined in particular the following issues:
  - Audit Committee Charter;
  - Presentation of the financial roadmap project;
- on **March 19,** 2018, the Audit Committee held a meeting attended by three members. The Committee reviewed in particular the financial statements of fiscal year 2017.
- on **August 30,** 2018, the Audit Committee held a meeting attended by three members. The Board examined in particular the following issues:
  - Presentation of 2018 first half results;
  - Review of the statement of main accounting principles

1.3.2 Nominating and Compensation Committee

(a) Composition of the Nominations and Compensation Committee

Under the terms of Article 2 of its internal rules, the Nominations and Compensation Committee is composed of four members, two of whom are independent members of the Board. They are appointed by the Board of Directors from the members and in consideration of their independence and expertise in the selection and compensation of executive officers of listed companies. The composition of the Committee may be modified by the Board of Directors and, in any event, must be modified in the event of any change in the general composition of the Board of Directors. The term of office of the members of the Nominations and Compensation Committee coincides with their term on the Board of Directors. It may be renewed at the same time as their term on the Board of Directors.

As of December 31, 2018, the Nominations and Compensation Committee had four members, two of whom are independent: Patrizio di Marco (Chairman and independent Director), Fanny Moizant (independent Director), Chenran Qiu and Evelyne Chétrite.

(b) Missions of the Nominations and Compensation Committee

Under the terms of Article 1 of its internal rules, the Nominations and Compensation Committee is a specialized committee of the Board of Directors with the principal mission to assist the Board in (i) the composition of the management bodies of the Company and its Group and (ii) to determine and regularly assess all compensation and benefits packages for corporate officers or executives of the Group, including all deferred benefits and/or Group voluntary or compulsory severance packages. In the context of its nominations role, the Committee performs the following tasks:

- recommends nominations for members of the Board of Directors, executive management and Board committees; and
- conducts an annual review of the independence of members of the Board of Directors.

In the context of its role relating to compensation, it performs the following tasks:

- reviews and recommends to the Board of Directors all aspects of the components and conditions of compensation for the Group's key executives;
- reviews and recommends to the Board of Directors the method for apportioning directors' fees; and
- consults for recommendation to the Board of Directors on all other exceptional compensation for special assignments which the Board of Directors may assign, if necessary, to certain of its members.

(c) Activities and work of the Nominations and Compensation Committee during the fiscal year ended December 31, 2018.

Under its internal rules, the Nominations and Compensation Committee meets as often as necessary and, in any event, at least once a year, prior to the Board of Directors' meeting to decide on the situation of the members of the Board in terms of the independence criteria adopted by the Company and, in any event, prior to any meeting of the Board of Directors to set the compensation of the executive officers and on the distribution of directors' fees.

In 2018, the Nominations and Compensation Committee held one (1) meeting, on **March 19,** 2018.

The attendance rate at these meetings for all directors was 100%.

The Nominations and Compensation Committee mainly examined the following issues:

- Key financial data;
- 2018 bonus: validation of quantitative objectives;
- Breakdown of attendance fees;
- Procedure for appointing the employee representatives of the Board of Directors.

1.4 Procedures and Functioning of the Company's Management Bodies

1.4.1 Missions and powers of the Chairman, Chief Executive Officer and the Deputy Chief Executive Officers

The offices of Chairman of the Board and Chief Executive Officer of the Company are separated. Yafu Qiu is Chairman of the Board of Directors and Daniel Lalonde is Chief Executive Officer of the Company. The positions of Deputy Chief Executive Officer in the Company will be assumed respectively by Evelyne Chétrite, Judith Milgrom and Ylane Chétrite and Chenran Qiu. Each Deputy Chief Executive Officer will be responsible for the development of policy for creation, design, artistic direction and marketing strategy of the brand(s) within his or her area of responsibility, namely:

- Sandro and Claudie Pierlot for Evelyne Chétrite;
- Maje and Claudie Pierlot for Judith Milgrom;
- Sandro Men for Ylane Chétrite.

In addition, Chenran Qiu is responsible for the strategy and development of the Group in Asia.

1.4.2 Conduct of Executive Management - Limitations of powers

The offices of Chairman of the Board and Chief Executive Officer of the Company have been separate since the Company's initial public offering. As required by law, the Company's bylaws and the internal rules of the Board of Directors, the Chairman of the Company chairs the meetings of the Board and ensures that correct operation of the Company's governing bodies, and ensures, in particular, that the Board members are able to perform their tasks.

The Chief Executive Officer is vested with the most extensive powers to act in all circumstances in the name of the Company. He or she exercises these powers within the limits of the corporate purpose and subject to those powers expressly attributed by law to Shareholders' Meetings and to the Board of Directors.

He represents the Company with third parties. The Company is even bound by acts of the Chief Executive Officer that do not fall within the Company purpose, unless it can prove that the third party knew that the act exceeded such purpose or that the party could not fail to be aware of it under the circumstances; publication of the articles of association alone is not sufficient to constitute such proof.

Decisions of the Board of Directors limiting the powers of the Chief Executive Officer are not enforceable against third parties.

By agreement with the Chief Executive Officer, the Board of Directors determines the scope and the duration of the powers 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 deem appropriate, for one or more specific purposes, to any agents, even from outside the Company, either individually or forming a committee or commission, with or without the power of substitution, subject to the limitations set by law. These powers may be permanent or temporary and may include the power of substitution or otherwise. The delegations thus granted retain their full effects despite expiry of the office of the person conferring them.

Under Article 3.2 of its internal rules, the Board of Directors gives its prior approval, by simple majority vote of the members present or represented, for any act or decision of the Chief Executive Officer concerning the following:

(i) the approval of/or amendments to the annual budget;

(ii) Approval or material amendments to the three-year annual business plan;

(iii) Any issue of shares, instruments or securities giving rights, immediately or deferred, 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 the indebtedness, including amendment of financing documentation entered into in connection with the initial public offering;

(v) any decision that may lead to an event of default or an acceleration under the terms of the financing documentation;

(vi) any capital expenditure (Capex) more than 10% over 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, not present 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, dismissal, change of scope of duties or remuneration of any employee or a corporate officer of the Group whose annual remuneration (both fixed and variable) exceeds €250,000;

(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 establishment 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 appointment or renewal of statutory auditors;

(xvi) Any significant transformation or restructuring of a Group entity;

(xvii) The commercialization of any new line of products;

(xviii) any transaction that directly or indirectly modifies the share capital or equity (including any merger, demerger or spin-off or dividend distribution);

(xix) Modification of more than 3% per year of the remuneration of the Group salaries compared to the annual budget;

(xx) The execution, termination or modification of any agreement entered into with the founders or the principal executives of the Group (including their employment contracts or service agreements);

(xxi) The settlement of a dispute representing more than €2,000,000.

2. COMPENSATIONS AND BENEFITS GIVEN TO EXECUTIVE OFFICERS

2.1 Principles and criteria for determining, dividing and awarding the fixed, variable and exceptional components of the total compensation and benefits of any kind attributable to executive officers

The developments below explain the compensation policy for the Company's executive officers and describe the principles and criteria for determining, dividing and awarding the fixed, variable and exceptional components of the total compensation and benefits of any kind attributable to executive officers based on their position.

Pursuant to Article L. 225-37-2 of the French Commercial Code, the principles and criteria presented below are subject to the approval of the combined Annual General Meeting of Shareholders of June 7, 2019. It is recalled that the annual approval of the compensation policy for the Company's executive officers took place at the combined Annual General Meeting of Shareholders on June 18, 2018.

2.1.1 Principles and criteria for determination and distribution of the compensation for executive officers

The compensation policy for executive officers, at the date of this report, Yafu Qiu, as Chairman of the Board of Directors, Daniel Lalonde as Chief Executive Officer, Evelyne Chétrite, Judith Milgrom, Chenran Qiu, and Ylane Chétrite, Deputy Chief Executive Officers is approved by the Board of Directors after review and an opinion from the Nominating and Compensation Committee. The Board of Directors applies the recommendations of the AFEP/MEDEF Code, amended in June 2018, concerning the compensation of executive officers of publicly traded companies.

In this context, the Board of Directors defines the principles for determining the compensation of the Chairman of the Board of Director, the Chief Executive Officer, and the Deputy Chief Executive Officers of the Company, by ensuring respect for the following principles in particular:

- Principle of balance and measurement: the Board ensures that each component of the compensation of the Chairman of the Board, the Chief Executive Officer, and the Deputy Chief Executive Officers is clearly explained and that none of these components is disproportionate.
- Principle of competitiveness: the Board ensures that the compensation of the Chairman of the Board, the Chief Executive Officer and the Deputy Chief Executive Officers is competitive, primarily through sector compensation surveys.
- Principle of alignment of interests: the compensation policy is both a management tool designed to attract, motivate and retain the talent necessary to the enterprise, but is also a response to the expectations of the shareholders and other stakeholders of the enterprise, particularly in terms of the relation to performance.
- Principle of performance: the compensation of the Chief Executive Officer and the Deputy Chief Executive Officers is closely tied to the Group's performance, primarily using a variable compensation measured every year. The payment of this variable portion depends on the achievement of one or more demanding objectives (both economic and personal), which are simple and measurable and closely tied to the objectives of the Group and regularly communicated to the shareholders. It is specified that these variable annual elements result in no minimum guaranteed payment and are based on operational criteria that are clear and stringent (fixed on (i) the Group's target EBITDA for the Chief Executive Officer [taking into account the performance of each of the Group's brands] and (ii) the target EBITDA of the Group and of one of the Group's brands for the Deputy Chief Executive Officers).The compensation of the Chief Executive Officer and the Deputy Chief Executive Officers is composed of a fixed portion and a variable portion on the basis of one or more objectives defined on an annual basis. At the end of each year, on the recommendation of the Nominating and Compensation Committee, the Board of Directors set the amount of the gross fixed annual compensation of the Chief Executive Officer and the Deputy Chief Executive Officers for the following year and, if applicable, the cap on their annual variable compensation for the following year, and the quantitative criterion or criteria on the basis of which this variable portion will be calculated. At the beginning of each year, the Board of Directors, on the recommendation of the Nominating and Compensation Committee, determines the amount of the variable annual compensation of the Chief Executive Officer and the Deputy Chief Executive Officers owed for the previous year, on the basis of the results of the previous year and the achievement of the quantitative applicable objective(s).

In addition, in order to associate the Chief Executive Officer and the Deputy Chief Executive Officers in the long-term performance, a portion of their compensation consists of performance shares. This component of compensation is directly related to the Group's performance, since the number of shares vested by the Chief Executive Officer and the Deputy Chief Executive Officers at the end of the vesting period is a function of the Group's performance in consolidated EBITDA and a target for Total Shareholders Return (TSR).

It is recalled that, pursuant to the provisions of Article L.225-100 of the French Commercial Code, the variable compensation described above under the fiscal year ended December 31, 2018 will be subject to the approval of the combined Shareholders' Meeting to be held on June 7, 2019.

For the fiscal year ended December 31, 2019, the Compensation and Nominations Committee proposed to the Board of Directors of March 20, 2019 to keep the compensation policy unchanged with respect to the one approved by more than 90% of the general meeting of shareholders of June 18, 2018.

2.1.2 Components of executive officers' compensation

Compensation of executive officers includes:

(a) Fixed compensation

The Board of Directors, on the recommendation of the Compensations Committee, determines the fixed annual compensation of the Chairman of the Board, the Chief Executive Officer and the Deputy Chief Executive Officers with respect in particular to a detailed study of the fixed and variable compensations of the executives of comparable companies performed by the Company.

The gross annual fixed portion of the compensation of the Chief Executive Officer and of the Deputy Chief Executive Officer was set by the Board Meetings of March 20 and April 17, 2019, i.e.:

- €900,000 for Daniel Lalonde as the Chief Executive Officer of SMCP SA;
- €995,000 in fixed compensation includes fixed compensation paid in respect of the corporate offices of (i) Evelyne Chétrite as Deputy Chief Executive Officer of SMCP SA and (ii) Evelyne Chétrite SASU as Chairman of Sandro Andy SASU.
- €995,000 in fixed compensation includes fixed compensation paid in respect of the corporate offices of (i) Judith Milgrom as Deputy Chief Executive Officer of SMCP SA and (ii) Judith Milgrom SASU as Chairman of Maje.
- €650,000 for Ylane Chétrite, (i) as the Deputy Chief Executive Officer of SMCP SA and (ii) as the Chief Executive Officer of Sandro Andy SAS;
- €55,000 for Chenran Qiu, as the Deputy Chief Executive Officer of SMCP SA.

Yafu Qiu, Chairman of the Board of Directors receives no compensation for this position.

A decision was taken to terminate, as of January 1, 2019, the service agreements signed with Evelyne Chétrite SASU and Judith Milgrom SASU. The work performed by these companies, previously paid in variable compensation for time spent, will now be included in the executive officer positions of Evelyne Chétrite SASU (for Sandro Andy) and Judith Milgrom SASU (for Maje), respectively (see Section 16.2 of the Registration Document). The fixed compensation received for these roles has therefore been increased to reconcile it with the new scope of these positions, to reflect the fact that these previously outsourced services are now handled internally. The amount of the increase in the fixed compensation was determined by using the cost of the services carried out over the last few years as a reference point for the upper limit. This adjustment to the structure of this compensation does not change the overall amount of compensation paid to Ms. Chétrite and Ms. Milgrom.

(b) Variable compensation

The Board of Directors, on the recommendation of the Compensations Committee, uses quantitative criterion or criteria to determine the variable annual compensation of the Chief Executive Officer and of the Deputy Chief Executive Officers. For the 2019 fiscal year, the Board Meeting of March 20, 2019, at the proposal of the Nominations and Compensation Committee, decided to submit to the approval of the Annual General Meeting of Shareholders scheduled for June 7, 2019, the criteria for determining and awarding the variable compensation under the fiscal year ended December 31, 2019 as follows:

- Daniel Lalonde, Chief Executive Officer:

Daniel Lalonde will receive an annual variable compensation, subject to a performance condition assessed on the basis of the achievement of the Group's target EBITDA specified in the budget, for a maximum amount of €900,000. If the performance condition is significantly exceeded (particularly the achievement of a pre-defined threshold exceeding the target EBITDA), this variable compensation shall be proportionally increased up to a maximum amount of €1,800,000. In the event of non achievement of the performance condition, this variable compensation is not paid; in case of partial achievement, it is paid in proportion to its achievement. Achievement of the performance condition will be reviewed and noted at the end of the fiscal year ended December 31, 2019 and paid, if applicable, after the Shareholders' Meeting has voted on the payment of this compensation.

- Evelyne Chétrite, Deputy Chief Executive Officer

Evelyne Chétrite will receive variable compensation paid for the management positions of Evelyne Chétrite as Deputy Chief Executive Officer of SMCP SA and for Evelyne Chétrite SASU as president of the company Sandro Andy SASU, subject to performance conditions. The variable compensation paid for management positions amount to a maximum of €995,000, if the objectives are reached. Given the role played by Ms. Chétrite in both the management of the Sandro brand and as a Deputy Chief Executive Officer of the Group, approximately 30% of the objectives relate to achievement of the EBITDA of Sandro brand and approximately 70% of the objectives relate to achievement of the Group's EBITDA planned in the annual budget. In case of significant overachievement, the bonus can be doubled (which is, on the basis of the 2019 compensation, a maximum of €1,990,000 gross). In the event of non achievement of the performance condition, this variable compensation is not paid; in case of partial achievement, it is paid in proportion to its achievement. Achievement of the performance condition will be reviewed and noted at the end of the fiscal year ended December 31, 2019 and paid, if applicable, after the Shareholders' Meeting has voted on the payment of this compensation.

- Judith Milgrom, Deputy Chief Executive Officer:

Evelyne Chétrite will receive variable compensation paid for the management positions of Judith Milgrom as Deputy Chief Executive Officer of SMCP SA and Judith Milgrom SASU as president of the company Maje, subject to performance conditions. The variable compensation paid for management positions amount to a maximum of €995,000, if the objectives are reached. Given the role played by Ms. Milgrom in both the management of the Maje brand and as a Deputy Chief Executive Officer of the Group, approximately 30% of the targets relate to achievement of the EBITDA of Sandro brand and approximately 70% of the targets relate to achievement of the Group's EBITDA planned in the annual budget. In case of significant overachievement, the bonus can be doubled (which is, on the basis of the 2019 compensation, a maximum of €1,990,000 gross). In the event of non achievement of the performance condition, this variable compensation is not paid; in case of partial achievement, it is paid in proportion to its achievement. Achievement of the performance condition will be reviewed and noted at the end of the fiscal year ended December 31, 2019 and paid, if applicable, after the Shareholders' Meeting has voted on the payment of this compensation.

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- Ylane Chétrite:

Ylane Chétrite's annual compensation includes compensation paid for his management position as Deputy Chief Executive Officer of SMCP SA and as Chief Executive Officer of the company Sandro Andy SAS, subject to performance conditions. Ylane Chétrite's annual variable compensation amounts to a maximum of €650,000, if the objectives are reached. Objectives concern EBITDA of the Sandro Men brand (30%) and Group EBITDA per the annual budget (70%). In case of significant overachievement, the bonus can be doubled (which is, on the basis of the 2019 compensation, a maximum of €1,300,000 gross), as was the case for 2017. In the event of non achievement of the performance condition, this variable compensation is not paid; in case of partial achievement, it is paid in proportion to its achievement. Achievement of the performance condition will be reviewed and noted at the end of the fiscal year ended December 31, 2019 and paid, if applicable, after the Shareholders' Meeting has voted on the payment of this compensation.

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(c) Bonus shares allocation plan

Prior to its initial public offering, in 2016 and 2017, the Group awarded class G preferred shares to a number of the Group's directors and employees. The class G preferred shares were vested by the beneficiaries in October 2017, December 2017 and February 2018. The company's executive officers who benefited from this award include: Daniel Lalonde, Chief Executive Officer, as well as Evelyne Chétrite and Judith Milgrom, Ylane Chétrite, Deputy Chief Executive Officers.

Since its IPO on the Euronext Paris market in October 2017, the Group implements a compensation policy aimed at retaining and motivating the Group's talents and associating executives and employees in its performances, particularly through the free allocation of shares linked to the Group's long-term strategy. The Group awards free shares to executive officers and to managing directors, and to senior executives, expatriates and employees to reward their performance and commitment.

On October 5, 2017, the Extraordinary Shareholders' Meeting of the Company, under the terms of the 28th resolution, authorized the Board of Directors, under certain conditions, to award new or existing bonus shares to certain employees and corporate executive of the Company or of the companies affiliated with the Company, under the conditions stipulated in Article L.225-197-2 of the French Commercial Code, up to a maximum of 3% of the capital stock on the date of the Board's decision.

At its meeting of November 23, 2017, the Board of Directors used the authorization granted by the twenty-sixth resolution of the Ordinary and Extraordinary Shareholders' Meeting of October 5, 2017, to decide on the allocation of free shares of the Company to executive officers and to the salaried employees of the Company and its subsidiaries.

Using these authorizations in 2017, the Group awarded under Plan no 2, performance shares for which the final vesting is subject to the Group's performance criteria, to Daniel Lalonde, Chief Executive Officer, Evelyne Chétrite, Judith Milgrom and Ylane Chétrite, Deputy Chief Executive Officers.

The Shareholders' Meeting of June 18, 2018, authorized under its 28th resolution, the Board of Directors to carry out, in one or several operations, free share allocations to executive officers within the limit of 35,000 shares.

The number of free share allocations by the Shareholders' Meeting to each executive officer is detailed in section 15.1.4 "Bonus share allotments" of the Registration Document.

Description of class G preferred shares

Class G preferred shares are preferred shares within the meaning of Article L.228-11 of the French Commercial code, allocated to certain managers and employees of the Group. These preferred shares, attributed prior to the Company's IPO, have the same characteristics as common shares, except that they do not have any financial rights and that they may be converted into common shares under certain conditions.

Since January 1, 2019, the Company's class G preferred shares can be converted into ordinary company share, on the basis of an exchange rate of 0.356640 ordinary shares for one class G preferred share.

Therefore, since January 1, 2019, Daniel Lalonde can convert 1,605,000 class G preferred shares into 572,411 ordinary shares; Evelyne Chétrite can convert 1,750,000 class G preferred shares into 624,121 ordinary shares; Judith Milgrom can convert 1,750,000 class G preferred shares into 624,121 ordinary shares and Ylane Chétrite can convert 1,750,000 class G preferred shares into 624,297 ordinary shares.

Description of Plan no. 2 (performance shares) set up by the Board Meeting of November 23, 2017

At the meeting of November 23, 2017, the Board of Directors, on the basis of the authority granted by the Shareholders' Meeting of October 5, 2017, established a bonus share allocation plan for executive officers and salaried employees of the Company and its subsidiaries (Plan No. 2).

Within this framework, the Company decided on the bonus allocation of 2,038,324 performance shares to certain executive officers and managers of the Group. Vesting of shares is subject to conditions of employment (for the entire duration of the period in question indicated below) and conditions of internal performance (70%) (achievement of a level of EBITDA) and external performance (30%) (dependent on a median TSR of the companies included in the SBF 120 index).

The performance shares will be fully vested by the beneficiaries (subject to meeting the employment and performance conditions) in thirds, at the end of three vesting periods of two, three and four years that begin on the allocation date; therefore:

- one-third of the shares allotted will be fully vested by the beneficiaries on November 23, 2019 and delivered on March 31, 2020;
- one-third of the shares allotted will be fully vested by the beneficiaries on November 23, 2020 and delivered on March 31, 2021; and
- one-third of the shares allotted will be fully vested by the beneficiaries on November 23, 2021 and delivered on March 31, 2022.

Under Plan no. 2, 242,018 performance shares were awarded to Daniel Lalonde, 302,390 to Evelyne Chétrite and Judith Milgrom each and 193,700 to Ylane Chétrite.

(d) Fringe benefits

Daniel Lalonde benefits from a company car and the Group's brand products. In addition, Daniel Lalonde is covered by the corporate officers' unemployment insurance policy ("**GSC**"). Evelyne Chétrite benefits from a company car.

Judith Milgrom and Ylane Chétrite can also benefit from a company car. Evelyne Chétrite and Judith Milgrom, and Ylane Chétrite can also receive clothes and accessories from the Group's stores. Evelyne Chétrite, Judith Milgrom and Ylane Chétrite can also be covered by the executive officers' unemployment insurance plan ("**GSC**"). These benefits were not used by the beneficiaries in the fiscal year ended December 31, 2018 and the aforesaid corporate officers have waived these benefits for 2019.

(e) Pension scheme

Executive officers are not covered by a supplementary pension scheme.

(f) Severance package and no-compete indemnity

Severance package

Daniel Lalonde benefits from a severance package in a gross amount equal to a maximum 150% of the sum of the gross annual fixed compensation over the last 12 months preceding the end of his appointment and the variable compensation paid for the year preceding the end of his appointment. This package would be due in the event of termination of his appointment as Chief Executive Officer, unless he were dismissed for negligence or resigns his points for a reason other than a forced departure. Payment of this severance package would be subject to a target EBITDA over the last 12 months measured as a function of the EBITDA achieved for the previous 12 months.

Evelyne Chétrite, Judith Milgrom and Ylane Chétrite benefit from a contractual severance payment in the event of forced termination of their positions as Deputy Chief Executive Officers and/or, in any of their roles performed individually or through any entity they may control (this currently includes Evelyne Chétrite SASU and Judith Milgrom SASU), within the SMCP Group, as part of a corporate office or service agreement signed with the entities of the Group[39], for a gross amount equal to 200% of the fixed and variable compensation received by these parties (in respect of corporate offices held and service agreements) during the 12 months prior to said termination, subject to the meeting certain performance conditions tied to the Group EBITDA recorded for the previous 12 months.

Severance under a non-compete clause

Daniel Lalonde is also bound by a non-compete commitment for a period of one year and, for this commitment, would receive a gross monthly fixed indemnity equal to 70% of his monthly compensation calculated on the average of his gross contractual compensation (fixed and variable) received during the 12 months prior to his departure date and for the effective duration of the non-compete commitment. In the event of the application of both the severance package described above and the non-compete indemnity, the total of these two items must not exceed two years of Mr. Lalonde's compensation (fixed and variable received during the last 12 months prior to the date of his departure).

Evelyne Chétrite, Judith Milgrom and Ylane Chétrite are bound to the companies of the Group by a non-compete and non-hiring commitment for a period of one year from the date of termination of their management duties within the Company. This commitment will be compensated at 70% of their gross fixed and variable, direct and indirect compensation paid (in respect of positions held and service agreements) during the 12 months preceding the end date of the positions in question. In any event, if the severance payments related to the end of their positions and

[39] The service agreements signed with the Group entities were terminated with effect from January 1, 2019.

the aforementioned non-compete commitment represents more than two years of gross compensation received (in respect of positions held and service agreements) directly and indirectly by the party in question, the non-compete severance would be reduced accordingly and considered to be included in the amount received for the aforementioned severance package.

(g) Shares held by executive officers

Shares held by executive officers are detailed in Section 18.1 "Shareholding" of the Registration Document.

2.1.3 Table summarizing the principles and criteria for determining, dividing and awarding the fixed, variable and exceptional components of the total compensation and benefits of any kind attributable to executive officers

Elements of compensation	Principle	Determination criteria
Fixed compensation	The Chief Executive Officer and the Deputy Chief Executive Officers receive fixed compensation in twelve monthly payments.	For fiscal year 2019, the gross annual amount is fixed at: Daniel Lalonde, Chief Executive Officer: €900,000 Evelyne Chétrite, Deputy Chief Executive Officer of SMCP SA and Evelyne Chétrite SASU, President of Sandro Andy SASU: €995,000 Judith Milgrom, Deputy Chief Executive Officer of SMCP SA and Judith Milgrom SASU, President of Maje: €995,000 Ylane Chétrite, Deputy Chief Executive Officer of SMCP SA and Chief Executive Officer of Sandro Andy SASU: €650,000 Chenran Qiu, Deputy Chief Executive Officer: €55,000
Variable compensation	The Chief Executive Officer and the Deputy Chief Executive Officers (except for Chenran Qiu) receive a variable compensation determined on the basis of the Group's performance. This compensation is paid during the fiscal year following the one under which the performances were recorded. Pursuant to Article L.225-37-2 of the French Commercial Code, the payment of the variable compensation is contingent on the approval by an Ordinary Annual General Meeting of Shareholders of the compensation of the Chief Executive Officer and the Deputy Chief Executive Officers under the conditions specified in Article L. 225-100 of the French Commercial Code.	For Daniel Lalonde: This component of the compensation is directly related to the Group's performance (achieving the target Group EBITDA) for a maximum amount of €900,000. If the performance condition is significantly exceeded, this variable compensation shall be proportionally increased up to a maximum amount of €1,800,000. In the event of non achievement of the performance condition, this variable compensation is not paid; in case of partial achievement, it is paid in proportion to its achievement. Evelyne Chétrite: This component of the compensation for a gross maximum amount of €995,000 may be allocated, subject to the attainment of the objectives linked to the achievement of Group target EBITDA (for up to 70%) and the target EBITDA of the Sandro brand (up to 30%). If the performance target is exceeded, the supplementary compensation of Evelyne Chétrite and of Evelyne Chétrite SASU is raised proportionally, up to an amount of €1,990,000. In the event of non achievement of the performance condition, this variable compensation is not paid; in case of partial achievement, it is paid in proportion to its achievement. For Judith Milgrom: This component of the compensation for a gross maximum amount of €995,000 may be allocated, subject to the attainment of the objectives linked to the achievement of Group target EBITDA (for up to 70%) and the target EBITDA of the Maje brand (up to 30%). If the performance target is exceeded, the supplementary compensation of Judith Milgrom and Judith Milgrom SASU is raised proportionally, up to an amount of €1,990,000. In the event of non achievement of the performance condition, this variable compensation is not paid; in case of partial achievement, it is paid in proportion to its achievement. For Ylane Chétrite: This component of the compensation for a gross maximum amount of €650,000 may be allocated, subject to the attainment of the objectives linked to the achievement of Group target EBITDA (for up to 70%) and the target EBITDA of the Sandro Men brand (up to 30%). If the performance target is exceeded, the supplementary compensation of Ylane Chétrite is raised proportionally, up to an amount of €1,300,000. In the event of non achievement of the performance condition, this variable compensation is not paid; in case of partial achievement, it is paid in proportion to its achievement.

Elements of compensation	Principle	Determination criteria
Long-term compensation (performance shares)	The Chief Executive Officer and the Deputy Chief Executive Officers (except Chenrain Qiu) receive a conditional allocation of the Company's shares.	The number of allocated free shares transferred in full ownership to each beneficiary at the end of the vesting period varies depending on the achievement level of the objectives detailed in Section 2.1.2(c) above (1).
Long-term compensation (stock options or share purchase options)	N/A	N/A
Pension scheme	N/A	N/A
Severance package and non-compete indemnity	The Chief Executive Officer and the Deputy Chief Executive Officers (except Chenrain Qiu) receive a severance package in the event of termination of their positions.	Daniel Lalonde benefits from a severance package in a gross amount equal to a maximum 150% of the sum of the gross annual fixed compensation over the last 12 months preceding the end of his appointment and the variable compensation paid for the year preceding the end of his appointment. Payment of this severance package would be subject to a target EBITDA over the last 12 months measured as a function of the EBITDA achieved for the previous 12 months. Daniel Lalonde is also bound by a non-compete commitment for a period of one year and, for this commitment, would receive a gross monthly fixed indemnity equal to 70% of his monthly compensation calculated on the average of his gross contractual compensation (fixed and variable) received during the 12 months prior to his departure date and for the effective duration of the non-compete commitment. In the event of the application of both the severance package described above and the non-compete indemnity, the total of these two items must not exceed two years of Mr. Lalonde's compensation (fixed and variable received during the last 12 months prior to the date of his departure). Evelyne Chétrite, Judith Milgrom and Ylane Chétrite benefit from a contractual indemnity in the event of forced termination of their positions as Deputy Chief Executive Officers and/or any of their duties performed individually or through any entity that they may control (this currently include Evelyne Chétrite SASU and Judith Milgrom SASU), within the SMCP Group, in the context of a management position or service agreement concluded with the Group's entities[40], for a gross amount equal to 200% of the fixed and variable compensations received by these parties in the last 12 months preceding such terminations, subject to the fulfillment of certain performance conditions related to the Group's EBITDA. Evelyne Chétrite, Judith Milgrom and Ylane Chétrite are bound to the companies of the Group by a non-compete and non-hiring commitment for a period of one year from the date of termination of their management duties within the Company. This commitment will be compensated at 70% of their gross fixed and variable, direct and indirect compensation paid (in respect of positions held and service agreements) during the 12 months preceding the end date of the positions in question. In any event, if the severance payments related to the end of their positions and the aforementioned non-compete commitment represents more than two years of gross compensation received (in respect of positions held and service agreements) directly and indirectly by the party in question, the non-compete severance would be reduced accordingly and considered to be included in the amount received for the aforementioned severance package.
Fringe benefits	The Chief Executive Officer benefits from a company car and the Group's brand products and from the executive officers' insurance policy ("GSC"). Evelyne Chétrite as the Deputy Chief Executive Officer, benefits from a car company.	N/A

(1) *Daniel Lalonde, Evelyne Chétrite, Judith Milgrom and Ylane Chétrite also benefit from the allotment of class G preferred shares carried prior to the Company's IPO; these preferred shares are convertible into the Company's common shares since January 1, 2019 (see Section 2.1.2(c) of this report).*

[40] The service agreements signed with the Group entities were terminated with effect from January 1, 2019.

Draft resolutions drawn up by the Board of Directors pursuant to Article L.225-100 of the French Commercial Code subject to a Combined Annual General Meeting of June 7, 2019

"ELEVENTH RESOLUTION

(Approval of the principles and criteria for determining, dividing and awarding the fixed, variable and exceptional components of the total compensation and benefits of any kind attributable to Yafu Qiu in his capacity as Chairman of the Board of Directors for fiscal year 2019)

The Annual General Meeting, deliberating under the conditions of quorum and majority required for Ordinary Annual General Meetings, and after acknowledging the Board of Directors' report on corporate governance drawn up pursuant to Article L. 225-37 of the French Commercial Code, and in accordance with the provisions of Articles L. 225-37-2 and R. 225-29-1 of the French Commercial Code, approves the principles and criteria for determining and awarding the fixed, variable and exceptional components of the total compensation and the benefits of any kind attributable, due to his position, to Yafu Qiu, Chairman of the Board of Directors, as presented in Section 2.1 of the aforesaid report.

TWELVTH RESOLUTION

(Approval of the principles and criteria for determining, dividing and awarding the fixed, variable and exceptional components of the total compensation and benefits of any kind attributable to Daniel Lalonde in his capacity as Chief Executive Officer for fiscal year 2019)

The Annual General Meeting, deliberating under the conditions of quorum and majority required for Ordinary Annual General Meetings, and after acknowledging the Board of Directors' report on corporate governance drawn up pursuant to Article L. 225-37 of the French Commercial Code, and in accordance with the provisions of Articles L. 225-37-2 and R. 225-29-1 of the French Commercial Code, approves the principles and criteria for determining and awarding the fixed, variable and exceptional components of the total compensation and the benefits of any kind attributable, due to his position, to Daniel Lalonde, Chief Executive Officer, as presented in Section 2.1 of the aforesaid report.

THIRTEENTH RESOLUTION

(Approval of the principles and criteria for determining, dividing and awarding the fixed, variable and exceptional components of the total compensation and benefits of any kind attributable to Evelyne Chétrite in her capacity as Deputy Chief Executive Officer for fiscal year 2019)

The Annual General Meeting, deliberating under the conditions of quorum and majority required for Ordinary Annual General Meetings, and after acknowledging the Board of Directors' report on corporate governance drawn up pursuant to Article L. 225-37 of the French Commercial Code, and in accordance with the provisions of Articles L. 225-37-2 and R. 225-29-1 of the French Commercial Code, approves the principles and criteria for determining and awarding the fixed, variable and exceptional components of the total compensation and the benefits of any kind attributable, due to her position, to Evelyne Chétrite, Deputy Chief Executive Officer, as presented in Section 2.1 of the aforesaid report.

FOURTEENTH RESOLUTION

(Approval of the principles and criteria for determining, dividing and awarding the fixed, variable and exceptional components of the total compensation and benefits of any kind attributable to Judith Milgrom in her capacity as Deputy Chief Executive Officer for fiscal year 2019)

The Annual General Meeting, deliberating under the conditions of quorum and majority required for Ordinary Annual General Meetings, and after acknowledging the Board of Directors' report on corporate governance drawn up pursuant to Article L. 225-37 of the French Commercial Code, and in accordance with the provisions of Articles L. 225-37-2 and R. 225-29-1 of the French Commercial Code, approves the principles and criteria for determining and awarding the fixed, variable and exceptional components of the total compensation and the benefits of any kind attributable, due to her office, to Judith Milgrom, Deputy Chief Executive Officer, as presented in Section 2.1 of the aforesaid report.

FIFTEENTH RESOLUTION

(Approval of the principles and criteria for determining, dividing and awarding the fixed, variable and exceptional components of the total compensation and benefits of any kind attributable to Ylane Chétrite in his capacity as Deputy Chief Executive Officer for fiscal year 2019)

The Annual General Meeting, deliberating under the conditions of quorum and majority required for Ordinary Annual General Meetings, and after acknowledging the Board of Directors' report on corporate governance drawn up pursuant to Article L. 225-37 of the French Commercial Code, and in accordance with the provisions of Articles L. 225-37-2 and R. 225-29-1 of the French Commercial Code, approves the principles and criteria for determining and awarding the fixed, variable and exceptional components of the total compensation and the benefits of any kind attributable, due to his position, to Ylane Chétrite, Deputy Chief Executive Officer, as presented in Section 2.1 of the aforesaid report.

SIXTEENTH RESOLUTION

(Approval of the principles and criteria for determining, dividing and awarding the fixed, variable and exceptional components of the total compensation and benefits of any kind attributable to Chenran Qiu in her capacity as Deputy Chief Executive Officer for fiscal year 2019)

The Annual General Meeting, deliberating under the conditions of quorum and majority required for Ordinary Annual General Meetings, and after acknowledging the Board of Directors' report on corporate governance drawn up pursuant to Article L. 225-37 of the French Commercial Code, and in accordance with the provisions of Articles L. 225-37-2 and R. 225-29-1 of the French Commercial Code, approves the principles and criteria for determining and awarding the fixed, variable and exceptional components comprising the total compensation and the benefits of any kind attributable, due to her position, to Chenran Qiu, Deputy Chief Executive Officer, as presented in Section 2.1 of the aforesaid report."

2.2 Compensations and benefits granted to executive officers in the fiscal year ended December 31, 2018

Pursuant to Article L.225-100 of the French Commercial Code, the Annual General Meeting decides on the fixed, variable and exceptional components of the total compensation and benefits of any kind due or awarded for the prior year.

Accordingly, the Combined Annual General Meeting of June 7, 2019 will be asked to give an opinion on the components of compensation paid or awarded under the fiscal year ended December 31, 2018 to the Chief Executive Officer and Deputy Chief Executive Officers, pursuant to the principles and criteria for compensation approved by the Combined Annual General Meeting of shareholders of June 18, 2018, as presented below.

Components of the compensation paid or awarded under the fiscal year ended December 31, 2018 to Daniel Lalonde, Chief Executive Officer

Fixed compensation	€900,000
Variable compensation	€639,000
Exceptional compensation	€15,000
Directors' fees	None
Free shares - Preferred shares	1,605,000 class G preferred shares can be converted into 572,411 common shares as of January 1, 2019.
	242,018 free performance shares Performance conditions tied to a target EBITDA for the Group (70%) and a target *TSR* (30%)
Pension scheme	None
Non-compete indemnity	A non-compete commitment for a period of one year and, for this commitment, would receive a gross monthly fixed severance package equal to 70% of his monthly compensation calculated on the average of his gross contractual compensation (fixed and variable) received during the 12 months prior to his departure date and for the effective duration of the non-compete commitment. In the event of the application of both the severance package and the non-compete indemnity, the total of these two items must not exceed two years of compensation (fixed and variable received during the last 12 months prior to the date of his departure).
Termination indemnities	A severance package in a gross amount equal to a maximum 150% of the sum of the gross annual fixed compensation over the last 12 months preceding the end of his appointment and the variable compensation paid for the year preceding the end of his appointment. Payment of this severance package would be subject to a target EBITDA over the last 12 months measured as a function of the EBITDA achieved for the previous 12 months.
Fringe benefits	Company car and Group brand products. Coverage by an executive officers' insurance plan ("GSC")

Components of the compensation paid or awarded under the fiscal year ended December 31, 2018 to Evelyne Chétrite, Deputy Chief Executive Officer

Fixed compensation	€620,000
Variable compensation	€494,515
Exceptional compensation	None
Directors' fees	None
Free shares - Preferred shares	1,750,000 class G preferred shares can be converted into 624,121 common shares as of January 1, 2019.
	302,390 free performance shares. Performance conditions tied to a target EBITDA for the Group (70%) and a target *TSR* (30%)
Pension scheme	None
Non-compete indemnity	Non-compete and non-hiring commitment for a period of one year after the termination of management functions within the Company. This commitment will be compensated at 70% of their gross fixed and variable, direct and indirect compensation paid (in respect of positions held and service agreements) during the 12 months preceding the end date of the positions in question. If the severance payments related to the end of their positions and the non-compete commitment represents more than two years of gross compensation received (in respect of positions held and service agreements) directly and indirectly, the non-compete severance would be reduced accordingly and considered to be included in the amount received for the severance package.
Termination indemnities	Contractual indemnity in the event of forced termination of her positions as Deputy Chief Executive Officer and/or any of her positions held as an individual or through any entity that she may control (this currently includes Evelyne Chétrite SASU), within the Group, in the context of a management position or service agreement concluded with the Group's entities[41], for a gross amount equal to 200% of the fixed and variable compensations received by these parties in the last 12 months preceding these terminations, subject to the fulfillment of certain performance conditions linked to the Group's EBITDA.
Fringe benefits	Company car.

Components of the compensation paid or awarded under the fiscal year ended December 31, 2018 to Judith Milgrom, Deputy Chief Executive Officer

Fixed compensation	€620,000
Variable compensation	€631,825
Exceptional compensation	None
Directors' fees	None
Free shares - Preferred shares	1,750,000 class G preferred shares can be converted into 624,121 common shares as of January 1, 2019.
	302,390 free performance shares. Performance conditions tied to a target EBITDA for the Group (70%) and a target *TSR* (30%)
Pension scheme	None
Non-compete indemnity	Non-compete and non-hiring commitment for a period of one year after the termination of management functions within the Company. This commitment will be compensated at 70% of their gross fixed and variable, direct and indirect compensation paid (in respect of positions held and service agreements) during the 12 months preceding the end date of the positions in question. If the severance payments related to the end of their positions and the non-compete commitment represents more than two years of gross compensation received (in respect of positions held and service agreements) directly and indirectly, the non-compete severance would be reduced accordingly and considered to be included in the amount received for the severance package.
Termination indemnities	Contractual indemnity in the event of forced termination of her positions as Deputy Chief Executive Officer and/or any of her positions held as an individual or through any entity that she may control (this currently includes Judith Milgrom SASU), within the Group, in the context of a management position or service agreement concluded with the Group's entities, for a gross amount equal to 200% of the fixed and variable compensations received by these parties in the last 12 months preceding these terminations, subject to the fulfillment of certain performance conditions linked to the Group's EBITDA.

[41] The service agreements signed with the Group entities were terminated with effect from January 1, 2019.

Fringe benefits	None

Components of the compensation paid or awarded under the fiscal year ended December 31, 2018 to Ylane Chétrite, Deputy Chief Executive Officer

Fixed compensation	€650,000
Variable compensation	€323,050
Exceptional compensation	None
Directors' fees	None
Free shares - Preferred shares	1,750,000 class G preferred shares can be converted into 624,297 common shares as of January 1, 2019.
	193,700 free performance shares. Performance conditions tied to a target EBITDA for the Group (70%) and a target *TSR* (30%)
Pension scheme	None
Non-compete indemnity	Non-compete and non-hiring commitment for a period of one year after the termination of management functions within the Company. This commitment will be compensated at 70% of their gross fixed and variable, direct and indirect compensation paid (in respect of positions held and service agreements) during the 12 months preceding the end date of the positions in question. If the severance payments related to the end of their positions and the non-compete commitment represents more than two years of gross compensation received (in respect of positions held and service agreements) directly and indirectly, the non-compete severance would be reduced accordingly and considered to be included in the amount received for the severance package.
Termination indemnities	Contractual indemnity in the event of forced termination of his positions as Deputy Chief Executive Officer and/or any of his positions held as an individual or through any entity that he may control within the Group, in the context of a management position or service agreement concluded with the Group's entities[42], for a gross amount equal to 200% of the fixed and variable compensations received by these parties in the last 12 months preceding these terminations, subject to the fulfillment of certain performance conditions linked to the Group's EBITDA.
Fringe benefits	None

Components of the compensation paid or awarded under the fiscal year ended December 31, 2018 to Chenran Qiu, Deputy Chief Executive Officer

Fixed compensation	0
Variable compensation	None
Exceptional compensation	None
Directors' fees	None
Free shares - Preferred shares	None
Pension scheme	None
Non-compete indemnity	None
Termination indemnities	None
Fringe benefits	None

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Table 1 AMF nomenclature

Summary table of compensation and shares and options allocated to each executive officer (in euros):

Summary table of compensation and options allocated to each executive officer

(amounts paid in euros)	**2017 fiscal year**	**2018 fiscal year**
Yafu Qiu, Chairman of the Board of Directors Compensation due for the year (*detailed in Table 2*)	0	0
Valuation of multi-year variable compensation paid during the year	None	None
Valuation of the options awarded during the year (*detailed in Table 4*)	None	None
Valuation of the bonus shares allotted (*detailed in Table 6*)	None	None
Total	**0**	**0**

Summary table of compensation and options allocated to each executive officer

(amounts paid in euros)	**2017 fiscal year**	**2018 fiscal year**
Daniel Lalonde, Chief Executive Officer Compensation due for the year (*detailed in Table 2*)	€2,266,653	€1,554,000
Valuation of multi-year variable compensation paid during the year	0	0
Valuation of the options awarded during the year (*detailed in Table 4*)	None	None
Valuation of the bonus shares allotted (*detailed in Table 6*)	None	None
Total	**€2,266,653**	**€1,554,000**

Summary table of compensation and options allocated to each executive officer

(amounts paid in euros)	**2017 fiscal year**	**2018 fiscal year**
Evelyne Chétrite, Deputy Chief Executive Officer Compensation due for the year (*detailed in Table 2*)	€2,196,293	€1,489,515
Valuation of multi-year variable compensation paid during the year	0	0
Valuation of the options awarded during the year (*detailed in Table 4*)	None	None
Valuation of the bonus shares allotted (*detailed in Table 6*)	None	None
Total	**€1,965,675**	**€1,489,515**

Summary table of compensation and options allocated to each executive officer

(amounts paid in euros)	**2017 fiscal year**	**2018 fiscal year**
Judith Milgrom, Deputy Chief Executive Officer Compensation due for the year (*detailed in Table 2*)	€1,947,983	€1,626,825
Valuation of multi-year variable compensation paid during the year	0	0
Valuation of the options awarded during the year (*detailed in Table 4*)	None	None
Valuation of the bonus shares allotted (*detailed in Table 6*)	None	None
Total	**€1,947,983**	**€1,626,825**

Summary table of compensation and options allocated to each executive officer

(amounts paid in euros)	**2017 fiscal year**	**2018 fiscal year**
Ylane Chétrite, Deputy Chief Executive Officer Compensation due for the year (*detailed in Table 2*)	€1,188,239	€973,050
Valuation of multi-year variable compensation paid during the year	0	0
Valuation of the options awarded during the year (*detailed in Table 4*)	None	None
Valuation of the bonus shares allotted (*detailed in Table 6*)	None	None
Total	**€1,188,239**	**€973,050**

Summary table of compensation and options allocated to each executive officer

(amounts paid in euros)	**2017 fiscal year**	**2018 fiscal year**
Chenran Qiu, Deputy Chief Executive Officer Compensation due for the year (*detailed in Table 2*)	None	0
Valuation of multi-year variable compensation paid during the year	None	None
Valuation of the options awarded during the year (*detailed in Table 4*)	None	None
Valuation of the bonus shares allotted (*detailed in Table 6*)	None	None
Total	**None**	**0**

Table 2 AMF nomenclature

Summary table of compensation paid to each executive officer

(amounts paid in euros)	**2017 fiscal year**		**2018 fiscal year**	
	Amounts due	**Amounts paid**	**Amounts due**	**Amounts paid**
Yafu Qiu, Chairman of the Board of Directors				
Fixed compensation	None	None	None	None
Annual variable compensation	None	None	None	None
Multi-year variable compensation	None	None	None	None
Exceptional compensation	None	None	None	None
Fringe benefits	None	None	None	None
Total	**None**	**None**	**None**	**None**

Summary table of compensation paid to each executive officer

(amounts paid in euros)	**2017 fiscal year**		**2018 fiscal year**	
	Amounts due	**Amounts paid**	**Amounts due**	**Amounts paid**
Daniel Lalonde, Chief Executive Officer				
Fixed compensation(1)	€766,806	€766,806	€900,000	€900,000
Annual variable compensation(2)	€1,466,147	€1,094,715	€639,000	€466,147
Multi-year variable compensation	0	0	0	0
Exceptional compensation(3)	€33,700	€33,700	€15,000	€15,000
Benefits in kind(4)	€27,520	€27,520	€14,048	€14,048
Total	**€2,294,173**	**€1,922,741**	**€1,568,048**	**€2,395,195**

(1) *The fixed annual compensation of Daniel Lalonde was set at €900,000 for 2018, an identical amount since October 5, 2017.*

(2) *The annual variable compensation of Mr. Daniel Lalonde changed on October 5, 2017 to a gross amount of €900,000 for a complete calendar year if the performance objective is attained. The objective is tied to the achievement of the Group's EBITDA (taking into account the performances of each of the Group's trademarks) specified in the annual budget. In case of significant overachievement of the objective (notably by reaching a predefined threshold beyond a target EBITDA), the bonus is increased proportionally and can be doubled (which is, on the basis of the 2018 compensation, a maximum of €1,800,000 gross, corresponding to 200% of the aforementioned fixed compensation). In the event of non-achievement of the performance condition, this variable compensation is not paid; in case of partial achievement, it is paid in proportion to its achievement. Achievement of the performance condition is reviewed and noted at the end of each year and the variable compensation for year N is paid in year N+1. For fiscal year 2017, the aforesaid bonus was increased due to the work carried out by Mr. Lalonde in the preparation of the Company's initial public offering in 2017. For fiscal year 2018, the performance condition was not 100% achieved, hence the partial payment of the variable compensation, in proportion to said performance.*

(3) *The exceptional compensation corresponds to compensation paid by the Group relating to contributions and wage and salary costs borne by Mr Lalonde owing to the fringe benefits gained from (i) clothing expenses and the executive officers' insurance policy ("GSC") for 2017 and (ii) the GSC for 2018. The payment of this amount, to be repeated in 2019, remains exceptional However, if this compensation were to become recurrent, the Group would consider including it in the amount of fixed compensation paid to Mr Lalonde.*

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

Summary table of compensation paid to each executive officer

(amounts paid in euros)		2017 fiscal year		2018 fiscal year	
		Amounts due	**Amounts paid**	**Amounts due**	**Amounts paid**
Evelyne Chétrite, Deputy Chief Executive Officer					
Fixed compensation[(1)]		€524,862	€524,862	€620,000	€620,000
Annual variable compensation[(2)]	*Corporate office*	€1,296,431	€1,122,128	€494,515	€296,431
	Service agreements	€375,000	€375,000	€375,000	€375,000
	Total variable compensation	**€1,671,431**	**€1,497,128**	**€869,515**	**€1,296,431**
Multi-year variable compensation		None	None	None	None
Exceptional compensation		0	0	0	0
Benefits in kind[(3)]		€6,177	€6,177	€6,177	€6,177
Total		**€2,205,470**	**€2,028,167**	**€1,495,692**	**€1,922,608**

(1) The fixed compensation includes fixed compensation paid in respect of the corporate offices of (i) Evelyne Chétrite as Deputy Chief Executive Officer of SMCP SA and (ii) Evelyne Chétrite SASU as Chairman of Sandro Andy. The fixed annual compensation of Evelyne Chétrite was set at €620,000 for 2018.

(2) The annual variable compensation of Evelyne Chétrite includes

(i) Evelyne Chétrite will receive compensation paid for the management positions of Evelyne Chétrite as Deputy Chief Executive Officer of SMCP SA and for Evelyne Chétrite SASU as president of the company Sandro Andy, subject to performance conditions. The variable compensation paid in respect of corporate offices amounts to €995,000 since October 5, 2017, if the objectives are met. Given the role played by Ms. Chétrite in both the management of the Sandro brand and as a Deputy Chief Executive Officer of the Group, approximately 30% of the objectives relate to achievement of the EBITDA of Sandro brand and approximately 70% of the objectives relate to achievement of the Group's EBITDA planned in the annual budget. In case of significant overachievement, the bonus can be doubled (which is, on the basis of the 2018 compensation, a maximum of €1,990,000 gross), as was the case for 2017. In the event of non achievement of the performance condition, this variable compensation is not paid; in case of partial achievement, it is paid in proportion to its achievement. Achievement of the performance condition is reviewed and noted at the end of each year and the variable compensation for year N is paid in year N+1. For fiscal year 2018, the performance condition was not 100% achieved, hence the partial payment of the variable compensation, in proportion to said performance.

(ii) compensation paid to Evelyne Chétrite SASU under service agreements signed with a number of Group companies (see Section 16.2 of this 2018 Registration Document). The variable compensation paid under the above-mentioned service agreements amounted to €375,000 for 2018, unchanged since 2017. The above-mentioned service agreements were terminated with effect from January 1, 2019.

The total amount of variable compensation (referred to in (i) and (ii) above) corresponds to 380% of fixed compensation as described in (1) above.

(3) This amount includes a company car.

Summary table of compensation paid to each executive officer

(amounts paid in euros)		2017 fiscal year		2018 fiscal year	
		Amounts due	**Amounts paid**	**Amounts due**	**Amounts paid**
Judith Milgrom, Deputy Chief Executive Officer					
Fixed compensation[(1)]		€524,862	€524,862	€620,000	€620,000
Annual variable compensation[(2)]	*Corporate office*	€1,048,121	€1,184,819	€631,825	€1,048,121
	Service agreements	€375,000	€375,000	€375,000	€375,000
	Total variable compensation	**€1,423,121**	**€1,559,819**	**€1,006,825**	**€1,423,121**
Multi-year variable compensation		None	None	None	None
Exceptional compensation		0	0	0	0
Fringe benefits		0	0	0	0
Total		**€1,947,983**	**€2,084,681**	**€1,626,825**	**€2,043,121**

(1) The fixed compensation includes fixed compensation paid in respect of the corporate offices of (i) Judith Milgrom as Deputy Chief Executive Officer of SMCP SA and (ii) Judith Milgrom SASU as Chairman of Maje. The fixed annual compensation of Judith Milgrom was set at €620,000 as from October 5, 2017.

(2) The annual variable compensation of Judith Milgrom includes:

(i) Judith Milgrom will receive compensation paid for the management positions as Deputy Chief Executive Officer of SMCP SA and Judith Milgrom SASU as president of the company Maje, subject to performance conditions. The variable compensation paid in respect of corporate offices amounts to €995,000 since October 5, 2017, if the objectives are met. Given the role played by Ms. Milgrom in both the management of the Maje brand and as a Deputy Chief Executive Officer of the Group, approximately 30% of the targets relate to achievement of the EBITDA of Sandro brand and approximately 70% of the targets relate to achievement of the Group's EBITDA planned in the annual budget. In case of significant overachievement, the bonus can be doubled (which is, on the basis of the 2018 compensation, a maximum of €1,990,000 gross), as was the case for 2017. In the event of non achievement of the performance condition, this variable compensation is not paid; in case of partial achievement, it is paid in proportion to its achievement. Achievement of the performance condition is reviewed and noted at the end of each year and the variable compensation for year N is paid in year N+1. For fiscal year 2018, the performance condition was not 100% achieved, hence the partial payment of the variable compensation, in proportion to said performance.

(ii) compensation paid to Judith Milgrom SASU under service agreements signed with a number of Group companies (see Section 16.2 of this Registration Document). The variable compensation paid under the above-mentioned service agreements amounted to €375,000 for 2018, unchanged since 2017. The above-mentioned service agreements were terminated with effect from January 1, 2019.

The total amount of variable compensation (referred to in (i) and (ii) above) corresponds to 380% of fixed compensation as described in (1) above.

Summary table of compensation paid to each executive officer

(amounts paid in euros)	2017 fiscal year		2018 fiscal year	
	Amounts due	**Amounts paid**	**Amounts due**	**Amounts paid**
Ylane Chétrite, Deputy Chief Executive Officer				
Fixed compensation(1)	€497,778	€497,778	€650,000	€650,000
Annual variable compensation(2)	€690,461	€611,175	€323,050	€690,461
Multi-year variable compensation				
Exceptional compensation	0	0	0	0
Fringe benefits	0	0	0	0
Total	**€1,188,239**	**€1,108,953**	**€973,050**	**€1,340,461**

(1) The fixed compensation includes the fixed compensation paid in respect of the corporate offices of (i) Ylane Chétrite as Deputy Chief Executive Officer of SMCP SA and (ii) Sandro Andy SAS as Chief Executive Officer. The annual fixed compensation of Ylane Chétrite was set at €650,000 in 2018, unchanged since October 5, 2017.

(2) Ylane Chétrite's annual compensation includes compensation paid for Ylane Chétrite's management position as Deputy Chief Executive Officer of SMCP SA and as Chief Executive Officer of the company Sandro Andy SAS, subject to performance conditions. The annual variable compensation of Ylane Chétrite changed on October 5, 2017 to €650,000 for a complete calendar year if the objectives are met. Objectives concern EBITDA of the Sandro Men brand (30%) and Group EBITDA per the annual budget (70%). In case of significant overachievement, the bonus can be doubled (which is, on the basis of the 2018 compensation, a maximum of €1,300,000 gross, corresponding to 200% of the aforementioned fixed compensation), as was the case for fiscal year 2017. In the event of non achievement of the performance condition, this variable compensation is not paid; in case of partial achievement, it is paid in proportion to its achievement. Achievement of the performance condition is reviewed and noted at the end of each year and the variable compensation for year N is paid in year N+1. For fiscal year 2018, the performance condition was not 100% achieved, hence the partial payment of the variable compensation, in proportion to said performance.

Summary table of compensation paid to each executive officer

(amounts paid in euros)	2017 fiscal year		2018 fiscal year	
	Amounts due	**Amounts paid**	**Amounts due**	**Amounts paid**
Chenran Qiu, Deputy Chief Executive Officer				
Fixed compensation	0	0	0	0
Annual variable compensation	None	None	None	None
Multi-year variable compensation				
Exceptional compensation	None	None	None	None
Fringe benefits				
Total	**0**	**0**	**0**	**0**

Table 3 AMF nomenclature

Table for director's fees and other compensation received by members of the Board of Directors

Members of the Board of Directors	Amounts paid during the 2017 fiscal year	Amounts paid during the 2018 fiscal year
Yafu Qiu	None	None
Daniel Lalonde	None	None
Evelyne Chétrite	None	None
Judith Milgrom	None	None
Weiying Sun	None	None
Chenran Qiu	None	None
Xiao Su	None	None
Francis Srun	None	None
Orla Noonan	None	€39,891
Fanny Moizant	None	€32,010
Patrizio di Marco	None	€35,102
Dajun Yang	None	€35,450
Lauren Cohen	N/A	N/A

Table 4 AMF nomenclature

Stock options for new or existing shares awarded during the fiscal year to each executive officer by the issuer and any company of the Group

Name of the executive officer	No. and date of plan	Type of option (new or existing shares)	Valuation of options according to the method used in the consolidated financial statements	Number of options allocated during the fiscal year	Exercise price	Exercise period
Yafu Qiu, Chairman of the Board of Directors			None			
Daniel Lalonde, Chief Executive Officer			None			
Evelyne Chétrite, Deputy Chief Executive Officer			None			
Judith Milgrom, Deputy Chief Executive Officer			None			
Ylane Chétrite, Deputy Chief Executive Officer			None			
Chenran Qiu, Deputy Chief Executive Officer			None			

Table 5 AMF nomenclature

Stock options for new or existing shares exercised during the fiscal year by each executive officer			
Name of the executive officer	No. and date of plan	Number of options exercised during the	Exercise price
Yafu Qiu, Chairman of the Board of Directors		None	
Daniel Lalonde, Chief Executive Officer		None	
Evelyne Chétrite, Deputy Chief Executive Officer		None	
Judith Milgrom, Deputy Chief Executive Officer		None	
Ylane Chétrite, Deputy Chief Executive Officer		None	
Chenran Qiu, Deputy Chief Executive Officer		None	

Table 6 AMF nomenclature

Bonus shares allocated by the Shareholders' Meeting during the fiscal year to each corporate officer by the issuer and any Group company (named list)	No. and date of plan	Number of shares allocated during fiscal year	Valuation of shares according to method used for consolidated financial statements	Acquisition date	Availability date	Performance conditions
Yafu Qiu, Chairman of the Board of Directors	Plan no. 1 10/10/2016	None	None	None	None	None
	Plan no. 2 11/23/2017	None	None	None	None	None
Daniel Lalonde, Chief Executive Officer	Plan no. 1 10/10/2016	1,605,000(1)	2,102,079	10/10/2017	10/10/2018	Conversion into ordinary shares based on the IPO price
	Plan no. 2 11/23/2017	242,018	0	11/23/2019 11/23/2020 11/23/2021	11/23/2021	Performance conditions tied to a target EBITDA for the Group (70%) and a target TSR (30%)
Evelyne Chétrite, Deputy Chief Executive Officer	Plan no. 1 10/10/2016	1,750,000(2)	2,291,987	10/10/2017	10/10/2018	Conversion into ordinary shares based on the IPO price
	Plan no. 2 11/23/2017	302,390	0	11/23/2019 11/23/2020 11/23/2021	11/23/2021	Performance conditions tied to a target EBITDA for the Group (70%) and a target TSR (30%)

Judith Milgrom, Deputy Chief Executive Officer	Plan no. 1 10/10/2016	1,750,000[(3)]	2,291,987	10/10/2017	10/10/2018	Conversion into ordinary shares based on the IPO price
	Plan no. 2 11/23/2017	302,390	0	11/23/2019 11/23/2020 11/23/2021	11/23/2021	Performance conditions tied to a target EBITDA for the Group (70%) and a target TSR (30%)
Ylane Chétrite, Deputy Chief Executive Officer	Plan no. 1 10/10/2016	1,750,000[(4)]	2,291,987	10/10/2017	10/10/2018	Conversion into ordinary shares based on the IPO price
	Plan no. 2 11/23/2017	193,700	0	11/23/2019 11/23/2020 11/23/2021	11/23/2021	Performance conditions tied to a target EBITDA for the Group (70%) and a target TSR (30%)
Chenran Qiu, Deputy Chief Executive Officer	Plan no. 1 10/10/2016	None	None	None	None	None
	Plan no. 2 11/23/2017	None	None	None	None	None

* *Total shareholder return.*

(1) *Daniel Lalonde may convert 1,605,000 Class G preferred shares into 572,411 shares of common stock on or after January 1, 2019.*

(2) *Evelyne Chétrite may convert 1,750,000 Class G preferred shares into 624,121 shares of common stock on or after January 1, 2019.*

(3) *Judith Milgrom may convert 1,750,000 Class G preferred shares into 624,121 shares of common stock on or after January 1, 2019.*

(4) *Ylane Chétrite may convert 1,750,000 Class G preferred shares into 624,297 shares of common stock on or after January 1, 2019.*

Table 7 AMF nomenclature

Bonus shares allocated to each executive officer	No. and date of plan	Number of shares becoming available during the fiscal year
Yafu Qiu, Chairman of the Board of Directors		None
Daniel Lalonde, Chief Executive Officer		None
Evelyne Chétrite, Deputy Chief Executive Officer		None
Judith Milgrom, Deputy Chief Executive Officer		None
Ylane Chétrite, Deputy Chief Executive Officer		None
Chenran Qiu, Deputy Chief Executive Officer		None

Table 8 AMF nomenclature

History of allocation of stock options or share purchase options				
Information on stock options or share purchase options				
Date of Shareholders' Meeting	**Plan no. 1**	**Plan no. 2**	**Plan no. 3**	**Etc.**
Date of the Board of Directors				
Total number of shares which may be subscribed or purchased, including the number which may be subscribed or purchased by:				
Starting point for exercise of options				
Expiration date				
Subscription or purchase price		None		
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				
Options for subscription or purchase of shares and allocation of bonus shares				

Table 9 AMF nomenclature

Stock options for new or existing shares allocated to the top ten employees who are not executive officers and options exercised by these employees	Total number of options allocated/shares subscribed or purchased	Weighted average price	Plan no. 1	Plan no. 2
Options granted during the fiscal year by the issuer and any other company included in the scope of allocation of options, to the ten employees of the issuer and any company included in said scope, to whom the greatest number of options is granted (global information)		None		
Options held in the issuer and the aforementioned companies and exercised, during the fiscal year, by the ten employees of the issuer and said companies, who have purchased or subscribed the greatest number of options (global information)				

Table 10 AMF nomenclature

History of allocation of bonus shares

Information on allocated bonus shares

Free allocation plan	**Plan no. 1 (first tranche)**	**Plan no. 1 (second tranche)**	**Plan no. 1 (third tranche)**	**Plan no. 2**
Date of Shareholders' Meeting	10/10/2016	10/10/2016	10/10/2016	10/5/2017
Date of Chairman's decision	10/10/2016	12/14/2016	2/27/2017	11/23/2017
Total number of bonus shares allotted, including the number allotted to:	12,768,753	1,520,100	393,000	2,038,324
Executive Officers:	6,855,000	None	None	1,040,498
Yafu Qiu, Chairman of the Board of Directors	None	None	None	None
Daniel Lalonde, Chief Executive Officer	1,605,000	None	None	242,018
Evelyne Chétrite, Deputy Chief Executive Officer	1,750,000	None	None	302,390
Judith Milgrom, Deputy Chief Executive Officer	1,750,000	None	None	302,390
Ylane Chétrite, Deputy Chief Executive Officer	1,750,000	None	None	193,700
Chenran Qiu, Deputy Chief Executive Officer	None	None	None	None
Date of acquisition of shares	10/10/2017	12/14/2017	2/27/2018	11/23/2019 11/23/2020 11/23/2021
Date of end of holding period	10/10/2018	12/14/2018	2/27/2019	11/23/2019 11/23/2020 11/23/2021
Number of shares subscribed	None	None	None	None
Cumulative number of shares cancelled or expired	307,178	150,600	0	114,987
Bonus shares remaining at the end of the financial year	12,461,575	1,369,500	393,000	1,923,337

Table 11 AMF nomenclature

Executive officers	Employment contract		Supplementary pension scheme		Severance or benefits due or which may be due on termination of or a change of post		Severance under a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Yafu Qiu, Chairman of the Board of Directors		x		x		x		x
Daniel Lalonde, Chief Executive Officer		x		x	x		x	
Evelyne Chétrite, Deputy Chief Executive Officer		x		x	x		x	
Judith Milgrom, Deputy Chief Executive Officer		x		x	x		x	
Ylane Chétrite, Deputy Chief Executive Officer	x		x		x		x	
Chenran Qiu, Deputy Chief Executive Officer		x		x		x		x

Draft resolutions drawn up by the Board of Directors pursuant to Article L.225-100 of the French Commercial Code subject to a Combined Annual General Meeting of June 7, 2019

"FIFTH RESOLUTION

(Approval of the components of the compensation paid or awarded for the fiscal year ended December 31, 2018 to Yafu Qiu, for his position as Chairman of the Board of Directors)

The Shareholders' Meeting, deliberating under the conditions of quorum and majority required for Ordinary Annual General Meetings, pursuant to Article L. 225-100 of the French Commercial Code, and after acknowledging the Board of Directors' report on corporate governance drawn up in accordance with Article L. 225-37 of the French Commercial Code, approves the components of the compensation paid or awarded for the fiscal year ended December 31, 2018 to Yafu Qiu, Chairman of the Board of Directors, as presented in Section 2.2 of the aforesaid report.

SIXTH RESOLUTION

(Approval of the components of the compensation paid or awarded for the fiscal year ended December 31, 2018 to Daniel Lalonde, for his position as Chief Executive Officer)

The Shareholders' Meeting, deliberating under the conditions of quorum and majority required for Ordinary Annual General Meetings, pursuant to Article L. 225-100 of the French Commercial Code, and after acknowledging the Board of Directors' report on corporate governance drawn up in accordance with Article L. 225-37 of the French Commercial Code, approves the fixed, variable and exceptional components comprising the total compensation and benefits of any kind paid or awarded for the fiscal year ended December 31, 2018 to Daniel Lalonde, Chief Executive Officer, as presented in Section 2.2 of the aforementioned report.

SEVENTH RESOLUTION

(Approval of the components of the compensation paid or awarded for the fiscal year ended December 31, 2018 to Evelyne Chétrite, for her position as Deputy Chief Executive Officer)

The Shareholders' Meeting, deliberating under the conditions of quorum and majority required for Ordinary Annual General Meetings, pursuant to Article L. 225-100 of the French Commercial Code, and after acknowledging the Board of Directors' report on corporate governance drawn up in accordance with Article L. 225-37 of the French Commercial Code, approves the fixed, variable and exceptional components comprising the total compensation and benefits of any kind paid or awarded for the fiscal year ended December 31, 2018 to Evelyne Chétrite, Deputy Chief Executive Officer, as presented in Section 2.2 of the aforementioned report.

EIGTH RESOLUTION

(Approval of the components of the compensation paid or awarded for the fiscal year ended December 31, 2018 to Judith Milgrom, for her position as Deputy Chief Executive Officer)

The Shareholders' Meeting, deliberating under the conditions of quorum and majority required for Ordinary Annual General Meetings, pursuant to Article L. 225-100 of the French Commercial Code, and after acknowledging the Board of Directors' report on corporate governance drawn up in accordance with Article L. 225-37 of the French Commercial Code, approves the fixed, variable and exceptional components comprising the total compensation and benefits of any kind paid or awarded for the fiscal year ended December 31, 2018 to Judith Milgrom, Deputy Chief Executive Officer, as presented in Section 2.2 of the aforementioned report.

NINTH RESOLUTION

(Approval of components of the compensation paid or awarded under the fiscal year ended December 31, 2018 to Ylane Chétrite, for his position as Deputy Chief Executive Officer)

The Shareholders' Meeting, deliberating under the conditions of quorum and majority required for Ordinary Annual General Meetings, pursuant to Article L. 225-100 of the French Commercial Code, and after acknowledging the Board of Directors' report on corporate governance drawn up in accordance with Article L. 225-37 of the French Commercial Code, approves the fixed, variable and exceptional components comprising the total compensation and benefits of any kind paid or awarded for the fiscal year ended December 31, 2018 to Ylane Chétrite, Deputy Chief Executive Officer, as presented in Section 2.2 of the aforementioned report.

TENTH RESOLUTION

(Approval of the components of the compensation paid or awarded for the fiscal year ended December 31, 2018 to Chenran Qiu, for her position as Deputy Chief Executive Officer)

The Shareholders' Meeting, deliberating under the conditions of quorum and majority required for Ordinary Annual General Meetings, pursuant to Article L. 225-100 of the French Commercial Code, and after acknowledging the Board of Directors' report on corporate governance drawn up in accordance with Article L. 225-37 of the French Commercial Code, approves the fixed, variable and exceptional components comprising the total compensation and benefits of any kind paid or awarded for the fiscal year ended December 31, 2018 to Chenran Qiu, Deputy Chief Executive Officer, as presented in Section 2.2 of the aforementioned report."

3. OTHER INFORMATION

3.1 Related party transactions

3.1.1 Agreements and commitments authorized and concluded during the year

No new agreement or commitment was authorized and concluded during the fiscal year ended, pursuant to the provisions of Article L.225-38 of the French Commercial Code.

3.1.2 Previously approved agreements and commitments that remained in force during the year

The Shareholders' Meeting of June 18, 2018 has already approved the following agreements and commitments, which remained in force during the year ended.

Compensation of Mrs. Evelyne Chétrite, member of the Board of Directors

Mrs. Evelyne Chétrite's compensation was set by the Shareholders' Meeting of October 10, 2016 and reviewed by the Shareholders' Meeting of October 5, 2017. Since this date, her compensation comprises a fixed component of €156,505 and a variable component of €251,165 if objectives are attained. Objectives concern EBITDA of the Sandro brand (30%) and Group EBITDA per the annual budget (70%). The bonus may be doubled in the event objectives are significantly exceeded.

Mrs. Evelyne Chétrite received total compensation of €483,759 during the period ended December 31, 2018.

The said commitment will be submitted to the Annual General Meeting of Shareholders of June 7, 2019 for approval.

Compensation of Mrs. Judith Milgrom, member of the Board of Directors

Mrs. Judith Milgrom's compensation was set by the Shareholders' Meeting of October 10, 2016 and reviewed by the Shareholders' Meeting of October 5, 2017. Since this date, her compensation comprises a fixed component of €156,505 and a variable component of €251,165 if objectives are attained. Objectives concern EBITDA of the Maje brand (30%) and Group EBITDA per the annual budget (70%). The bonus may be doubled in the event objectives are significantly exceeded.

Mrs. Judith Milgrom received total compensation of €421,079 during the period ended December 31, 2018.

The said commitment will be submitted to the Annual General Meeting of Shareholders of June 7, 2019 for approval.

Compensation of Mr. Daniel Lalonde, member of the Board of Directors

Mr. Daniel Lalonde's compensation was set by the Shareholders' Meeting of October 10, 2016 and reviewed by the Shareholders' Meeting of October 5, 2017. Since this date, his compensation comprises a fixed component of €900,000 and a variable component of €900,000 if objectives are attained.

The objective is tied to the achievement of the Group's EBITDA (taking into account the performances of each of the Group's trademarks) specified in the annual budget.
The bonus may be doubled if the objective is significantly exceeded.

Mr. Daniel Lalonde received total compensation of €2,395,195 during the fiscal year ended December 31, 2018.

The said commitment will be submitted to the Annual General Meeting of Shareholders of June 7, 2019 for approval.

Compensation of Mr. Ylan Chétrite, member of the Board of Directors

Mr. Ylan Chétrite's compensation was set by the Shareholders' Meeting of October 10, 2016 and reviewed by the Shareholders' Meeting of October 5, 2017. Since this date, his compensation comprises a fixed component of €650,000 and a variable component of €650,000 if objectives are attained. Objectives concern EBITDA of the Sandro brand (30%) and Group EBITDA per the annual budget (70%). The bonus may be doubled in the event objectives are significantly exceeded.

Mr. Ylan Chétrite received total compensation of €1,340,461 during the period ended December 31, 2018.

The said commitment will be submitted to the Annual General Meeting of Shareholders of June 7, 2019 for approval.

3.2 Terms of shareholder participation in Shareholders' Meetings

3.2.1 Notice to attend and participate in Annual General Meetings

Shareholders' decisions are taken at Annual General Meetings 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.

The extraordinary general meeting alone is authorized to amend all the provisions of the Articles of Association.

Annual General Meetings are convened by the Board of Directors under the conditions and within the periods stipulated by law. The Annual General Meetings are held at the registered office or at any other place indicated in the notice of meeting.

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. Any shareholder may vote remotely or confer power of attorney in accordance with the regulations in force.

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 delegated director for such purpose by the Board of Directors. 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.

3.2.2 Exercise of voting rights, double voting rights, limitations to voting rights

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, i.e. October 20, 2017.

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.

Class G preferred shares do not carry financial rights and are therefore not entitled, in the profits and capital assets, to a share proportional to the percentage of capital that it represents so long as they are not converted into common shares.

3.3 Delegations and authorizations granted by the annual general meeting of shareholders for capital increases

Table summarizing current delegations of authority for capital increases:

Resolution	Nature of the delegation	Maximum maximum	Maximum nominal maximum	Utilization in fiscal year 2018
17th Resolution	Authorization to trade in the Company's shares (share buyback program)	18 months	Subject to a limit of 10% of the total number of shares forming the share capital or 5% of the total number of shares with a view to their retention and subsequent remittance for payment or exchange in connection with external growth transactions Maximum purchase price: €44	Liquidity contract with Exane BNP Paribas to stimulate the shares of the Company. The contract came into effect on November 28, 2017 and expires on December 31, 2018, and may be renewed tacitly for one-year periods. At December 31, 2018, 79,252 SMCP S.A. shares were reported as contract assets.
18th Resolution	Authorization granted to the Board of Directors to reduce the share capital by canceling treasury shares	26 months	Subject to a limit of 10% of the share capital every 24 months	None.
19th Resolution	Delegation of authority to the Board of Directors to increase the share capital through the capitalization of reserves, profits or premiums or any other sum that may be capitalized	26 months	€16,000,000 (Approximately 20% of the capital)	None.
20th Resolution	Delegation of authority to the Board of Directors to increase the share capital through the issuance, maintaining preemptive subscription rights, of shares and/or equity securities giving rights to other equity securities and/or giving rights to the allocation of debt securities and/or securities giving rights to equity securities to be issued	26 months	For the capital increases: €32,000,000 (Approximately 40% of the capital (1)) For issues of debt securities: €500,000,000 (2)	None.
21th Resolution	Delegation of authority to the Board of Directors to increase the share capital through the issuance, eliminating preemptive subscription rights, of shares and/or equity securities giving rights to other equity securities and/or giving rights to the allocation of debt securities and/or securities giving rights to equity securities to be issued in the context of public offerings(6)	26 months	For the capital increases: €8,000,000 (10% of the capital (2)) For issues of debt securities: €500,000,000 (3)	None
22th Resolution	Delegation of authority given to the Board of Directors to increase the share capital through the issuance, with elimination of preemptive subscription rights, of shares and/or equity securities giving rights to other equity securities and/or giving the right to the allocation of debt securities and/or of securities giving rights to equity securities to be issued, through private placement as described in Article L.411-2 II of the French Monetary and Financial Code(1)	26 months	For the capital increases: €8,000,000 (10% of the capital (2)) For issues of debt securities: €500,000,000 (3)	None.

Resolution	Nature of the delegation	Maximum maximum	Maximum nominal maximum	Utilization in fiscal year 2018
23th Resolution	Authority to the Board of Directors, in the event of an issue with elimination of the preemptive subscription right, through public offerings or private placements as described in Article L. 411-2-II of the French Monetary and Financial Code, in order to set the issue price in accordance with the conditions established by the Shareholders' Meeting, up to a limit of 10% of the capital per year.	26 months	For the capital increases: €8,000,000 (10% of the capital(1) per year) For issues of debt securities: €500,000,000 (3)	None.
24th Resolution	Authority given to the Board of Directors to increase the amount of issues with or without preemptive subscription rights	26 months	Limit laid down by the applicable regulations (currently 15% of the initial issue) (1)	None.
25th Resolution	Delegation of authority to the Board of Directors to increase capital through the issue of shares or equity securities giving rights to other equity securities and/or giving rights to the allocation of debt securities and/or securities giving rights to equity securities to be issued in consideration for in-kind contributions up to a limit of 10% of the share capital	26 months	For the capital increases: €8,000,000 (10% of the capital (1)) For issues of debt securities: €500,000,000 (3)	None.
26th Resolution	Delegation of authority to the Board of Directors to increase share capital, with elimination of the preemptive subscription right, through the issuance of shares of the Company reserved for the participants in a company savings plan	26 months	3% of capital (1) (4)	None.
27th Resolution	Delegation of authority to the Board of Directors to increase the share capital through the issuance of shares, with elimination of preemptive subscription rights, to a defined category of beneficiaries (employees and officers of the Company and affiliated companies)	18 months	3% of capital (1) (4)	None.
28th Resolution	Authority given to the Board of Directors to allot existing or new bonus shares to the employees and officers of the Company and affiliated companies	38 months	350,000 shares, including a maximum amount of 35,000 shares for the benefit of executive officers	Board of Directors meeting of November 23, 2017 and Chief Executive Officer's decision of November 23, 2018: Definitive allocation of 3,992 bonus shares to 998 employees and officers of the Company.
29th Resolution	Authority given to the Board of Directors to award stock options to the eligible employees and officers of the Group	38 months	3% of capital (1) (4)	None.

(1) Delegation subject to the total ceiling of €32,000,000 for capital increases (40% of the share capital).

(2) Delegation subject to the total ceiling of €32,000,000 for capital increases (40% of the share capital).

(3) Delegation subject to the total ceiling of €500 million for issues of debt securities.

(4) The maximum total of the capital increases that may be executed under this authority is charged against the total ceiling for operations reserved for employees that is set at €2,400,000.

(5) A sub-limit of 10% of the capital is applied to these issues.

(6) Including as part of a public exchange offer initiated by the Company (Art. L 225-148 of the French Commercial Code).

Table summarizing current delegations of authority for capital increase proposed at the Shareholders' Meeting of June 7, 2019:

Resolution	**Nature of the delegation**	**Maximum period**	**Maximum nominal amount**
17th Resolution	Authorization to trade in the Company's shares (share buyback program)	18 months	Subject to a limit of 10% of the total number of shares forming the share capital or 5% of the total number of shares with a view to their retention and subsequent remittance for payment or exchange in connection with external growth transactions Maximum purchase price: €44
19th Resolution	Authorization granted to the Board of Directors to reduce the share capital by canceling treasury shares	26 months	Subject to a limit of 10% of the share capital every 24 months
20th Resolution	Delegation of authority to the Board of Directors to increase the share capital through the capitalization of reserves, profits or premiums or any other sum that may be capitalized	26 months	€16,000,000 (Approximately 20% of the capital)
21th Resolution	Delegation of authority to the Board of Directors to increase the share capital through the issuance, maintaining preemptive subscription rights, of shares and/or equity securities giving rights to other equity securities and/or giving rights to the allocation of debt securities and/or securities giving rights to equity securities to be issued	26 months	For the capital increases: €32,000,000 (Approximately 40% of the capital (1)) For issues of debt securities: €500,000,000 (2)
22th Resolution	Delegation of authority to the Board of Directors to increase the share capital through the issuance, eliminating preemptive subscription rights, of shares and/or equity securities giving rights to other equity securities and/or giving rights to the allocation of debt securities and/or securities giving rights to equity securities to be issued in the context of public offerings(6)	26 months	For the capital increases: €8,000,000 (10% of the capital (2)) For issues of debt securities: €500,000,000 (3)
23th Resolution	Delegation of authority given to the Board of Directors to increase the share capital through the issuance, with elimination of preemptive subscription rights, of shares and/or equity securities giving rights to other equity securities and/or giving the right to the allocation of debt securities and/or of securities giving rights to equity securities to be issued, through private placement as described in Article L.411-2 II of the French Monetary and Financial Code(1)	26 months	For the capital increases: €8,000,000 (10% of the capital (2)) For issues of debt securities: €500,000,000 (3)
24th Resolution	Authority to the Board of Directors, in the event of an issue with elimination of the preemptive subscription right, through public offerings or private placements as described in Article L. 411-2-II of the French Monetary and Financial Code, in order to set the issue price in accordance with the conditions established by the Shareholders' Meeting, up to a limit of 10% of the capital per year.	26 months	For the capital increases: €8,000,000 (10% of the capital(1) per year) For issues of debt securities: €500,000,000 (3)
25th Resolution	Authority given to the Board of Directors to increase the amount of issues with or without preemptive subscription rights	26 months	Limit laid down by the applicable regulations (currently 15% of the initial issue) (1)
26th Resolution	Delegation of authority to the Board of Directors to increase capital through the issue of shares or equity securities giving rights to other equity securities and/or giving rights to the allocation of debt securities and/or securities giving rights to equity securities to be issued in consideration for in-kind contributions up to a limit of 10% of the share capital	26 months	For the capital increases: €8,000,000 (10% of the capital (1)) For issues of debt securities: €500,000,000 (3)
27th Resolution	Delegation of authority to the Board of Directors to increase share capital, with elimination of the preemptive subscription right, through the issuance of shares of the Company reserved for the participants in a company savings plan	26 months	3% of capital (1) (4)

Resolution	Nature of the delegation	Maximum period	Maximum nominal amount
28th Resolution	Delegation of authority to the Board of Directors to increase the share capital through the issuance of shares, with elimination of preemptive subscription rights, to a defined category of beneficiaries (employees and officers of the Company and affiliated companies)	18 months	3% of capital (1) (4)
29th Resolution	Authority given to the Board of Directors to allot existing or new bonus shares to the employees and officers of the Company and affiliated companies	38 months	3% of capital (1) (4)
30th Resolution	Authority given to the Board of Directors to award stock options to the eligible employees and officers of the Group	38 months	3% of capital (1) (4)

(1) Delegation subject to the total ceiling of €32,000,000 for capital increases (40% of the share capital).

(2) Delegation subject to the total ceiling of €32,000,000 for capital increases (40% of the share capital).

(3) Delegation subject to the total ceiling of €500 million for issues of debt securities.

(4) The maximum total of the capital increases that may be executed under this authority is charged against the total ceiling for operations reserved for employees that is set at €2,400,000.

(5) A sub-limit of 10% of the capital is applied to these issues.

(6) Including as part of a public exchange offer initiated by the Company (Art. L 225-148 of the French Commercial Code).

3.4 Information that could have an impact in the event of a public offering

The elements that could have an impact in the event of a public offering are described below.

3.4.1 Structure of the Company's capital

At December 31, 2018, the Company's share capital amounted to €81,913,824.30, divided as follows:

- 73,174,015 shares of common stock with a par value of €1.10; and
- 1,293,098 shares of Class G preferred stock with a par value of €1.10

The following table shows shareholders of the Company as of December 31, 2018:

Shareholders	Number of ordinary shares	Number of Class G preferred shares[4]	Total number of shares and voting rights	% of voting rights
European TopSoho Sàrl[1]	40,135,102	0	40,135,102	53.90%
Founders: Sivan [2] Judor [3] Ylane Chétrite	3,025,392	477,315	3,502,707	4.70%
Managers				
Daniel Lalonde:	119,225	145,909	265,134	0.36%
Other managers:	205,409	567,689	773,098	1.04%
Free float	29,609,635	102,185	29,711,820	39.90%
Treasury shares	79,252	0	79,252	0.11%
TOTAL	**73,174,015**	**1,293,098**	**74,467,113**	**100%**

(1) *Entity held indirectly at 51.8% by Shandong Ruyi Technology Group and 48.2% by Yinchuan WeiXin Industry Funds Ltd Partnership. Yinchuan WeiXin Industry Funds Ltd Partnership is indirectly and majority-owned by investment funds of the Popular Republic of China.*

(2) *Entity held by Evelyne Chétrite.*

(3) *Entity held by Judith Milgrom.*

(4) *The terms and conditions of the class G preferred shares are detailed in Section 21.2.3.2 of this Registration Document.*

The number of registered shareholders totaled 1,108 natural or legal persons.

At December 31, 2018, the number of shares held by members of the Board of Directors amounted to 3,652,002 shares representing 3,652,002 votes.

At the end of the fiscal year ended December 31, 2018, the participation of employees as defined in Article L. 225-102 of the French Commercial Code represented 2.59% of the Company's share capital.

To the knowledge of the Company, with the exception of European TopSoho Sàrl (company controlled by Shandong Ruyi), no other shareholder owns more than 5% of the capital or voting rights.

The following table shows shareholders of the Company as of March 31, 2019:

Shareholders	Number of ordinary shares	Number of Class G preferred shares[4]	Total number of shares and voting rights	% of voting rights
European TopSoho Sàrl[1]	40,135,102	0	40,135,102	53.69%
Founders: Sivan [2] Judor [3] Ylane Chétrite	3,025,392	477,315	3,502,707	4.69%
Managers				
Daniel Lalonde:	119,225	145,909	265,134	0.35%
Other managers:	568,093	475,238	1,043,331	1.40%
Free float	29,640,640	98,777	29,739,417	39.79%
Treasury shares	61,616	0	61,616	0.08%
TOTAL	73,550,068	1,197,239	74,747,307	**100%**

(1) Entity held indirectly at 51.8% by Shandong Ruyi Technology Group and 48.2% by Yinchuan WeiXin Industry Funds Ltd Partnership. Yinchuan WeiXin Industry Funds Ltd Partnership is indirectly and majority-owned by investment funds of the Popular Republic of China.

(2) Entity held by Evelyne Chétrite.

(3) Entity held by Judith Milgrom.

(4) The terms and conditions of the class G preferred shares are detailed in Section 21.2.3.2 of this Registration Document.

The Company has no knowledge of significant changes in the composition of its shareholding since March 31, 2019.

Crossing of thresholds

For as long as the Company's shares are admitted to trading on a regulated market, besides the declarations on crossing of thresholds expressly provided for by the laws and regulations in force, any natural or legal persons finding themselves, directly or indirectly, alone or jointly, in possession of a portion of the capital or voting rights (calculated in accordance with the provisions of Articles L. 233-7 and L. 233-9 of the French Commercial Code and the provisions of the general regulations of the French Autorité des Marchés Financiers), equal to or greater than 1% of the capital or voting rights, or any multiple thereof, including beyond the thresholds set by the legal and regulatory framework, must inform the Company of the total number (i) of shares and voting rights they own, directly or indirectly, alone or jointly; (ii) of the securities granting future access to the Company capital that they own, directly or indirectly, alone or jointly, and the voting rights potentially attached thereto; and (iii) of the shares already issued which those persons may acquire under an agreement or a financial instrument mentioned in Article L. 211-1 of the French Monetary and Financial Code. Such notification must be given, by registered letter with acknowledgment of receipt, within a period of four business days as from the crossing of the threshold concerned.

The obligation to inform the Company also applies, within the same periods and under the same conditions, when the shareholder's interest in the capital, or voting rights, falls below one of the aforesaid thresholds.

In the event of failure to comply with the obligation to make the aforesaid declaration of crossing of thresholds and at the request, recorded in the minutes of the general meeting, of one or more shareholders representing at least 5% of the Company's capital or voting rights, those shares exceeding the portion that should have been declared will be deprived of voting rights up until the expiry of a period of two years following the date of that the situation with regard to notification was rectified.

The Company reserves the right to inform the public and the shareholders either of the information notified to it or of failure to meet the aforesaid obligation by the person concerned.

There was no threshold crossing as stipulated by the legal provisions in 2018.

As of the date of this report, the Company had not been notified of any threshold crossing as stipulated by the provisions since the end of fiscal year 2018.

Change in distribution of the Company's capital over the last two financial years

Shareholders	2017 Number of ordinary shares	2017 Number of Class G preferred shares[(4)]	2017 Total number of shares and voting rights	2018 Number of ordinary shares	2018 Number of Class G preferred shares[(4)]	2018 Total number of shares and voting rights
European TopSoho Sàrl[(1)]	44,829,918	0	44,829,918	40,135,102	0	40,135,102
Founders: Sivan [(2)] Judor [(3)]	3,025,392	5,250,000	8,275,392	3,025,392	477,315	3,502,707
Managers						
Daniel Lalonde:	119,225	1,605,000	1,724,225	119,225	145,909	265,134
Other managers:	582,801	6,976,075	7,558,876	205,409	567,689	773,098
Free float	24,576,588	0	24,576,588	29,609,635	102,185	29,711,820
Treasury shares	36,099	0	36,099	79,252	0	79,252
TOTAL	**73,170,023**	**13,831,075**	**87,001,098**	**73,174,015**	**1,293,098**	**74,467,113**

(1) *Entity held indirectly at 51.8% by Shandong Ruyi Technology Group and 48.2% by Yinchuan WeiXin Industry Funds Ltd Partnership. Yinchuan WeiXin Industry Funds Ltd Partnership is indirectly and majority-owned by investment funds of the Popular Republic of China.*

(2) *Entity held by Evelyne Chétrite.*

(3) *Entity held by Judith Milgrom.*

(4) *The terms and conditions of the class G preferred shares are detailed in Section 21.2.3.2 of this Registration Document.*

Change in distribution of the Company's capital over the last two financial years:

Shareholders	2017 Total number of shares and voting rights	2017 % of voting rights	2018 Total number of shares and voting rights	2018 % of voting rights
European TopSoho Sàrl[(1)]	44,829,918	61.3%	40,135,102	53.90%
Founders: Sivan [(2)] Judor [(3)]	8,275,392	4.1%	3,502,707	4.70%
Managers				
Daniel Lalonde:	1,724,225	0.2%	265,134	0.36%
Other managers:	7,558,876	0.8%	773,098	1.04%
Free float	24,576,588	33.6%	29,711,820	39.90%
Treasury shares	36,099	0.0%	79,252	0.11%
TOTAL	**87,001,098**	**100.0%**	**74,467,113**	**100.0%**

(1) *Entity held indirectly at 51.8% by Shandong Ruyi Technology Group and 48.2% by Yinchuan WeiXin Industry Funds Ltd Partnership. Yinchuan WeiXin Industry Funds Ltd Partnership is indirectly and majority-owned by investment funds of the Popular Republic of China.*

(2) *Entity held by Evelyne Chétrite.*

(3) *Entity held by Judith Milgrom.*

(4) *The terms and conditions of the class G preferred shares are detailed in Section 21.2.3.2 of this Registration Document.*

3.4.2 The restrictions defined by the Articles of Association on the exercise of voting rights and stock transfers, or the clauses of agreements of which the Company has been informed pursuant to Article L.233-11 of the French Commercial Code

The restrictions defined by the bylaws on the exercise of voting rights and stock transfers, or the clauses of agreements of which the Company has been informed pursuant to Article L.233-11 of the French Commercial Code, as well as the rules governing the nomination and replacement of members of the Board of Directors, and the agreements among shareholders of the Company known by the Company which may result in restrictions on stock transfers and the exercise of voting rights are described in Sections 18.2 "Declaration on control of the Company", 21.2.3 "Right, privileges and restrictions attached to shares", and 21.2.7 "Thresholds and identification of shareholders" in the Registration Document. The powers of the Board of Directors, particularly the issuance and purchase of shares, and the agreements signed by the Company that have been amended or end if control of the Company changes, are described in Sections 18.4 and 21.2.6 respectively of the Registration Document.

3.4.3 The direct or indirect interests held in the capital of the Company of which it is aware under Articles L.233-7 and L.233-12 of the French Commercial Code

The direct or indirect interests held in the capital of the Company of which it is aware under Articles L. 233-7 and L. 233-12 of the French Commercial Code are described in the table of shareholders above (see Section 3.4.1 "Capital structure" in this report).

3.4.4 List of persons holding any security with special control rights and a description of those rights or control mechanisms stipulated in a potential employee shareholding system, when the control rights are not exercised by employees.

There are no persons holding any security that carries special control rights or control mechanisms stipulated in a potential employee shareholding system, when the control rights are not exercised by employees.

3.4.5 Shareholders agreements of which the Company is aware and which could result in restrictions on the transfer of shares and the exercise of voting rights

At the Company's initial public offering, Evelyne Chétrite, Judith Milgrom, Ylane Chétrite (the "**Founders**"), Sivan Sàrl (company held by Evelyne Chétrite) and Judor Sàrl (company held by Judith Milgrom), and European TopSoho Sàrl, (together the "**Parties|"** "and individually a "**Party**"), established the principal terms of a shareholders' agreement (the "**Agreement**").

The Agreement is for a term that expires on June 30, 2020 (unless terminated early related to the ownership by the Founders and the companies they control of a certain percentage of the Company's capital).

The Agreement notes the appointment of Evelyne Chétrite, Judith Milgrom and Ylane Chétrite to the positions of Deputy Chief Executive Officers responsible for the creation and marketing strategy of each brand concerned and stipulates the following:

- • principles concerning the governance of the Company, including the appointment of Evelyne Chétrite and Judith Milgrom to the Board of Directors of the Company, and of Ylane Chétrite as non-voting member; if they cease their duties, except in a case of fault or non-compliance with their non-compete obligations, the Founders will have the option to recommend their replacements to the competent bodies;
- principles relating to the liquidity of the Company's shares:
- a right to information for the Founders prior to the execution of any project to sell shares of the Company planned by European TopSoho or one of its affiliates, representing at least 2% of the Company;
- a best-effort commitment from European TopSoho to allow the Founders (including the shareholder companies they control) to participate, if they so request, at the level of their interest, in any process to sell a block of shares by European TopSoho representing at least 2% of the capital of the Company. Even if the Founders proposed sale fails, European TopSoho alone may sell its shares to the third-party buyer without any impact on the rest of the shareholders' agreement;
- a best-effort agreement from European TopSoho, if the Founders request no earlier than six (6) months before the end of the Agreement, to give the Founders the assistance of the Company and its executives in the context of any project to sell their shares in the Company to be executed on or off the market;
- a purchase commitment by European TopSoho, that may be exercised under certain conditions and within a period of 45 days preceding the end date of the Agreement, around 40% of the shares held by each of the Founders and the companies they control (this percentage will be calculated on the basis of all the shares held by each of the Founders on the date of signature of the Agreement, as well as shares resulting from the conversion of their G PS), at a price equal to the average price of the Company's share weighted by volume over a period of 45 days preceding the date of the purchase request as notified by the Founder in question.

3.4.6 Powers of the Board of Directors for capital increase and share buyback

Information regarding the powers of the Board of Directors for capital increase is provided in Section 3.3 "Delegations and authorizations granted by the annual general meeting of shareholders for capital increases" herein.

Share buyback program

The Shareholders' Meeting of June 18, 2018 authorized the Board of Directors, for a period of 18 months from the date of the Meeting, with the option of sub-delegation in accordance with laws and regulations and pursuant to the provisions of Articles L. 225-209 ff. of the French Commercial Code, to purchase on one or more occasions at the times it shall establish, a number of shares of the Company that may not exceed 10% of the total number of shares composing the share capital, at any time, or 5% of the total number of shares composing the share capital for shares acquired by the Company in order to retain them and subsequently remit such shares as payment or exchange within a merger, demerger or spin-off transaction; it is specified that the number of shares held by the Company may not under any circumstances result in the Company holding at any time more than 10% of the shares composing its share capital.

The shares may be acquired, by resolution of the Board of Directors, in order to:

- ensure liquidity and stimulate the Company securities market through an investment service provider acting independently under a liquidity contract in accordance with the ethics charter recognized by the AMF;
- allocate shares to members of the Company's personnel, particularly in respect of (i) Company profit-sharing; (ii) any Company share purchase option plan, under the provisions of Articles L. 225-177 ff. of the Commercial Code; or (iii) any savings plan pursuant to Articles L. 3331-1 ff. of the Employment Code or any free allocation of shares under the provisions of Articles L. 225-197-1 ff. of the Commercial Code, and perform any hedging transactions relating to these transactions, under the conditions laid down by the market authorities and at the times which the Board of Directors or the person acting by delegation of the Board of Directors will determine;
- hand over the Company shares at the time of exercise of the rights attached to securities granting the right, by repayment, conversion, exchange, presentation of a note or in any other way, to the allocation of shares of the Company under the regulations in force, and perform any hedging transactions relating to these transactions, under the conditions laid down by the market authorities and at the times which the Board of Directors or the person acting by delegation of the Board of Directors will determine;
- hold the Company shares and remit them at a later date for payment or exchange in connections any external growth transactions;
- cancel the shares of the Company in connection with a reduction in share capital;
- implement any market practice that may be accepted by the AMF and, more generally, perform any transactions complying with the regulations in force.

The maximum unit purchase price, excluding fees, may not be greater than €44.

In the event of transactions in the Company's capital, particularly a change in the nominal value of the share, an increase in capital through the incorporation of reserves followed by the creation and the free allocation of shares, or the division or grouping of securities, the Board of Directors may adjust the aforementioned maximum purchase price, however, in order to account for the effect of these transactions on the Company's share value.

These shares may be acquired, disposed of or transferred and paid for by any means authorized by the regulations in force, on a regulated market, on a multilateral trading system, with a systematic internalizer or over the counter, particularly through the acquisition or transfer of blocks of shares, the use of options or other derivative financial instruments, or notes or, more generally, to securities granting the right to shares of the Company, at times determined by the Board of Directors, excluding public offer periods involving the Company's securities.

The Board of Directors will have all powers, with the option of sub-delegation under the statutory and regulatory conditions, to effect the permitted reallocations of shares bought back with a view to one of the objectives of the program or to one or more of its other objectives, or to transfer them, on or off the market, in adherence to the relevant statutory and regulatory provisions.

The Board of Directors will inform the general meeting of the transactions performed, under the statutory conditions.

Liquidity agreement

Liquidity contract was signed with Exane BNP Paribas to stimulate the shares of the Company. The contract came into effect on November 28, 2017 and expires on December 31, 2018, and may be renewed tacitly for one-year periods.

As of December 31, 2018, pursuant to its liquidity contract, the Company held 79,252 treasury shares in addition to €352,025 of cash.

3.4.7 Agreements signed by the Company that have been amended or end if control of the Company changes

The agreements signed by the Company that have been amended or end if control of the Company changes are provided in Sections 10.2.2.1 "Credit Facility Agreement", 10.2.2.2 "2023 Bonds" and 10.2.2.3 "Intercreditor Agreement" of the Registration Document.

3.4.8 Agreements stipulating indemnities for members of the Board of Directors or employees if they resign or are dismissed without real and serious cause, or if their employment ends because of a public offering

The Group has established agreements that stipulated severance packages for the termination of the Chief Executive Officer and for Evelyne Chétrite, Judith Milgrom and Ylane Chétrite in their capacity as Deputy Chief Executive Officers. Detailed information is presented in Section 15.1 of the Registration Document.

3.4.9 Statement summarizing the transactions mentioned in Article L.621-18-2 of the French Monetary and Financial Code during fiscal year 2018

The table below presents a statement (Article 223-26 of the general regulation of the AMF) summarizing the transactions mentioned in Article L.621-18-2 of the French Monetary and Financial Code during fiscal year 2018:

Person interested	Financial instrument	Nature of the transaction	Date of transaction	Place of transaction	Unit price *(in euros)*	Amount of transaction *(in euros)*
Knightly Investments(1)[43]	Actions	Acquisition	September 24, 2018	Euronext Paris	23.0539	50,718.58
Orla Noonan	Actions	Acquisition	September 24, 2018	Euronext Paris	23.0466	23,046.6

Board of Directors

[43] Legal person related to Orla Noonan, who is a member of the SMCP Board of Directors

Appendix II
2018 Statement of Non-Financial Performance (*Déclaration de performance extra-financière* - DPEF)

Our collections were designed to reflect the times and evolve to match the values that define us. We are convinced that elegant Parisian chic implies forward-looking designs.

0. Introduction

Manufacturing collections that blend elegance and responsibility and making our Brands more desirable and more planet and mankind friendly: in 2018, the SMCP Group defined its CSR strategy in a clear and structured manner.

We have deliberately chosen a continuous proactive approach to address economic, social and environmental challenges. Dressing women and men with high values of elegance everywhere in the world. More than ever, our ambition is to attain sustainable growth. That is why we are determined to take our present actions even further, with commitments conceived to address the future of our three Brands, for our customers, for our employees, for biodiversity and for the World.

0.1. Foreword about the Group & its values

Chic and elegance are not in what you wear, but in your attitude.

In the beginning, there were three women, Evelyne Chétrite, Judith Milgrom & Claudie Pierlot who dreamed of dressing Parisians in elegant clothes. Sandro and Claudie Pierlot were created in 1984, then Maje in 1998. The union of these three Brands gave birth to the SMCP Group in 2010. Driven by the desire to inspire Parisian chic worldwide with a certain taste for raising challenges, SMCP became an international leader in ready-to-wear and accessories with 1,466 points of sale in 40 countries, reaching €1,017 million of annual sales in 2018.

Emboldened by this extraordinary global growth, our mission changed and became a duty. The duty of elegance in the collections and the quality of service that we deliver to our customers also extend to how we run our business operations in terms of corporate social responsibility.

Our CSR commitments are reflected in our values.

Our sustainable strategy is genuine and dynamic, just like the driven entrepreneurs who make up our history.

Acting as a conscious entrepreneur: the entrepreneurial heritage from the founders of our three Brands is hardwired into our genes and we proudly uphold their ambition.

Committing with passion and attention: we are the ambassadors of our Brands and in this respect, we share the desire to make them grow by focusing our actions around human beings.

Cultivating our creativity and innovating for the best: we come up with new ideas and encourage all our employees to join us in generating new ones to enhance the Group's performance in a responsible and sustainable manner.

Developing a responsible global mindset: we must have a holistic view of what we build at the international level, by creating unique experiences that are respectful of all cultures.

Considering elegance as an attitude under all circumstances: We are conscious of the world we live in and as such we aspire to an ethical and responsible performance.

0.2. Business model

Please refer to Section 6 "Overview of the Group's activities" of the 2018 Registration Document.

0.3. CSR-related risks & opportunities

The developments below present the risks & opportunities related to CSR which must be read as a supplement to the information in Section 4.2 "Risks associated with the Group's business activities" of the 2018 Registration Document.

0.3.1. Methodology

For the first time, SMCP includes in its chapter dealing with risk analysis, a section exclusively devoted to the non-financial risks weighing on the Group and that the Group places on its stakeholders.
This analysis of non-financial risks is based on work carried out in prior years by PwC in connection with the drawing up of the Group's CSR inventory and by Utopies, a firm specialized in CSR as part of the preparation of the Group's CSR strategy. The preparation of this strategy particularly led to the interrogation of external stakeholders on their view of CSR risks and expectations within the fashion industry. Internal interviews were also carried out to identify the CSR risks and expectations as perceived by Group employees.

This analysis also relies on regulatory and competition intelligence and on the financial risks previously identified and disclosed.

This non-financial risk analysis has been validated internally, in particular by the Group Corporate Secretary, the Group Director of Strategy and Development, and by the Group Director for Internal Audits.

Risks	Policies and projects that have been implemented Results and performance indicators
Diversity and inclusion Development and human capital Corruption and tax evasion	See "Promote an authentic corporate culture" See "Development of employees" indicators
Working conditions	See "Improve well-being at work" See "Development of employees" indicators
Supplier relations Human Rights Information and labeling of our products Quality and safety of our collections	See "Guarantee transparency" See "Responsible sourcing" indicators
Raw materials Animal welfare	See "Evolve towards responsible materials" See "Responsible sourcing" indicators
Real estate and fixed assets Freight transport	See "Reduce our carbon footprint" See "Environmental footprint" indicators

0.3.2. Social and societal risks

Highly conscious of the social and societal risks associated with our international activities in the ready-to-wear sector and in particular to the subcontracted manufacturing of our collections, we have developed a responsible and ethical global strategy.

- *Diversity and inclusion:* we believe that diversity is a force that drives new ideas at all levels of our structure and keeps us one step ahead of the game. The Group has made a commitment through its Human Resources policy to promote diversity and inclusion and to empower women in all the countries in which we operate.
- *Development & enhancement of human capital:* We wish to continue writing the story of our extraordinary growth internationally with all our employees. They are our strength and our ambassadors in the World. Without customer loyalty and adequate capitalization of our human capital, the Group is exposed to a risk of losing skills in all its functions. That is why we strive to guarantee fair and equitable compensation and fringe benefits for all our employees. We endeavor to encourage autonomy and employee internal mobility by promoting a genuine corporate culture. Lastly, to make sure that we can attract tomorrow's talents, we have also developed new recruitment methods.
- *Data protection:* The Group aspires to a responsible digital transformation. To minimize the risks linked to the processing of customers and employee personal data collected through our marketing & personnel management policies, we have developed an internal organization compliant with legal requirements after the entry into force of the GDPR.
- *Working conditions:* Our employees may be exposed to a risk of deterioration of their workplace well-being due to our rapid business growth. We are aware that our growth is driven by our employees, hence our commitment to maintain harmonious and secure working conditions wherever we operate. We aspire to a responsible, human-centric performance and have set up internal HR policies designed for the well-being of all our employees.
- *Supplier relations:* To help and encourage our suppliers worldwide who provide us with our supplies and/or manufacture our products to respect our social and societal requirements, we strive to develop and maintain harmonious and trusting relations with them. Our procurement policy is designed to be sustainable and responsible throughout our value chain.
- *Quality and safety of our collections* (clothes and accessories) is one of our core concerns. Because the health and safety of our customers is an absolute priority, we decided to develop a quality appendix to our General Supply Conditions (GSC). In compliance with all the regulations in force (REACH, POP, etc.), it guarantees for all our customers, healthy and safe ready-to-wear products, free of any hazardous substance.
- *Information & labeling of our products:* In accordance with European Regulation no 1007/2011/EU, and to acknowledge the confidence of our customers in our group, SMCP undertakes to be transparent and to disclose the origin of all products on its labels. This commitment is mentioned in our GSC.
- *Animal welfare:* The SMCP group is extremely vigilant about its sourcing of animal products, hence the required meticulous inspections imposed on our suppliers. To comply with and encourage animal well-being, a particularly relevant issue in our sector, we have defined very specific requirements in our GSC. Furthermore, we carry out sourcing investigations in order to propose alternatives to controversial animal materials.

0.3.3. Environmental risks

The Group is also highly conscious of the environmental challenges in the textile industry of which it is major economic contributor, therefore it has launched a continuous CSR approach to limit its impact on the planet and on biodiversity.

- *Raw materials:* aware of the importance of the issue of raw materials from an environmental viewpoint and the depletion of resources, the Group undertakes to promote the use of responsible materials.

- *Real estate and fixed assets:* the Group is conscious of the impact of its real estate and fixed assets (head offices, points of sale, warehouses) particularly in terms of energy consumption and depletion of resources. That is why the Group monitors its electrical consumptions and sets up solutions to implement more sustainable furniture.
- *Freight transport:* freight transport is the Group activity with the highest CO2 emissions. That is why the Group limits air freight as much as possible and encourages more environmentally friendly transports such as rail & maritime freight transport.

0.3.4. Risks associated with human rights

We value human life and are aware of the societal differences that may exist in the different countries in which the Group operates. This is why we strive to develop a global responsible policy regarding compliance with human rights.

Our external suppliers are very carefully selected and we strive to maintain harmonious and trustworthy long-term relations with them. From our workshops where our collections are designed, to our suppliers who manufacture them in their plants, down to the marketing in our stores, the Group has made a commitment to comply with the Universal Declaration of Human rights and with the UN International Convention on the Rights of the Child.

We have integrated our ethical charter into our General Supply Conditions to make sure that our international suppliers comply with it and we also conduct regular social on-site audits.

0.3.5. Risks related to corruption & tax evasion

Highly conscious of the risks of corruption and tax evasion due to our international activities, we have developed a responsible practice of anti-corruption and anti-tax evasion.

- *Corruption:* The Group is aware of the risks incurred due to the fact of its international activities. To minimize these risks, we have set up an internal reorganization aimed at securing all our commercial relations with our service providers and suppliers worldwide. This reorganization complies with France's Sapin 2 Act and is part of our commitment to develop the Audit & Internal Controls Department
- *Tax evasion:* tax evasion is a genuine global challenge to which the SMCP Group is sensitive. At the end of 2017, we internalized our tax operations by creating a Group Tax Manager position, with the aim of ensuring, in particular, compliance with French and international regulation. In each of the countries of its distributing subsidiaries, Group Tax Managers rely on the assistance provided by local accounting and tax firms to perform their duties.
- The Group and its retail subsidiaries are not based in any of the countries blacklisted by the European Union as non-cooperative jurisdictions, in March 2019.
- Because we are subject to different and complex tax legislations depending on the countries where we operate, we undertake to ensure and strengthen responsible tax practices. In the relations with its retailing subsidiaries, the Group applies the rules of arm's length trading and sells its goods to its subsidiaries on the basis of the OECD's recommendations, in particular Action 13 of the BEPS plan. Likewise, the Group is subject to the obligation to file the Country by Country Report and to draft a Transfer Pricing Documentation; to demonstrate the tax transparency desired by the States concerned. Lastly, retailing companies are subject to local regulation, particularly regarding VAT, income tax and other local taxes and levies. The Group is therefore subject to strong local tax compliance constraints which allow the public authorities of the countries of its business operations to control and collect taxes and levies relating to the Group's activities.
- Lastly, the Group has no ongoing tax dispute.

0.4. Internal organization

We have made CSR the heart of our organization to reflect our sensitivity to this issue

Our brands are developed and renewed each season thanks to the ideas shared at all levels of our organization - we draw strength from our diversity.

Our CSR department with a dedicated project leader reports directly to the Strategy and Development Department.

At SMCP Group, we uphold our sustainability values and encourage our employees to create new ones.

We also define multi-disciplinary teams which represent each one of our Brands to act with eco-responsibility in each field.

We have also set up new collaborative tools internally, such as the creation of a group on our internal social media to allow each of our employees to share their thoughts and CSR fashion news.

In our workshops, our production studios, as in our stores, our employees are mobilized and given frequent awareness training to ensure that the commitments of the SMCP Group are reflected and well-entrenched in everyday activities.

0.5. Our three strategic pillars

SMCP has developed three high-value sustainable commitments for the future of Parisian chic worldwide

In 2018, we conducted a diagnostic of our Social and Environmental Responsibility (CSR) practices, with the assistance of a sustainable development consulting firm, through interviews with representatives of the Executive Committee and outside stakeholders (distributor, NGO, think tank). This diagnostic process identified our strategic challenges, particularly those for which expectations were highest.

That is why, beyond the responsible actions that we already undertake, we decided to launch a continuous proactive approach in 2018 by focusing our strategy around three priority pillars. Three tailor-made priorities to address the challenges of tomorrow with our three Brands:

- ***Create responsible collections on the entire value chain.***
- We are committed to the responsible production of the collections of our Brands.
- ***Reducing our impact on the environment.***
- We strive to minimize any form of negative outsourcing resulting from our activities, from the design in our studios to the marketing of our collections in our stores.
- ***Ensure the development and fulfillment of our human capital***
- We advocate the well-being and professional growth of each of our employees, wherever they may be in the world.

1. Make responsible collections on the entire value chain.

1.1. Evolve towards more responsible raw materials

Aware of the social, societal and environmental challenges facing the ready-to-wear sector and attentive to consumers who are increasingly ethics conscious, our new procurement policy is evolving towards responsible materials.

Beyond the regulatory obligations to which we are bound, we seek to develop eco-responsible collections by implementing values of respect and protection of biodiversity and human life in each step of the manufacturing process for our clothes and accessories.

We are aware that each family of fibers, each material and each production stage poses a number of environmental challenges (the use of pesticides, intensive crops and GMO, water consumption and pollution), social challenges (working conditions, fair compensation of producers, the health and safety or workers) or even ethical issues (animal well-being, for example). Thus, the materials that we use in our products represent a large portion of our environmental footprint.

In practical terms, the SMCP Group defined a responsible sourcing roadmap for each of our Brands in 2018. This roadmap addresses a dual challenge: allow the integration of a growing share of responsible materials (certified and recycled materials) in our collections and assist our suppliers in these changes. We subsequently carried out a precise assessment of all the materials used. For the record, the three most widely used materials in our collections are polyester, cotton and viscose.

For each material present in our collections, we developed a risk matrix on the procurement of these materials and possible alternatives in order to minimize the impacts on populations and biodiversity.

Lastly, we discuss these different alternatives with our suppliers to ensure that we evolve together toward more responsible materials. This will also enable us to source from suppliers who we already work with in order to encourage them to buy certified or recycled materials.

Inside the Group, we have been very vigilant about our sourcing of animal products with meticulous inspections imposed on our suppliers.

We are particularly concerned about animal welfare, that is why we have defined specific requirements in our General Supply Conditions (GSC), transmitted them to our suppliers to encourage them to apply the same values. We insist on fundamental principles and humane treatment of animals during breeding, transporting, handling and slaughter (e.g. gentle and soothing handling, without mistreatment or abuse).

In September 2018, Claudie Pierlot teamed up with Galeries Lafayette on the occasion of the “Go For Good” movement and created an exclusive “Claudie Loves Green” capsule. Each of the references of this capsule was produced with a view to preserving the natural resources and sustainable manufacturing without compromising style in any way whatsoever.

For each of the six items of the “Claudie Loves Green” Capsule, very special attention was paid to each stage of the manufacturing process.

These items were therefore made in plants where the manufacturing processes meant that water consumption was reduced, waste water was inspected and treated to protect soils and reduce environmental impact as much as possible, and energy consumption and the use of chemical products were also kept under control.The animal hide used was cured without chromium. Priority was given to local expertise and lastly, we used organically sourced cotton.

Overall, with our Brands, we endeavor to bring about sustainable change in the clothing sector while assisting our suppliers as well.

1.2. Guaranteeing transparency

1.2.1. Developing healthy, sustainable relations with our suppliers to help them comply with our requirements

A major challenge for the Group, our CSR policy for the environment and human rights applies to our entire supply chain, and in particular to our suppliers.

Because their daily work involves the use of our Brand names, the SMCP Group is extremely careful about selecting its suppliers and works with them in very close collaboration in order to encourage and help them comply with our requirements. This allows our brands to have a stable base of suppliers with whom they work from season to season, thus allowing them to establish relationships of trust and a mutual desire for ongoing improvement.

Before any collaboration with new suppliers, our production teams organize a systematic inspection of their premises before starting production.

Our requirements are clearly specified in our GSC and must be followed to the letter by all our suppliers and sub-contractors:

- Comply with local and international regulations and standards in terms of hygiene, safety and security, the environment and labor rights;
- Cooperate in the framework of social and environmental audits.
- Prohibit the use of third-party services without the Group’s authorization. If such subcontracting is approved, the subcontractor must ensure that the third party complies with the principles defined by the Group.

We are intransigent about non-compliance. Because we do not manufacture our items ourselves we are extremely vigilant. As more than half of our production is subcontracted in the Euromed area and the rest in Asia, we have a duty to be ethically flawless:

- In 2015, the SMCP Group excluded Bangladesh from our list after a country-specific risk analysis performed by our Compliance team.
- Since 2014, we have developed, with the Production Compliance department of our three Brands, a dedicated organization and processes aimed at ensuring oversight of procurement chains in countries with high labor-related and environmental risks.

We also endeavor to respect & promote Human rights throughout our value chain, for all our employees as well as for all the employees of our sub-contractors and suppliers.

To ensure compliance with the Universal Declaration of Human Rights and the UN International Convention on the Rights of the Child, the Group has developed since 2016, an ethical and societal Charter integrated in the GSC and concerning in particular the prohibition of employment for children under 15 years, the expected working conditions, the environmental standards to be respected, etc. It is sent annually to all suppliers, just as the SGC. Internal Audit is in charge of ensuring that all suppliers sign the charter. Furthermore, it is updated on a regular basis to ensure that it is as complete as possible and in order to integrate identified new corporate social responsibility issues.

Since 2017, the specific application of our ethical and social policy is the subject of social audits performed by an independent international firm inside the plants of our suppliers. These on-site audits are based on a large number of criteria. They set in motion a continuous improvement momentum aimed at sharing best practices.

Based on the main international references and standards (SA 8000, GSCP, ETI, ISO 14001 standards and OHSAS 18001 in particular), the audit grid that we use covers major social topics:

- Health, safety, hygiene
- Waste management
- Child labor
- Working hours, wages and benefits
- Working conditions

We also check other essential topics:

- Quality management
- Fight against corruption
- Purchasing ethics

Certain points of these topics are particularly important to the Group and its Brands, in particular banning child labor, ensuring that all employees have employment contracts, following international recommendations on working hours, ensuring that there is no discrimination in the hiring process and that there is no forced labor, complying with the minimum wage, ensuring that personal protective equipment is present and worn correctly, having a certificate that certifies that the site's construction is legal, ensuring that there are fire safety procedures and equipment in place on company premises, ensuring that all plant fittings are correctly maintained, and making sure that chemical products are stored safely.

At the end of these audits, corrective action plans are drafted and we help our suppliers to implement them through an appropriate personalized follow-up: control audit over a period of two to three years, desktop review, or immediate follow-up as necessary.

In the 2018 campaign, we focused on our main suppliers, those who manufacture the most important production of our items. This allows us to cover several types of risks: production volume, production country, production types. For 2018:

- The audited suppliers ranked among our Top 30 suppliers.
- 56 audits have been scheduled and are being carried out.
- In total, 64% of our products are sourced from an assembly or production factory which has been audited or have at least one of their components sourced from an audited plant in 2017 or 2018 by the SMCP Group or by the Brand.

Thanks to our close relations with our suppliers, loyal to our values, season after season, the SMCP Group obtained an overall score above the sector average. And we are persuaded that we can still improve this score, by working together.

1.2.2. Guaranteeing the traceability of our clothes and accessories

In accordance with European regulations and the confidence our customers have placed in us, we strive to be transparent about the origin of our components and the materials of all our items.

The components of our cut-and-sew or finished products are all sourced by our Brands to guarantee absolute traceability which is disclosed on our labels.

- For our finished products, the components are required by our Brands and purchased by the suppliers. Concerning the labeling on their origin, we specifically indicate the country where the item was manufactured.

- For cut-and-sew products, the components are sourced and purchased by our Brands, then sent to our suppliers for manufacturing. On the labels, we mention the country where the item was assembled and put together.

1.2.3. Guaranteeing the quality and safety of our items

Our exceptional international growth is the most beautiful expression of the loyalty and confidence of our customers in our Brands. Our responsibility is to strengthen this connection over the long term while taking great care of their health and safety.

In compliance with the applicable national and international regulations, the quality of our items must be flawless in all aspects and must guarantee the total absence of hazardous substances.

In 2016, these standards common to our three Brands were attached to our GSC:

- Meet all the toxicological requirements of REACH (azo dyes, allergenic dyes, carcinogenic substances, etc.), of the POP Regulation (EC Regulation 850/2004) on persistent organic pollutants, the requirements of the regulation on biocides (EU Regulation 528/2012) and all those concerning materials of animal origin.
- Arranging for Quality tests conducted by laboratories accredited on materials and products such as weave, knitwear, shoes, leather, fur and jewelry, as well as quality tests specific to certain countries (including the United States, China, Saudi Arabia), and being intransigent if they do not meet our criteria of excellence on safety issues.
- Demanding strict quality controls by suppliers and arranging for inspection of the final quality of our items by independent service providers prior to their shipping and/or reception.

2. Reducing our impact on the environment

In line with our ambition to become leaders on the affordable luxury sector, within the SMCP Group, we all aspire towards sustainable growth that is not harmful to the planet.

2.1. Reducing our carbon footprint

As part of our drive to continuously improve our environmental performance, we decided to conduct our first full scope carbon balance in 2018. We expect to receive the results of this balance performed by a specialized company on Scopes 1, 2 and 3 (purchases of goods and services, transport and retailing of goods, commercial flights, emissions generated by the production of fuel and energy) by spring 2019. These results will allow us, based on scientific data, to in particular:

- identify and rank our sources of emissions
- prepare a 3-5 year roadmap with the ambition of following the global 2-degree trajectory aimed at limiting global warming to below 2°C in the medium term.
- have guidance and update tools and standards
- transparently disclose reliable and quantified information to our stakeholders.

In order to successfully carry out this project, we have created a task force involving all our job functions: architects, procurement, accounting, management control, facilities management, indirect purchases, production, supply chain, etc.

Responsible management of our electrical consumptions

In 2018, we also performed an electricity consumption study. Lighting for the sales premises of our directly managed stores represents annual consumption of 4,174,061 kWh, i.e., carbon emission of 1,447,178kg of CO2. Our head offices report electricity consumption of 1,034,552 kWh and our warehouses 948,044 kWh. This is equivalent to 152,337kg of CO2 emitted by our head offices and 54,133kg of CO2 emitted by our warehouses.

Conscious of the impact of our energy consumption on the climate, we are already working actively to reduce these figures:

- Since 2015, we have made the use of LED lights systematic on all openings and when renovating lighting in our stores. At the end of 2018, 56% of our free-standing stores and outlets worldwide had full LED lighting.
- 100% of our directly managed network in France has subscribed to ENGIE green power contracts and directly involves our employees. As an energy transition player, we contribute together to the development of energy production from renewable sources. Specifically, for every 1 MWh consumed by our Group, 1 MWh of renewable electricity is fed into the grid.

Preferring more ecological forms of freight transport

Our exceptional international growth requires the use of multiple shipments of our goods worldwide. It is our duty to implement our best efforts to reduce the impacts of our logistics flows on the planet and climate warming.

Aware of the considerable quantities of greenhouse gases emitted during shipments linked to the imports and exports of our goods, we strive to limit them and have factored this parameter into the quantification work performed during the Carbon Balance.

With regard to our imports from Asia, the Group has been experimenting with rail freight since 2017.

For all our imports, we are already determined to continue increasing the percentage of freight by river, rail and road, which are more protective of the environment than air freight.

Promoting the sustainable store concept

Our stores are our showcase to the outside world and should embody our desire for change and eco-responsibility.

We intend to design our concept stores with the highest ethical standard possible and have been studying how to improve the following since 2018:

- Waste management during all the stages in the life of a store: work related to the opening, day to day, work related to the closing.
- The well-being of all our employees
- Energy management (lighting, HVAC (Heating, Ventilation, Air Conditioning) system efficiency)
- The use of raw material resources (wood, brass, paint, marble).

In 2019, this brainstorming will lead to the development of environmental guidelines based on leading industry standards and on the launch of calls for tenders in order to source more eco-responsible materials.

2.2. Maintaining a responsible management of unsold items

The Group adopts a responsible conduct concerning unsold items in our stores and refuses to destroy them.

Each of our Brands has multiple possibilities for giving a new lease on life to these items. Private sales, factory outlets or donations to charities, our unsold items always find a new destination.

In 2019, we plan to stop the destruction of our defective and obsolete items and find a new application for them.

2.3. Responsible management of our waste

Within the SMCP Group, we advocate an eco-citizen approach and all our employees wholeheartedly participate in this project.

Since 2017, we have implemented waste sorting measures in all our head office buildings.

All our head offices have embraced the electronic trend in order to reduce our use of paper: e-employment contracts and e-administrative documents for employees, e-meal vouchers, e-invoices in the accounts department, etc.

In 2018, we decided to eliminate the use of disposable cups in all our SMCP head offices by offering a re-usable water bottle to all our employees. Maje and Claudie Pierlot employees have also been given water bottles and mugs to make them active contributors to waste reduction in their high-environmental quality (HQE) certified head office buildings.

In our warehouses, we have taken action to encourage recycling in all our activities with the compacting of our boxes, the provision of special bags for plastic packaging and specific paper waste such as tissue paper, and lastly ecoboxes for all our office waste.

3. Development and well-being of our employees

3.1. The main employee indicators for 2018 *(vs 2017)*

A growing number of employees

Permanent contracts & fixed-term contracts (vs. 2017)

5,873 +14.5%

A strong recruitment momentum

Permanent contracts (vs 2017)

3,471 +11%

Employees with long-term contracts

Permanent employment contracts

5,104 +14.5%

An increase in the net creation of permanent jobs

Vs 2017

403 +10%

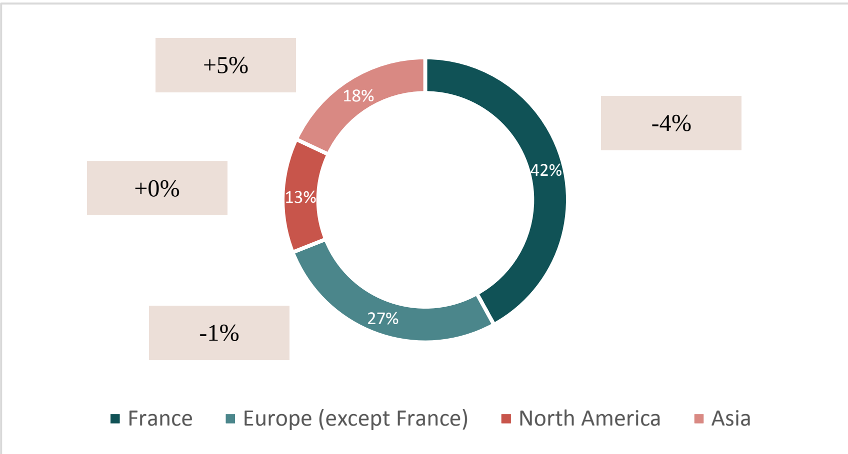
Attractive compensations

Payroll in millions of euros (vs 2017)

212.3 +10.8%

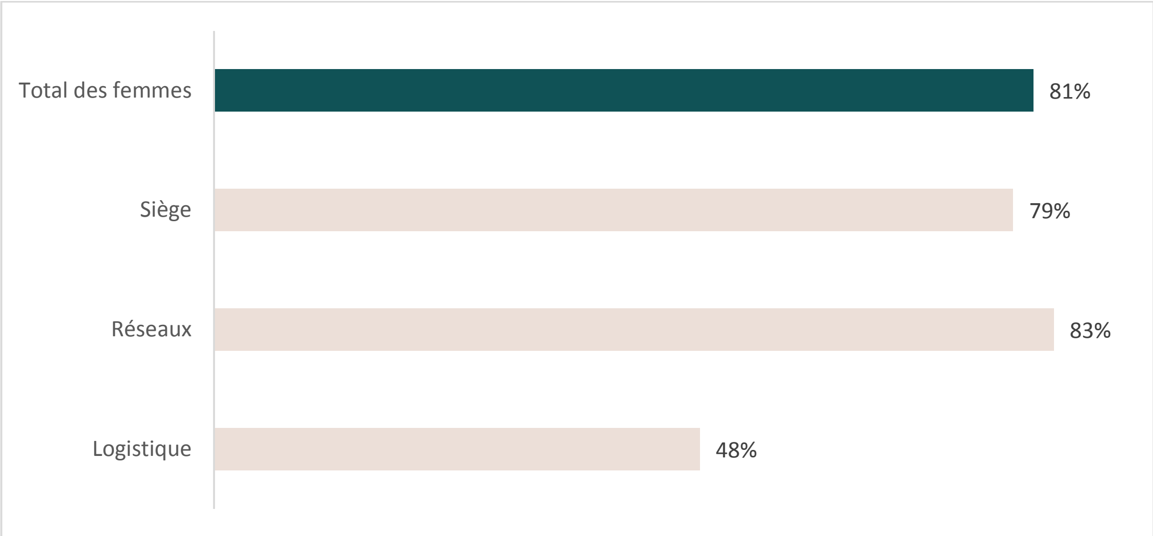
A Group with increasing international presence

% of total workforce on permanent and fixed-term contracts at 12/31/2018 (vs. 2017)

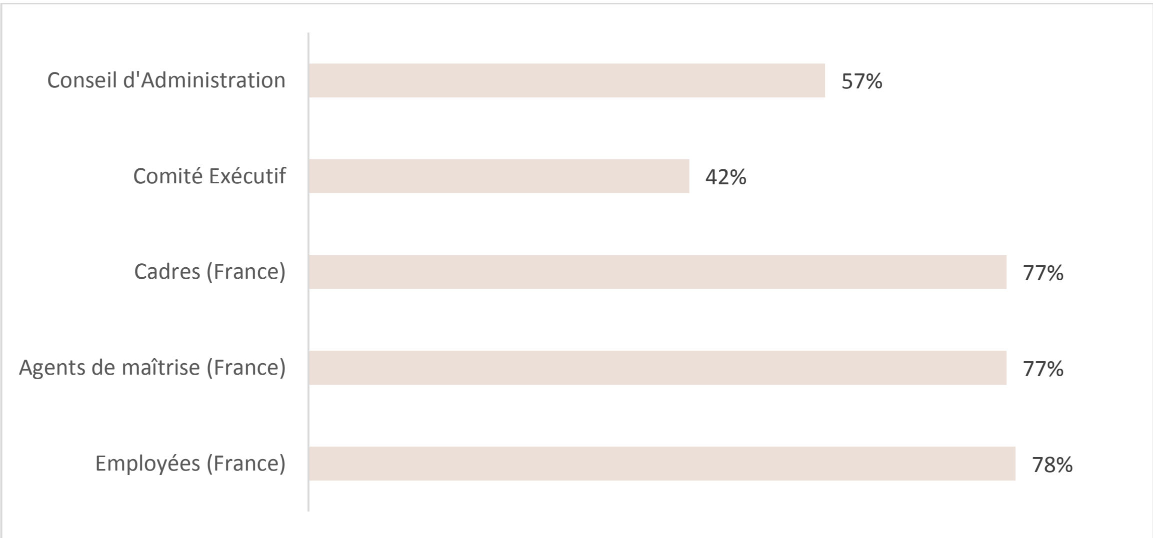


A Group with increasing female presence...

% of total workforce on permanent & fixed-term contracts at 12/31/2018



... even in executive positions



A substantial training policy

	Face-to-face (World)	E-learning (France and Europe, since October 2018)
Training hours	26,022	2,570
Number of employees - Share of employees	1,975 - 33%	2,348 - 58%
Invested amount	€1.686m	€288k;

3.2. Promote an authentic corporate culture

3.2.1. Developing internal communication to unite us around our values

Within the SMCP Group, we insist on meaningful actions and encourage information sharing with all our teams.

The Group's success is based on a strong internal culture based on our five values: entrepreneurial spirit, passion, creativity and innovation, a global mindset and elegance. We embrace challenges, we act with determination and a sense responsibility, and we maintain our agility. We are passionate about our brands and develop them in line with their DNA. We brainstorm new ideas at all levels of our organization so that we always maintain a lead. We collaborate internationally and serve each customer, anywhere in the world, with the same professionalism. We cooperate constructively and constantly adopt an honest and respectful attitude towards others. These values were defined in 2015 with the participation of the top managers in the Group. They were then shared with all our employees.

We strive to encourage our employees to share our Strategy and urge them to develop new ideas with us and circulate it in all the internal communications of our entities:

- Conferences are organized on a regular basis.
- A newsletter is sent monthly to all our teams Worldwide.
- Video messages from the CEO are also sent to everyone, for the new year, for instance.
- Social events are organized at regular intervals in our head offices to promote cohesion, cooperation and commitment.
- Informal exchange areas are created on our collaborative platforms and our corporate social network
- Access to different intranets is possible to be able to access the latest news, useful documents and administrative information

3.2.2. Offering an onboarding experience to all our employees

Because ultimately they become the Ambassadors of our values, it is important for us to offer all our employees a meaningful and information-packed onboarding experience.

Head office onboarding. An onboarding morning is organized to welcome and present the Group to each new employee inside the SMCP Head office: presentation of the Group's organization, its Brands and the interworking of business lines, followed by a visit of our warehouses to understand the logistics, discover our history, our strategy and our values.

We reserve an additional training for the new Managers of the Group centered on their Rights and Duties inside SMCP.

Retail OnBoarding. Different onboarding experiences are offered to our strategic employees dedicated to our Brands depending on their position (Regional Director, Store Manager / Assistant Store Manager / etc.) The onboarding experience of our sales personnel is organized by the Store Manager. Onboarding typically lasts several weeks and includes targeted appointments, presentation of tools, introduction of a mandatory training/information common trunk (which extends beyond the onboarding period) and onboarding experiences on pilot points of sale.

3.2.3. Creating Email4All

Because we would like each employee to feel like a full-fledged participant in the SMCP adventure, we have decided to provide 100% of our employees with a business email address so that they can have access to all key information about the Group.

To facilitate the connection to our new e-learning platform which contains lots of information essential to our values, we have provided a business email address to all our field personnel and to those dedicated to logistics and to workshops.

Europe was the first concerned. North America and Asia will be launched in the first half of 2019.

Beyond access to our e-learning platform, there are numerous virtues in our Email4all for all SMCP Group employees:

- Developing a feeling of belonging to our Group and Team spirit.
- Establishing smooth communication and exchange with Management and employees and circulating information and internal surveys.
- Participating in equal opportunities with access to mandatory trainings and off-the-shelf courses.

3.2.4. Promote diversity and inclusion

We believe that diversity is a force that drives new ideas at all levels of our structure and keeps us one step ahead of the game.

Our ability to meet the expectations and various needs of an international population is closely linked to our ability to promote and value diversity and inclusion internally.

We excel in terms of the representation of women at the Group business level as a whole: as of December 31, 2018, they represent 81% of our employees.

In line with our logic of diversity and inclusion, more than half of our employees are under 30.

The presence of women within management bodies remains a challenge for most companies, including in traditionally female sectors such as the world of fashion. At SMCP Group, women account for a large percentage of members of management bodies: In fact, more than half of the members of our Board of Directors are female.

Lastly, inclusion also concerns introducing guarantees for future fathers: time off for pre-natal tests are paid by the employer and fathers benefit from half a day off during the weeks following their return from paternity leave.

3.2.5. Multiplying our philanthropy actions throughout the World

With SMCP and our three Brands, we share elegance of the heart with all our employees.

As active participants in the Telethon, our Maje & Claudie Pierlot Brands are committed to involving all their employees in their actions and communications.

To get involved in our host territories and maximize the positive impact of our stores, a number of our Sandro and Maje points of sale in North America teamed up with local charities to manage their unsold inventory in 2018.

Like every year, Claudie Pierlot employees happily participated as a team in La Parisienne, a 100% female race to collect funds for breast cancer research.

Lastly, our teams at the Hong Kong head office were able to combine philanthropy and team building by supporting The Green Earth charity during an afternoon of waste collection on Ha Pak Lai beach. Our teams collected 180kg of waste within 1 hour. This was the opportunity for our young talents to take initiatives and lead the way in the development of actions to protect the environment.

3.2.6. Making the anti-corruption and anti-tax evasion measures a priority

Within the SMCP Group, elegance means acting with integrity in every sphere of our business.

Ethical practices and anti-corruption rules are key values for us and one of our major concerns. As the first link in the relationship with suppliers, our Group is particularly exposed to those risks. We pledge to our shareholders, partners, suppliers and employees that we will conduct an effective, rigorous anti-corruption policy. Such a policy is part of our commitment to the values of honesty, fair competition, prevention of conflicts of interest, respect for professional secrecy and the battle against all forms of discrimination that we defend as part of the development of our activities.

In accordance with the law adopted in March 2017 on the duty of vigilance of parent companies and ordering companies (L. No 2017-399 of March 27, 2017), which mainly requires identification of corruption risks and prevention of corruption resulting from the activities of our Group and our trademarks, or the law on transparency, anti-corruption measures and modernization of economic life, known as the "Sapin II Act" (of December 9, 2016) which also requires the drafting of a corruption prevention plan since June 2017, we have introduced measures intended to prevent acts of corruption or influence peddling such as the integration of a "fight against corruption" topic into our social audit grid and the setup of task forces to allow the creation of a mechanism for collecting reports from whistleblowers, training for persons highly exposed to the risks of corruption and conflicts of interest.

With regard to tax evasion, the Group has set up responsible tax practices and follows the recommendations of the OECD. We file the Country by Country reporting and write a Transfer Pricing documentation, to ensure a fully transparent tax system in the countries concerned. Lastly, we are subject to the local regulations of each country where we operate with respect to VAT, corporate income tax and other local taxes.

3.3. Improving well-being at work

3.3.1. Forging quality social dialog

We are keen to share our Strategy and co-build our projects with our Social Partners, so we strive to maintain a responsible and virtuous social dialog.

2017 ended with the round of mandatory annual negotiations (NAO) during which talks were held between Management and Social Partners to define together the main guidelines for our actions and efforts during 2018.

We continue our momentum of dialogged through meetings with the single Body, which encompasses all SMCP personnel and Brands, and employee delegates elected per company.

We were driven by four social ambitions in 2018:

- Acting on purchasing power and total compensation for work
- Making workplace well-being a priority
- Rolling out new tools and forms of work by controlling them
- Honing the skills and employability of employees.

Furthermore, the social partners and Management have, as part of this dialogged, chosen to pay special attention to improving any gender inequality that may exist. Hence the signature of a gender equality agreement at SMCP in November 2018.

3.3.2. Offering competitive compensation and genuine fringe benefits to our employees.

Proposing fringe benefits and competitive, fair and motivating compensation to encourage the professional fulfillment of our employees.

To attract new talents and ensure the growth of our employees within the SMCP Group, our compensation policy is designed to be competitive and fair compared to equivalent positions on our market. It is designed to be motivating by encouraging performance and professional fulfillment.

Social Partners and Management agreed on the implementation of several priority actions during the previous year: review of hiring grids for the point of sale employees of the France and Europe networks as well as for logistics, allocation of an envelope of 2.5% of merit-based compensation, improvement of the personal protection scheme for non-management employees.

Also, to optimize the relationship between the compensation of employees and Group objectives, financial bonuses are structured to reflect the contribution of each employee to the achievement of collective and individual objectives. Moreover, all employees with the required seniority are eligible for an annual development assessment, which is a key performance and motivation tool.

In 2018 and following several exchanges with employee representatives, Management has also decided to allow approximately 1,000 keen entrepreneurial employees to invest in the Group by granting them four SMCP shares.

Likewise, we are building a fringe benefits policy to offer all our teams, regardless of where they live, a good level of benefits, in particular with regard to health coverage.

3.3.3. Guarantee superior quality of work life for our employees

Be fully dedicated and attentive to our employees to guarantee a fulfilling employee experience for them.

Social Partners and Management decided to focus their efforts on the environment and working conditions of employees. This is particularly reflected in the signing of an agreement on Quality of Work Life (QWL) in June 2018. The commitments taken and actions carried out under this approach have been geared towards actions related to:

- The physical environment of employees. In 2018, we wished to offer our Brands head office buildings commensurate with their ambitions. Previously installed in the same offices as SMCP Global Services, our Claudie Pierlot brand moved with Maje into a very sophisticated new building certified HQE (high environmental quality). We have also begun renovations on our SMCP Head office to make it more pleasant for day-to-day activities. Inside the networks and logistics, we pay attention to the dissemination of best hygiene and safety practices.
- The social environment by raising each employee's awareness to kindness, by training managers in their rights and duties and by developing moments of social interaction (afterworks, conferences, team meetings, etc.).

3.3.4. Designing new tools to combine efficiency and pleasure

Undertake to promote a reasonable and reasoned use of digital tools in this period of digital transformation.

We are aware that our growing activities have created a heavier workload for our teams. As such, we are adapting and frequently reorganizing by investing in technology.

We have already developed different proven tools to allow our teams to combine efficiency and pleasure and continue to find new ones.

Our on-line collaborative tools will in particular allow our employees to access information, wherever they may be in the World, collaborate in real time, through video conferencing if necessary. These collaborative tools have allowed employees to benefit from remote working arrangements that strike a balance between business life and private life while guaranteeing better, more operational organization of labor.

We have also introduced new business tools in accounting, finance, HR, product lifecycle management (PLM), etc.

All these tools facilitate the organization of labor by introducing flexibility and autonomy provided that employees can protect themselves against the risk of being constantly online.

This is the reason why Management and Social Partners have included in the QWL agreement signed in June 2018, in the wake of the mandatory annual negotiations, a guide for the hyper connected employee in order to guide the behavior of each one by insisting in particular on the right for each employee, to "good connection" (right to refuse to reply to various business-related requests on week-ends, during vacation, public holidays and before 8 a.m. and after 8 p.m. on week days, for example)

3.4. Nurturing our internal talents

3.4.1. Proposing training to all our employees Worldwide

We all love a challenge in our Group and are committed to allowing all our employees to attain their professional ambitions, or even exceed them.

As such, we developed and launched a brand new digital training program "My Learning Project" at the end of 2018 on the European market. By 2019, it will be accessible to all our employees in nine languages to allow 100% of our employees, regardless of their country and their job position, the possibility of benefiting from this experience.

The goal is to give everyone access to strategic modules such as Strategy & Values, Brand Culture, Collections, Sale Ceremony modules, to allow each one to carry out their mission within the SMCP Group.

To go further in the development of the performances of our employees, we have also thought of an in-person component. It includes training courses that can be dedicated to all our employees or to a specific business branch.

Lastly, thanks to the Get Inspired! Program, employees based at the Head Office are invited to participate in inspiring conferences organized as off-site breakfast meetings. These meetings tackle issues related to our respective business lines and enable each one to improve their professional life.

3.4.2. Developing new methods of hiring

We wish to expand our hiring methods and, in particular move away from resumés, to focus more on personalities. We have set up an innovative video-based recruitment platform. Candidates can therefore explain their motivation and present their assets for a job in a store for example, even if their previous experience is not directly related to our activity.

3.4.3. Promoting internal mobility

Thanks to its different Brands, our Group, its different businesses and its direct operations in 21 countries offers genuine career prospects to our employees. We strive to transform these into genuine opportunities with our mobility committee which meets every two months.

In practical terms, we make our internal job offers available to everyone, and encourage, whenever possible, the mobility and promotion of our employees, whether from one brand to another, one department to another or again from one country to another.

4. Conclusion

In 2018, the SMCP Group stepped up its efforts in the development of a coherent CSR policy.

The goal in 2019 is to continue our efforts around our three pillars (responsible sourcing, employee well-being, environmental impact) in a transparent way. We are also committed to always raise the involvement of our employees in the process in order to create a common project with strong support inside our teams.

Our last decision: team up to build a sustainable future for Parisian chic worldwide.

5. Our Methodology

This DPEF includes corporate social responsibility indicators related to defined perimeters. The goal of this document is to describe clearly and precisely the scope and calculation method regarding each indicator.

5.1. Reporting period

The 2018 CSR report covers the period from January 1 to December 31, 2018.

5.2. Reporting scope

Indicators were collected, calculated and consolidated based on data available internally and extracted from IT tools. The data presented are aimed at covering all activities and all host countries of SMCP and its brands. However, some employee indicators are presented for France only. The purpose of this methodology note is to define those factors.

Topics related to combating food waste, food insecurity and responsible, fair and sustainable food are not dealt with in this Statement of Non-Financial Performance as they are not material with respect to the Group's activity.

5.3. Reporting methodology

The report's content was based on indicators selected to reflect the main economic, social, environmental and societal impacts of the Group's activities.

This Statement of Non-Financial Performance complies with the European Directive on non-financial reporting which led to the publication of an ordinance and its application decree replace the so-called "Grenelle II" CSR reporting. The issues identified are based on the Global Reporting Initiative (GRI) guidelines under the GRI sector supplement, "Textiles, Apparel, Footwear and Luxury Goods," the UN Global Compact, and the OECD Guidelines.

5.4. Report verification

SMCP has entrusted the verification of the data presented in its CSR report to the independent third party, Deloitte.

5.5. Methodology used to analyze non-financial risks

For the first time, SMCP includes in its chapter dealing with risk analysis, a section exclusively devoted to the non-financial risks weighing on the Group and that the Group places on its stakeholders.

This analysis of non-financial risks is based on work carried out in prior years by PwC in connection with the drawing up of the Group's CSR inventory and by Utopies, a firm specialized in CSR as part of the preparation of the Group's CSR strategy. The preparation of this strategy particularly led to the interrogation of external stakeholders on their view of CSR risks and expectations within the fashion industry. Internal interviews were also carried out to identify the CSR risks and expectations as perceived by Group employees.

This analysis also relies on regulatory and competition intelligence and on the financial risks previously identified and disclosed.

This non-financial risk analysis has been validated internally, in particular by the Group Corporate Secretary, the Group Director of Strategy and Development, and by the Group Director for Internal Audits.

5.6. Data on sourcing

The data is derived from the Group level consolidation of resources extracted from our IT tools in connection with production activities.

It pertains to a World scope and concerns all of our Brands.

This year, the "Use of raw materials" indicator only concerns the breakdown in terms of percentage of our different materials. This indicator is expected to change next year and provide a finer view by type of material and type of label/certification for each material.

In 2017, components were excluded from the "Result of social audits - Coverage" indicator, as the components plants audited that year corresponded to buttons, zips and labeling plants and the Group considers that clothes for which the only audited part corresponds to buttons or zips or labeling cannot be described as "audited production", under the social audits. In 2018, the components plants audited that year corresponded to fabric plants, the Group therefore considers that fabrics have a greater impact in terms of their presence in the product and therefore accepts that clothes for which the only audited part corresponds to content fabrics can be described as "audited production", under the social audits.

5.7. Environmental data

Environmental data for the 2018 DEPF pertains to the Group's electricity consumption for the lighting of stores under direct management, headquarters and warehouses.

The GHG emissions calculated and advised in this DEPF pertain to emissions related to electricity consumption for the reporting scope described above.

Quantification work is currently underway in order to prepare the full scope Carbon Balance for the Group, with the assistance of a specialized firm.

5.7.1. Energy

The network's energy consumption is consumption calculated from extrapolations and applied to a specific reporting scope.

The network here is limited to the sales surface of directly managed points of sale (including outlets), i.e. 510 stores. It does not include the sales surface of in-store concessions and affiliates and partners, since SMCP has no influence over the energy supplied to those particular store types.

The accepted assumption for standard consumption is the average of each standard lighting type of our three Brands. Since all stores of a given brand are based on the same store concept, electricity consumption per m2 is virtually identical anywhere in the world.

Energy consumption for the headquarters is the consumption obtained from the electricity bills of each entity concerned. The reporting scope represented by the headquarters is the SMCP headquarters and the headquarters of Sandro, Maje, Claudie Pierlo, SMCP North America and SMCP Asia.

For data relating to SMCP-Claudie Pierlot head offices, the assumption that 2017 and 2018 consumptions are significantly the same has been accepted owing to the fact that 2018 consumption information is held by the lessor and could not be communicated during the reporting year.

Energy consumption for the warehouses is the consumption obtained from the electricity bills of each entity concerned. The reporting scope for the warehouses covers the three warehouses in France. It does not include subcontracted warehouses in Asia or the USA, since SMCP has no influence over the energy supplied to those particular warehouses.

5.7.2. GHG emissions

Only a kg of CO2 equivalent emitted was calculated for energy consumption.

Energy consumption in kWh per country was multiplied by the kgCO2 advised by the French environment and energy management agency (ADEME) for the country in question (ADEME Base Carbone emission factor documentation).

The GHG emissions scope is therefore the same as the scope for calculating electricity consumption.

5.8. Employee-related data

Employee-related data concern permanent and fixed-term contracts except the data relating to manager/non manager breakdown and to hirings, departures and layoffs which exclusively concern permanent contracts as managers are hired on permanent contracts and the Group considers that to have a reliable interpretation of changes in hirings, departures and layoffs, the indicators must be studied over a population covered by indefinite-term contracts, in other words, the company's long-term population, which under optimal conditions, is not expected to leave the Group. Also, taking permanent contracts alone into account provides a fairer view of net job creations in the Group.

For other employee-related data, only temporary employees were excluded in 2017. In 2018, interns and apprentices were excluded from the data. This can be explained by the fact that the Group would like to consolidate the reliability of its monthly social reporting to all its business units and that this can be achieved by using a reporting scope based solely on permanent contracts and fixed-term contracts, contracts that are defined identically worldwide.

All employee-related indicators on the World scope with the exception of the data on manager/non-manager breakdown which is gathered for France only since the manager/non-manager status is not equivalent in all countries. Data on the e-learning system which is gathered for France-Europe since the system has been rolled out on this scope only, and data on layoffs and occupational accidents which concern France only. This limited scope can be explained by the fact that the Group is currently working on consolidating this data at World level and is unable to provide a World report at this stage.

6. Indicators

Indicator	Sub-indicator	Unit	2017	2018	Definition	Data excluded	Scope
Responsible sourcing							
Utilization of raw materials	Cotton	%	-	23	Percentage of material use calculated by reference, according to the quantities produced for each reference	-	World, our 3 Brands
	Polyester	%	-	27		-	
	Viscose	%	-	17		-	
	Wool	%	-	9		-	
	Other	%	-	24	Acetate, acrylic, leather, linen, polyamide, silk	-	
Results of employee audits	Audits carried out	No.	48	56	Audits already carried out or scheduled for the reference year	Desktop review, follow-up audits	World, our 3 Brands
	Coverage	%	29	64	- 2017 coverage: number of items for which the manufacturing or assembly plant was audited in 2017 by the Group - 2018 coverage: number of items for which at least one of the fabrics is sourced from an audited plant or for which the assembly or production plant was audited in 2017 (retroactive to one year for the results) or 2018 either by the Group or by the brand itself.	2017: components (fastenings, buttons, labelling)	
Production areas for our finished products and cut-and-sew products	EMEA	%	59.7	59.1	In terms of items produced Countries included: Albania, Belarus, Bosnia, Bulgaria, France, Great Britain, Italy, Latvia, Macedonia, Morocco, Poland, Portugal, Romania, Serbia, Slovakia, Spain, Tunisia, Turkey, United Arab Emirates, Ukraine	-	World, our 3 Brands
	Asia	%	39.7	40.5	In terms of items produced Countries included: China, India, Vietnam	-	
	Other	%	0.6	0.3	In terms of items produced Countries included: Brazil, Madagascar, Mauritius, Peru	-	
Production areas for our components	EMEA	%	54	62	In terms of expenses in € Countries included: Andorra, Austria, Belgium, Bulgaria, Czech Republic, Egypt, Finland, France, Germany, Great Britain, Greece, Italy, Lithuania, Morocco, Netherlands, Poland, Portugal, Romania, Slovakia, Spain, Switzerland, Turkey, Ukraine	Consumables	World, our 3 Brands
	Asia	%	37	33	In terms of expenses in € Countries included: China, Hong, India, Indonesia, Japan, Malaysia, Taiwan, Thailand, Vietnam		
	Other	%	9	5	In terms of expenses in € Countries included: Argentina, Australia, Canada, Madagascar, New Zealand, South Africa, Tokelau, United States, Uruguay.		

Indicator	Sub-indicator	Unit	2017	2018	Definition	Data excluded	Scope
				Environmental footprint			
Electrical consumption	Point of sale average	kW/m^2	-	0.026	Average electrical consumption of points of sale linked to lighting	Points of sale managed as corners, affiliates, trade Consumptions linked to the heating/air conditioning system Consumption of reserves	World
	Points of sale energy consumption	kWh	-	4,174,061	Electrical consumption linked to the lighting of the network of free-standing stores at 31/12/2018	Points of sale managed as corners, affiliates, trade Consumptions linked to the heating/air conditioning system Consumption of reserves	World
	Head office consumption	kWh	853,832	1,034,552	Head office electrical consumption	-	World
	Consumption of warehouses	kWh	967 493	948,044	Electricity consumption in our directly managed warehouses	Subcontracted warehouses in the US and Asia	World
	LED coverage of our points of sale	%	39	56	Percentage of points of sale with full LED lighting	Points of sale managed as corners, affiliates, trade	World
CO_2 emissions related to electricity consumption	Emissions for points of sale	Kg CO_2 eq	-	1,447,178	CO_2 emissions related to the electricity consumption of lighting for our network of free-standing stores at 12/31/2018	Points of sale managed as corners, affiliates, trade CO_2 emissions due to consumption from the heating & air-conditioning system CO_2 emissions due to consumption of reserves	World
	Head office emissions	Kg CO_2 eq	145,504	152,337	CO_2 emissions related to electricity consumption of our head office buildings	-	World
	Warehouse emissions	Kg CO_2 eq	62,596	54,133	CO_2 emissions related to electricity consumption in our directly managed warehouses	Subcontracted warehouses	World

Indicator	Sub-indicator	Unit	2017	2018	Definition	Data excluded	Scope
				Development of employees			
Employees	Total employees	No.	5,127	5,873	Number of men and women employed by SMCP at December 31, 2018	2017: temporary workers 2018: temporary workers, interns, apprentices	World
	Total Men	No.	971	1,091	Number of men employed by SMCP at December 31, 2018	2017: temporary workers 2018: temporary workers, interns, apprentices	World
	Total Women	No.	4,156	4,782	Number of women employed by SMCP at December 31, 2018	2017: temporary workers 2018: temporary workers, interns, apprentices	World
	Male members of the Executive Committee	No.	8	7	Number of men on the Executive Committee	-	World
	Female members of the Executive Committee	No.	5	5	Number of women on the Executive Committee	-	World
	Male managers	No.	96	112	Number of male managers	Fixed-term contracts, interns, apprentices, temporary workers	France
	Female managers	No.	304	368	Number of female managers	Fixed-term contracts, interns, apprentices, temporary workers	France
	Non executive men	No.	402	443	Number of male supervisors and employees	Fixed-term contracts, interns, apprentices, temporary workers	France
	Non executive women	No.	1,341	1,534	Number of female supervisors and female employees	Fixed-term contracts, interns, apprentices, temporary workers	France
	Breakdown of employees by type of sites	No.	761	866	Number of employees at head offices	2017: temporary workers 2018: temporary workers, interns, apprentices	World
		No.	160	153	Number of employees at warehouses	2017: temporary workers 2018: temporary workers, interns, apprentices	World

Indicator	Sub-indicator	Unit	2017	2018	Definition	Data excluded	Scope
		No.	4,206	4,854	Number of employees inside the network	2017: temporary workers 2018: temporary workers, interns, apprentices	World
	Employee breakdown by age	No.	56	130	Employees under 20 years of age	2017: temporary workers 2018: temporary workers, interns, apprentices	2017: France 2018: World
		No.	1,327	3,040	Employees between 20 and 29 years old	2017: temporary workers 2018: temporary workers, interns, apprentices	2017: France 2018: World
		No.	650	2017	Employees between 30 and 39 years old	2017: temporary workers 2018: temporary workers, interns, apprentices	2017: France 2018: World
		No.	222	510	Employees between 40 and 49 years old	2017: temporary workers 2018: temporary workers, interns, apprentices	2017: France 2018: World
		No.	113	176	Employees over 50 years of age	2017: temporary workers 2018: temporary workers, interns, apprentices	2017: France 2018: World
Turn-over	New hires	No.	1,431	3,471	Number of new hires in 2018	Fixed-term contracts, interns, apprentices, temporary workers	2017: France 2018: World
	Departures	No.	1,390	3,068	Number of departures, for any reason, in 2018	Fixed-term contracts, interns, apprentices, temporary workers	2017: France 2018: World
	Layoffs	No.	225	192	Number of departures due exclusively to layoff by the employer	Fixed-term contracts, interns, apprentices, temporary workers	2017: France 2018: France
Compensation	Payroll	Millions of euros	191.6	212.3	Sum of all gross salaries and employer social security charges, as well as employee profit-sharing and incentive plans	-	World
Training	Hours spent on face-to-face training	No.	17707	26022	Number of hours spent on face-to-face training	-	World

Indicator	Sub-indicator	Unit	2017	2018	Definition	Data excluded	Scope
	Hours spent on e-learning	No.	-	2,570	Number of hours spent on e-learning	-	France & Europe
	Employees who have received at least one face-to-face training	No.	794	1,975	Number of employees who have received at least one face-to-face training	-	World
	Employees who have received at least one e-learning training	No.	-	2,348	Number of employees who have received at least one e-learning training	-	France & Europe
Workplace accidents	Workplace accidents	No.	121	116	Number of employees with lost days due to a workplace or commuting accident	-	France

Appendix III
Report by one of the Statutory Auditors, appointed as independent third party, on the consolidated non-financial performance declaration presented in the Group management report

"To the Annual General Meeting of Shareholders,

In our capacity as statutory auditors of SMCP, appointed as independent third party and certified by COFRAC under number 3-1048 (scope of the accreditation available on www.cofrac.fr), we hereby present to you on the consolidated non-financial performance declaration for the fiscal year ended December 31, 2018 (hereafter the "Declaration"), presented in the Group management report as required by the legal and regulatory provisions of Articles L. 225 102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code.

Company's responsibility

The Board of Directors is responsible for drawing up a Declaration that is compliant with the laws and regulations, including a presentation of the business model, a description of the main non-financial risks, a presentation of the policies applied to address these risks and the results of these policies, including key performance indicators. The Declaration was drawn up by applying the company's procedures, (hereafter the "Guidelines") the significant elements of which are presented in the Declaration and are available from the company upon request.

Independence and quality control

Our independence is defined by the provisions set out in Article L. 822-11-3 of the French Commercial Code and the Code of Ethics of the profession. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional standards and applicable legal and regulatory requirements.

Responsibility of the statutory auditor appointed as independent third party

On the basis of our work, our responsibility is to present a reasoned opinion expressing a limited assurance conclusion on:

- *The compliance of the Declaration with the provisions set out in Article R. 225-105 of the French Commercial Code;*
- *The true and fair nature of the disclosures pursuant to Article R. 225 105, sections I and II, subparagraph 3, including the key performance indicators, and actions relating to main risks, hereafter the "Disclosures".*

However, it is not our responsibility to give an opinion on:

- *the company's observance of other applicable legal and regulatory provisions, or of anti-corruption and anti-tax evasion measures;*
- *Compliance of products and services with the applicable regulations.*

Nature and scope of our work

Our audit work described below was performed in accordance with the provisions of Articles A. 225 1 et seq. of the French Commercial Code determining the methods to be used by the independent third party to conduct its assignment and according to the professional guidelines of the French National Institute of Statutory Auditors (Compagnie Nationale des Commissaires aux Comptes) relating to this engagement and the international standard ISAE 3000 (Assurance engagements other than audits or reviews of historical financial information).

Our work allowed us to assess the compliance of the Declaration with the regulatory provisions and the true and fair nature of the Disclosures:

- *We obtained an understanding of the activity of all the companies included in the scope of the consolidation, the presentation of the main social and environmental risks related to this activity, its effects regarding the observance of human rights and the fight against corruption and tax evasion as well as the ensuing policies and their results.*
- *We have assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, and taking into account industry best practices where appropriate;*
- *We verified that the Declaration covers each category of information specified in Article L. 225 102 1 section III on social and environmental reporting as well as the compliance with human rights and the fight against corruption and tax evasion.*
- *We verified that the Declaration includes an explanation of the reasons justifying the lack of information required by Article L. 225-102-1, section III, subparagraph 2.*
- *We verified that the Declaration presents the business model and the main risks linked to the activity of all the entities included in the scope of consolidation, including, when relevant and proportionate, the risks created by its business relations, its products or services as well as the policies, actions and results, including key performance indicators.*
- *We verified, when relevant with respect to the main risks or policies presented, that the Declaration presents the disclosures specified in Article R. 225-105, section II.*
- *We assessed the selection process and the validation of the main risks.*
- *We inquired about the existence of the internal control and risk management procedures set up by the company.*
- *We assessed the consistency of the results and key performance indicators adopted with respect to the main risks and policies presented.*

- *We checked that the Declaration includes a clear and substantiated explanation of the reasons justifying the absence of the policy concerning one or several of these risks.*
- *We checked that the Declaration covers the scope of consolidation, namely all the companies included in the scope of consolidation in accordance with Article L. 233-16 with the limits specified in the Declaration.*
- *We assessed the collection process set up by the entity aimed at ensuring the completeness and fairness of the Disclosures.*
- *For the key performance indicators and the other quantitative results[44] that we considered the most important, we implemented:*
  - *analytical procedures consisting of checking that the collected data had been consolidated correctly and the consistency of the changes in this data;*
  - *detail tests using sampling techniques, consisting of verifying that the definitions and procedures had been applied correctly and comparing the data on supporting documents. This work was carried out with a selection of contributing entities[45] and covered between 69% and 81% of the consolidated data of key performance indicators and results selected for these tests;*
- *We referred to documentary sources and conducted interviews to corroborate the qualitative information (actions and results) that we considered to be the most important[46];*
- *We assessed the overall consistency of the Declaration with respect to our knowledge of the company.*

We believe that the work that we have carried out, based on our professional judgment, is sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures.

Means and resources

Our work involved four persons between March and April 2019.

We were assisted in our work by our specialists in sustainability and corporate social responsibility. We conducted approximately ten interviews with the persons responsible for preparing the Declaration.

Conclusion

Based on our work, we detected no material misstatement likely to call into question the fact that the non-financial performance declaration is compliant with the applicable regulatory provisions and that the Disclosures, taken as a whole, are presented fairly in accordance with the Guidelines.

Comments

Without calling into question the conclusion expressed above and in accordance with the provisions of Article A. 225-3 of the French Commercial Code, we present the following comment: as mentioned in the Declaration, the Group has embarked on a process to improve the quantification of its environmental performance, with the development of a full carbon balance, which will mainly provide a more accurate account of the impact of the Group's activity on climate change.

Paris-La Défense, April 26, 2019

One of the Statutory Auditors

Deloitte & Associés

Albert Aidan *Julien Rivals*

Partner, Audit *Partner, Sustainability Services"*

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44 Total number of employees; Total number of women; Total number of female managers; Number of new hires; Number of layoffs; Number of face-to-face training hours; Number of employees who benefited from at least one face-to-face training session; Number of employees with lost days due to a workplace or commuting accident; Electricity consumption (head office buildings, warehouses, points of sale); Breakdown of raw materials used as a percentage.

45 Group activity in France and in Europe

46 Supplier relations, Traceability of clothes and accessories, the quality and safety of items, Evolving towards responsible materials, Making anti-corruption and anti-tax evasion measures a priority.

Appendix IV
Cross-reference table

Cross-reference table of the Management Report specified by Articles L.225-100 et seq. of the French Commercial Code

The cross-reference table below has been provided to help readers of this registration document to easily identify specific information in the Board of Directors' annual management report that should be presented to the general meeting of shareholders convened to approve the financial statements for each year end, in accordance with Articles L.225-100 et seq. of the French Commercial Code.

Management report	Chapters / Sections of the registration document
Business review	
Position, activities and changes to the business of the Company and its subsidiaries in the fiscal year ended	6 and 9
The results of the Company and its subsidiaries during the fiscal year just ended (especially debt position)	9 and 10
Financial key performance indicators	3
Principal risks and uncertainties	4
Information on market risks and financial risk management	4.4 (and 20.1.1 Note 6.17.1)
Acquisitions of equity interests	7 and 25
Research and development, patents and licenses	11
Foreseeable changes and future outlook	12 and 13
Subsequent events	20.7
Share capital and shareholding	
Composition and changes to the shareholding and share capital	18.1 and 21.1.7
Table summarizing current delegations of authority for capital increase and implementation of such delegations during the fiscal year	21.1.1
Acquisitions and disposals of treasury shares by the Company	21.1.3
Employee equity interests in the Company's share capital	17.3
Trading by executives and corporate officers in the Company's shares	N/A
Information that could have an impact in the event of a public offering	18.4
Names of controlled companies and % of capital held by the Company	7
Share divestments to adjust cross shareholdings	N/A
Governance	
Method of Executive Management	14.1.2
Composition of the Board of Directors	14.1.1
Compensations of corporate officers and executives	
Compensations of corporate officers and executives	15
Details about retirement commitments (other than basic pension commitments and mandatory supplementary pension schemes) and the other end-of career benefits paid out fully or partly as pension payments, where these commitments are at the company's expense	N/A
Corporate social & environmental responsibility	
Information on how the Company handles the social and environmental consequences of its activity	8.2, 17 and Appendix II
Non-financial, especially environmental and social key performance indicators	8.2, 17 and Appendix II
Information on facilities listed in "upper threshold" SEVESO category	N/A
Other legal and tax information	
Dividends paid	20.3
Information on supplier terms of payment	9.1.2.4
Financial injunctions or sanctions for anti-competitive practices	N/A
Lavish expenditures	N/A
Information on the reintegration of overheads into taxable profit	N/A
Table of the results over the last five fiscal years	20.5

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