SMCP

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UNIVERSAL REGISTRATION DOCUMENT

Annual financial report

2019

"Spreading Parisian chic across the world"

SMCP

sandro · maje · claudie pierlot · de fursac

SMCP S.A.

Société anonyme (a joint-stock company) with a capital of 82,687,319 euros
Registered office: 49, rue Étienne Marcel, 75001 Paris, France
Registered with the Paris Trade and Companies Register under company number 819 816 943

2019 UNIVERSAL REGISTRATION DOCUMENT

The universal registration document was filed with the Autorité des Marchés Financiers, the AMF, on April 30, 2020, in its capacity as the competent authority according to Regulation (EU) 2017/1129, without prior approval as allowed by Article 9 of the said regulation.

The universal registration document may be used for an offering of securities to the public or admission of securities to trading on a regulated market if supplemented by a prospectus and where appropriate, a summary and all the amendments made to the universal registration document. The resulting document package is then approved by the AMF in accordance with Regulation (EU) 2017/1129.

Copies of this Universal registration document are available at no cost from the SMCP, 49, rue Etienne Marcel, 75001 Paris, France. It can also be downloaded from the SMCP website (www.smcp.com) or from the AMF website (www.amf-france.org).

NOTE

Definitions

*SMCP S.A., a French joint-stock company, with share capital of 82,687,319 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 universal registration document. The "**Group**" refers to the Company and its subsidiaries and equity associates.*

*The term "**2017 Registration Document**" refers to the registration document registered by the AMF on April 27, 2018 under number R.18-034 and the term "**2018 Registration Document**" refers to the registration document registered by the AMF on April 26, 2019 under number R 19-012.*

Forward-looking information

This universal 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. This information does not constitute historical data and cannot be interpreted as warranting that the facts and data set out will be vindicated. This 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 3 of this universal 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 3 ("Risk Factors") of this universal 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.

Points of sale openings and online sales

In this universal 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 universal 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 universal 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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1.1 Person responsible for the universal registration document

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

1.2 Declaration by the person responsible for the universal registration document

"*I hereby declare, having taken all reasonable care to ensure so, that the information contained in this universal 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 in the consolidation, and that the management report, for which the cross-reference table appears on page 302 of this universal 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 in the consolidation, as well as a description of the principal risks and uncertainties facing the companies."

April 30, 2020

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 fiscal years ending after the Shareholders' Meeting to be held to approve the accounts for the fiscal 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 fiscal years ending after the Shareholders' Meeting to be held to approve the accounts for the fiscal 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. RISK FACTORS

Investors should examine all of the information set forth in this universal registration document, including the risk factors described below. As of the date of this universal registration document, these risks include those the Company believes are likely to have a material adverse effect on the Group, its business, financial position, earnings, development and prospects. However, investors are urged to consider the fact that the list of risks presented in chapter 3 of this universal registration document is not exhaustive and that other risks, which might be unknown or whose occurrence, as of the date of this universal registration document, is not considered likely to have a material adverse effect on the Group, its business, financial position, earnings, development or prospects, may or could exist or occur.

This chapter presents the main risks that may, as of the date of this universal registration document, impact the Group's business, financial position, reputation, earnings and prospects, as identified while preparing the Group's risk map. This map was updated in 2019 and evaluates risk criticality, in other words how serious they are in terms of operational, financial, legal/regulatory and reputational impact, as well as their probability of occurrence, after taking the action plans that have been set up into account. Within each of the risk categories mentioned below, the risk factors that the Company considers significant as of the date of this universal registration document are flagged with an asterisk.

3.1 Risks associated with the Group's business sector

3.1.1 Risks associated with the major macroeconomic events occurring in the Group's key markets*

Changes in demand are generally linked to changes in macroeconomic conditions in the countries where the Group conducts its business, especially in France, where the Group generated 34% of its sales during the fiscal year ended December 31, 2019. As such, demand for the Group's products could be negatively affected by adverse economic conditions and the resulting impact on consumer spending and the movement of people. The growth outlook for fiscal year 2020, specifically in Europe and in France, publicly announced at the end of 2019 was prudent; furthermore, it is expected to be strongly and negatively impacted by the current public health crisis linked to the Covid-19 epidemic.

Generally, during periods of economic recession or high uncertainty (like the current situation, which is related to the impact of the current public health crisis), customers drastically reduce their spending, and purchases of non-essential items such as clothes and accessories may be affected by this 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 current economic climate were to deteriorate further, particularly due to the Covid-19 epidemic, in the main markets in which the Group operates, especially in Europe or where it is working to gain a foothold, it could have a material adverse impact on the Group, its business, financial position, earnings, development and prospects. Faced with the impact of the Covid-19 epidemic, the Group has been forced to suspend its 2020 objectives (see Section 18.7 of this Universal Registration Document).

Footfall at the Group's retail stores, and therefore demand for its products, also depends partly on tourism and generally the movement of people, as most of the Group's retail stores are located in urban centers and touristy areas, such as Paris, London, Hong Kong, Shanghai and New York City. Changes in tourism levels and, more broadly, the movement of people, especially international travel, may fluctuate wildly due to the general economic conditions, restrictions to free movement (especially those linked to the current Covid-19 epidemic, affecting most countries where the Group operates), and other exceptional events, such as terrorist attacks, social unrest (as seen recently in France and Hong Kong) or natural disasters. In the context of the public health crisis linked to Covid-19, the Group has been forced to temporarily close its stores in China, Europe and the United States from February to April 2020. Furthermore, given the current situation, the Group's sales and profitability in China (a key market for the Group) and, to a lesser extent, other regions of the world (particularly in the United States, Europe and the rest of Asia Korea, Australia) were significantly affected due to the decline in footfall of Chinese tourists. In the event of a decrease in the movement of people, footfall at the Group's retail stores could be negatively affected, which could have a material adverse effect on its business, financial position and earnings.

The United Kingdom's decision to leave the European Union has affected the Group's growth and created volatility in this market in 2018 and 2019 due to unfavorable changes in the exchange rate. For the fiscal year ended December 31, 2019, the United Kingdom represented around 5% of the Group's sales. The Group cannot guarantee that this decision, in the context of the transition period set up between the European Union and the United Kingdom for 2020, will not have other adverse effects on its business or earnings, especially in the event of a decline in the economic environment in the UK or modification to British regulations pertaining to customs duties and taxes.

3.1.2 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. However, it cannot guarantee that its suppliers or manufacturers will comply with local labor law, applicable social protection laws or environmental and ethical standards while conducting their business. 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.

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. Furthermore, production by one or several manufacturers could be temporarily or permanently interrupted or delayed due to economic, social or technical issues, the occurrence of natural disasters or pandemics (such as the current public health crisis linked to the Covid-19 pandemic) or due to disagreements, especially on tariffs, with the Group (as contracts may be relatively informal). Furthermore, disruptions to international transport, such as the reduction of air or ocean freight, particularly due to strikes or pandemics, may have a negative impact on the Group's supply chain. The occurrence of such an event might not be covered by the insurance policies set up by the Group. 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.

For certain specific services, the Group may rely on a limited number of suppliers without granting them exclusivity; this is the case 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.

Although the Group prefers to use directly operated free-standing stores and concessions to retail its products, it also works with local partners (an activity known as partnered retail), especially in South Korea, Russia, Turkey, the Middle East (United Arabs Emirates, Kuwait and Saudi Arabia), Australia, Morocco, Lebanon, Mexico, Lithuania and New Zealand (see Section 5.6.4.7 of this universal registration document) and affiliates in France, Spain and Italy exclusively, with 64 stores as of December 31, 2019 (see Section 5.6.4.5 of this universal registration document). The Group cannot guarantee that the partners and affiliates will strictly comply with its commercial strategies. In addition, disagreements may arise, especially with regard to the terms and conditions of agreements binding them to the Group. Any of these events could have a material adverse effect on the Group's business, financial position, earnings, development or prospects.

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.

3.1.3 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. The Group manages part of its logistics internally, through its SMCP Logistique subsidiary but also subcontracts a significant portion of its logistics and operational processes to external service providers. 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 or delays in supplying its points of sale and delivering orders to customers. The Group mainly subcontracts the delivery of orders to its customers and, as such, is exposed to any shortcomings or defaults of its service providers, such as delivery delays (currently aggravated by the impact of the Covid-19 epidemic), losses or the theft of goods.

The Group leases warehouses to host its logistics infrastructure. The Group may be unable to renew the corresponding 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.

Any breakdown or disruption, in whole or in part, of the Group's logistics network or of the activities of its service providers (especially air transport used by the Group for international product deliveries), resulting for example from information technology malfunctions, equipment failure, strikes, accidents, natural disasters, pandemics (such as the current health crisis, acts of terrorism, vandalism, sabotage, theft and damage to products, failure to comply with applicable regulations, or any other disruption could affect 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.

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.

3.1.4 Risks associated with competition and consumer expectations*

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. The Group's competitors may be better able to adapt to changes in consumer preferences and spending or be more successful in developing their brand reputation.

Financial resources, means of distribution and historic roots require 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. 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.

Furthermore, 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.

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 characterized by rapidly changing preferences and trends. The main target clientele for the Sandro, Maje, Claudie Pierlot and De Fursac brands are men and women between 15 and 45 years old. 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 unique collection in the 41 countries in which it operates that 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 match consumer preferences and trends, especially those of its target clientele (if the materials used by the group do not meet consumers' ethical expectations, for example, the treatment of animals or other expectations) or if consumers would rather spend money on other kinds of products (e.g., travel or electronics), Group sales could fall, excess inventory could increase and the Group could be forced to offer more significant mark-downs and incur losses from unsold products, which could have a material adverse effect on its business, financial condition, earnings, development and prospects.

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.

3.1.5 Risks associated with increased production costs

The raw materials used to manufacture the 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, social and economic situations in producer countries (especially 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. 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.

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.

3.1.6 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 fall/winter and spring/summer collections, respectively. 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.

3.1.7 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.

3.2 Risks associated with the Group's business activities

3.2.1 Risks associated with the implementation of the Group's development strategy*

Over the last three fiscal years, the Group experienced very significant growth, with Group sales and the number of points of sale increasing from €912.4 million and 1,070 points of sale, respectively, as of December 31, 2017 to €1,131.9 million and 1,640 points of sale as of December 31, 2019. 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.

The Group's success partly depends on its ability to develop internationally, identify key markets, and adapt to local specificities in order to meet demand as best as possible. The Group targets high-profile locations for its free-standing stores and concessions in urban centers, concessions with prime positions in prestigious department stores or prominent shopping malls.

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, where its position is less well established and it is more difficult 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.

Furthermore, the Group has made and anticipates making further significant investments to acquire new customers, especially through a multi-channel 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. 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.

If the Group is forced to reduce the investments devoted to the expansion of its stores or its marketing expenses, its development strategy could be negatively impacted. Furthermore, if this strategy is not as successful as expected or is implemented at a slower pace than expected, this could have a material adverse effect on the Group's business, financial position, earnings, development and prospects.

3.2.2 Risks associated with cyberattacks, IT systems and fraud*

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 and may lead to dysfunctional operations for the Group.

Lastly, the personal customers data the Group collects for marketing purposes may also be subject to theft or misuse. 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.

3.2.3 Risks associated with the Group's social responsibility

Although social responsibility is a major priority for the Group (see the Statement of Non-Financial Performance in Appendix II to this universal registration document), the Group, considering its rapid development and international presence, cannot rule out that shortcomings or conduct contrary to its values may occur and that these might negatively impact its reputation and earnings.

Human resources is one of the key components of the Group's business, and compliance with labor law regulations, especially with workplace health and safety rules, has a significant effect on its business. Although the Group strives to ensure compliance with these regulations and ensure that employees in all countries where the Group does business have an equivalent level of training, qualification and protection, it cannot guarantee that potential shortcomings in these areas do not exist. Thus, non-compliance by the Group with these obligations could lead to large fines or substantial claims against the Group related to the violation of these arrangements. Furthermore, these regulations are regularly modified and made stricter; changing the way the Group is organized to ensure compliance could generate significant costs.

As an international player with business operations in 41 countries as of December 31, 2019, the Group works to increase the diversity and develop the talent of its teams and contribute actively to environmental conservation and community development. Despite paying attention to the well-being of staff and their working conditions, the Group is exposed to the risk of high staff turnover, which can have a negative impact on its development and the optimization of human resources. Furthermore, in the event of strong business growth, the Group is exposed to the risk of decreased workplace well-being for employees.

Some raw materials used to manufacture the products sold by the Group are sourced from animals (such as leather and wool). The Group has defined supply standards for all its raw materials but may be exposed to the risk of its suppliers and their sub-contractors not complying with animal welfare standards throughout the production chain. The Group is also exposed to the risk of using chemicals while manufacturers are producing its products. Non-compliance with these obligations could have a material adverse effect on the Group's business, reputation, earnings, financial position, or prospects.

Lastly, in the normal course of its business, despite the compliance and ethical procedures that it has set up, the Group is exposed to a risk of fraudulent or illegal practices on the part of its employees, agents, partners or service providers related to, for example, the theft of product (in retail stores or during the transportation of products), embezzlement, or corruption. Apart from the negative impact of such acts, whether real or alleged, on the Group's reputation, they could incur the civil or criminal liability of the Group and, if the Group were convicted, have a material impact on its financial position.

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

The financial performance of the Group is closely related to the success and reputation of its four brands, Sandro, Maje, Claudie Pierlot and De Fursac, which themselves depend on factors such as the design of the clothes, their distinctiveness 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.

3.2.5 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 14.9% of total group revenue during the twelve-month period ended December 31, 2019).

The e-commerce market is characterized by rapid technological change, and the Group might not succeed in developing and improving its e-commerce distribution channels at an appropriate rate to adapt to such changes and contend with competition. The Group's e-commerce retail channel could therefore become less appealing, which could curb its growth or lead to a decline in sales. The Group's efforts to develop new, efficient and attractive online interfaces in a timely and profitable way may require substantial investments and could ultimately fail to meet the target goals or ever-changing consumer preferences. 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.

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.

3.2.6 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. Furthermore, in the context of the current public health crisis caused by the Covid-19 epidemic, the Group may have trouble executing or renewing its leases with favorable conditions, especially for rent adjustments.

In general, the Group signs long-term leases for its stores. By way of illustration, the typical term for the commercial leases signed by the Group is ten years in the United States, nine years in France and three years in Asia (see Section 5.6.4.1 of this universal registration document). Some of these leases impose very restrictive termination conditions on the Group and it may be impossible for the Group to terminate these agreements without incurring significant costs or having to give notice significantly 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, 2019, 31.7% 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, including the location, the attractiveness of the department store concerned and the willingness of other retailers to pay higher commissions (see Section 5.6.4.2 of this universal 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.

3.2.7 Risk associated with acquisitions

In 2019, the Group acquired the De Fursac group, strengthening its presence in the fast-growing market of affordable luxury for men (see Sections 5.3.1 and 5.4 of this universal registration document). In the future, the Group may be in a position to look at other 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.

3.3 Risks associated with the Company

3.3.1 Risks associated with key personnel and human resource management*

The Group's success and its future growth depend on the results of its senior management and design team, organized around Daniel Lalonde, as well as Evelyne Chétrite and Judith Milgrom, the founders and Deputy Chief Executive Officers responsible for the creative policies, design, art direction and marketing strategy of the Sandro and Maje brands, respectively, and Ylane Chétrite, Deputy Chief Executive Officer responsible for the creative policies, design, art direction and marketing strategy of the Sandro Men collections, and Alix Le Naour, the artistic director of De Fursac. In the event an accident, illness or departure of one or more of these executives or key personnel, the Group might 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.

The Group is focused on maintaining harmonious human relations, not just with the management team, but with employees and their representative bodies as well. Although it strives to ensure harmonious relationships, and while no strikes or similar demonstrations have occurred in the past, the Group cannot guarantee that strikes or similar protests or demonstrations will not interfere with its business in the future. Lastly, in the context of the current public health crisis linked to the Covid-19 epidemic, the infection of one or several Group employees could force the Group to limit, or even completely interrupt, business operations at the sites where the employees work, which could have an adverse impact on its business. Such events are likely to lead to business interruptions and could damage the Group's reputation.

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

3.3.2 Risks associated with control of the Company by a majority shareholder

As of the date of this universal registration document, the Shandong Ruyi group owns, through the company European TopSoho Sàrl, 53.69% of the share capital and holds 67.38% of the voting rights of the Company. Consequently, Shandong Ruyi could significantly influence the Group's strategic decisions and ensure the approval or rejection of all resolutions presented for approval to the Company's shareholders at Ordinary and Extraordinary Annual General Meetings of Shareholders, including the appointment of members of the Board of Directors, the approval of annual financial statements and dividend payments, as well as the authorization to proceed with capital increases and the issuing of securities, mergers, contribution transactions, or any other decision requiring the approval of the Company's shareholders under the conditions specified above. Furthermore, with respect to its size, if European TopSoho Sàrl were to partially or totally dispose of its equity interest, or if such a disposal were perceived as imminent or probable, the market price for the Company's shares could fall significantly. In September 2018, European Topsoho Sàrl issued a €250-million bond convertible into Company shares, maturing in September 2021.

3.4 Market risks

3.4.1 Liquidity risk*

The table below presents the breakdown of the Group's gross debt as of December 31, 2019 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 of December 31, 2019**	**Contractual cash flows**	**<1 year**	**2 to 5 years**	**> 5 years**
Bank borrowings	**311,706**	**341,749**	**53,837**	**287,913**	**-**
Amortizable term borrowings (TLA)	260,859	265,000	-	265,000	-
Used facilities (RCF)	-	-	-	-	-
Bridge loan	39,109	40,000	40,000	-	-
Other bank borrowings	7,096	7,096	2,700	4,395	-
Bank overdrafts	2,984	2,984	2,984	-	-
Interest expenses	1,658	26,670	8,152	18,517	
Other loans and borrowings	**128,047**	**128,420**	**128,420**	**-**	**-**
Short-term negotiable securities (NEU CP)	128,047	128,420	128,420	-	-
Financial liabilities	**439,753**	**470,169**	**182,257**	**287,913**	**-**

To finance its business, the Group must ensure that it has access to the funding resources provided by both financial institutions and financial markets (for more information on the Group's different forms of funding, see Section 8.2 of this universal registration document).

The Group's debt, as well as the restrictive clauses of its financing contracts (such as limitation or covenants) may have negative consequences, such as:

- Requiring the Group to divert a significant portion of cash flow from operating activities to servicing and reimbursing its debt, reducing the Group's ability to allocate available cash flow to finance its organic growth, make investments and cover other general needs of the business;
- Increasing the Group's vulnerability to a slowdown in business or economic conditions;
- Placing the Group in a less favorable position compared to competitors that have less debt relative to their cash flow;
- Restricting the Group's flexibility to plan for or respond to changes in its operations and developments in its business sectors;
- Restricting the Group's ability to make investments to achieve growth;
- Restricting the Group's ability to implement its external growth policy; and

- Restricting the Group's ability and that of its subsidiaries to borrow additional funds or raise capital in the future, and increasing the cost of such additional financing.

Moreover, the Group's ability to honor its obligations, pay interest on its borrowings, comply with its covenants or refinance or reimburse borrowings in accordance with their conditions 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) (see Note 6.17.6 of the Group's consolidated financial statements for the fiscal year ended December 31, 2019 in Section 18.1 of this universal registration document).

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.

3.4.2 Credit and/or counterparty risk*

Credit and/or counterparty risk corresponds to the risk that a party to a contract signed with the Group will default on its contractual obligations, resulting in a financial loss for the Group (see Note 6.17.8 to the Group's consolidated financial statements for the fiscal year ended December 31, 2019 as shown in Section 18.1 of this universal registration document).

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. As such, the default of the Group's major partners, especially departments stores or the Group's leading export partners, could significantly affect the Group's profitability or growth.

The occurrence of such circumstances could have a material adverse effect on the Group's financial position and earnings.

3.4.3 Foreign exchange risk

The Group prepares its financial statements in euros, but a significant portion of its sales (45% during the fiscal year ended December 31, 2019) is generated in other currencies, including the pound sterling, Chinese yuan, US dollar, Canadian dollar and Swiss franc. A portion of its cost of sales (approximately 39%) is also made in foreign currencies, including purchases made in US dollar or Chinese yuan with suppliers in Asia, especially in China. The Group also holds certain assets that are recorded in its balance sheet in foreign currencies (see Note 6.17.5 to the Group's consolidated financial statements for the fiscal year ended December 31, 2019 shown in Section 18.1 of this universal registration document).

Therefore, the Group cannot guarantee that an unfavorable change to the exchange rates of the aforesaid currencies would not adversely impact its financial position and its results.

3.4.4 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, 2019, the Group's outstanding floating-rate debt was €308 million and the Group's outstanding fixed-rate debt was €135.6 million (see Section 8.2.2 and Note 6.17.4 in the notes to the Group's consolidated financial statement for the fiscal year ended December 31, 2019 in Section 18.1 of this universal registration document).

3.5 Legal risks

3.5.1 Risks associated with regulatory and legislative changes*

The Group is subject to numerous laws and regulations, including those relating to labor, customs duties, consumer protection, personal data protection (with the entry into force in May 2018 of European Regulation 2016/679 known as the General Data Protection Regulation), product liability, advertising, working hours, Sunday and evening working, safety standards, public access, pop-up sales, holdings sales, stock liquidations, as well as environmental law (see Section 9 of this universal 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.

3.5.2 Risks linked to intellectual property rights and anti-counterfeit measures*

The Group views its trademarks (particularly "Sandro," "Maje," "Claudie Pierlot" and "De Fursac"), domain names, expertise and all the other intellectual property rights it owns as playing a crucial role in its success and development. Third parties may imitate its products and infringe on its intellectual property rights. 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.

The apparel and accessories retail market is also 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. 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.

3.5.3 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 18.6 of this universal 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. As of December 31, 2019, the total amount of provisions for disputes involving the Group was €800,000. 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.

3.5.4 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.

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.

3.6 Insurance and risk management

3.6.1 Insurance policy

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

As part of an invitation to tender to select a new insurance broker, in May 2015 the Group's legal department carried out a detailed update to identify and classify the Group's risks that are insured or insurable and determine any necessary changes to existing insurance policies. Based on the results of this work, the legal department negotiated with major players in the insurance sector to implement the most appropriate coverage for these risks. The Group's insurance coverage was fully updated in 2018 as part of the renewal of its insurance policies, whose renewal dates are July 1.

In 2018, the Group specifically purchased a "cyber" insurance policy, which is meant to cover the Group against the financial consequences of an act of cybercrime resulting in but not limited to: the shutdown of its IT infrastructure, theft of personal/confidential data, the intrusion of a computer virus, an attempt to extort funds, and the tarnishing of its image and reputation.

Generally, the Group has purchased insurance policies from well-known, solvent, leading international insurance companies with the appropriate coverage levels to cover the main risks below:

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

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. The coverage limits of the above policies were determined in order to cover reasonably discounted claims and possible maximum claims.

Uninsured risks are those for which no offer of coverage is currently available on the insurance market or for which insurance is offered at a cost that is disproportionate to the potential benefit of insurance, or risks the Group does not believe require insurance coverage.

The Group has not made any significant claims that have led to the depletion of any of its insurance coverage.

3.6.2 Risk Management

3.6.2.1 Objectives, organization and function

Objectives

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

The Audit and Internal Control Department reports 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 Audit and Control Department. Within each of these entities, the person responsible for risk management (generally the director or finance director) is responsible for verifying the satisfactory application of preventive procedures and the possibility of introducing new procedures that could, after examination by the Internal Audit and Control Department, be applied across the whole Group. The Internal Audit and Control Department plays a key role by establishing procedures applicable at the Group level (that is, with no distinction between the four brands) and by 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 universal registration document also contains information about the Group's objectives, organization and risk management system.

3.6.2.2 Operational risk management

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

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 Audit and Control 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 linked to the major macroeconomic events occurring in the Group's key markets**: To limit the negative impact of adverse macroeconomic conditions on its business, the Group's development is focused on two main areas: (i) continue and diversify its international presence, with a gradual reduction of its exposure to its historic market (Group net sales generated in France fell from 46% to 34% between 2016 and 2019) and (ii) retaining its positioning in the affordable luxury market segment, where demand is characterized by reduced sensitivity to economic cycles. The Group also strives to diversify its sourcing methods and remain agile in its logistics operations.

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 signed charters on the environmental and ethical standards to be followed with its main suppliers and conducts audits. For each brand, the Group's production teams make sure they have access to a panel of suppliers for each product line and diversify suppliers' geographic locations. They identify new suppliers each year to avoid becoming dependent on particular suppliers.

Risks associated with logistics and efficient order processing:* The Group's current facilities were set up in anticipation of its future development. To efficiently manage order processing, the Group relies on four logistics facilities located in the Paris region and a semi-automated order picking system. Should this system fail, the Group can institute temporary manual order processing as a fallback. 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 competition and consumer expectations:* 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 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. Every year, the Group launches two collections for each of its brands (fall/winter and spring/summer), with a continuous renewal of the products offered throughout the season, and several "capsule" collections in partnership with other brands or designers. The Group markets two collections a year with products under four different brand names (Sandro – available in menswear [Sandro Men] and womenswear [Sandro Women] Maje, Claudie Pierlot and De Fursac) that 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 lines of clothing for men (Sandro Men and De Fursac), its range of accessories and the use of e-commerce.

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 the implementation of the Group's development strategy:* The Group relies on its Strategy, Digital and Development Department and its expertise (with a strengthened team) as well as on external advice to optimize the development of its network. The Group's strategy is built on key components such as omni-channel retailing, retail excellence and enhanced demand planning. Lastly, the Group relies on a scalable IT infrastructure and a robust roadmap to drive its growth.

Risks associated with cyberattacks, IT systems and fraud:* The Group has set up business continuity plans. They are updated and tested to ensure their effectiveness. In addition, each year, several projects are devoted to improving and adapting the Group's information systems. Safety audits are launched to assess the existing solutions and set up corrective actions, if necessary. An IT Security Committee was created in 2019 and meets several times a year. The Group is actively committed to strengthening IT security on a daily basis. It continues its efforts to raise awareness and train teams capable of detecting and foiling fraudulent attempts or cyberattacks.

Risks associated with the Group's social responsibility: The Group has set up a CSR strategy to cover the occurrence of financial and non-financial risks associated with the corporate social responsibility of our brands (see Appendix II of this universal registration document).

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 four brands: Sandro, Maje, Claudie Pierlot and De Fursac. 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 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 key personnel and human resource management:* 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 progressively the team 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 universal registration document, the creative teams of the Sandro, Sandro Men, Maje, Claudie Pierlot and De Fursac brands have more than one hundred designers, stylists and pattern makers.

Liquidity risk:* As part of the ongoing optimization of its financial structure and its deleveraging, in May 2019, the Group fully refunded its bond loan and its Revolving Credit facility earlier than scheduled by setting up a new unconfirmed Credit Facility for a total amount of €465 million due in May 2024, fully obtained from banks. This refinancing has allowed the Group to extend the due date of its debt and significantly reduce its average financing cost. It must be noted that the new debt contracted by SMCP is free of any sureties and pledges and that all the sureties and pledges granted in May 2016 in respect of the 2023 Bond and the 2022 Senior Revolving Credit facility have been fully raised.

Credit and/or counterparty risk:* The Group has set up a Credit Risk Management procedure to protect against credit risk. The Group has insurance coverage and guarantees to limit the risk of nonrecovery of trade receivables in the event of payment default or lost customers. Furthermore, the Group prioritizes the use of directly operated free-standing stores and concessions to distribute its products (which represented the bulk of its sales for the fiscal year ended December 31, 2019).

Foreign exchange risk: The Group has a central foreign exchange risk management system for its subsidiaries. This risk stems from foreign currency commercial buying and selling transactions. The risk is hedged through forward and optional foreign exchange transactions for the main currencies to which the Group is exposed. At the end of the hedging period which takes place on average six months before the start of a season, an average foreign exchange rate is calculated for the collection and used as the basis for the guaranteed exchange rate. Concerning unhedged currencies, market rates are used as the guaranteed exchange rate. Sensitivity analyses of the Group's income and equity to the fluctuations of the euro are presented in Note 6.17.5 to the Group's consolidated financial statements for the fiscal year ended December 31, 2019 provided in Section 18.1 of this universal registration document.

Risks associated with interest rates: The Group may have to set up appropriate hedging instruments in line with the fixed rate / floating rate allocation objectives. To date, given the key interest rates set by central banks and expected interest rate hikes, the Group has not set up such instruments.

Risks associated with regulatory and legislative changes:* The Group has set up a regulatory intelligence system to protect itself against the risks linked to non-compliance with specific legislation. Provisions for contingencies and charges have been established to cover the costs of potential disputes, when considered probable by the Group and its advisors. None of the disputes in which the Group's companies are currently involved, according to their advisors, represents a risk for the Group. As far as the Company is aware, in at least the last 12 months, there has not been any government, judicial or arbitration proceeding that may have or has had a material impact on the Group's financial situation.

Risks linked to intellectual property rights and anti-counterfeit measures:* The Group's Legal Department ensures that the entire creation process is protected. The Group has an active anti-counterfeit policy in place. The different actions are handled by the Group's Legal Department, brands and business units with the assistance of external advisers and in conjunction with appropriate local authorities. The Group actively pursues a policy of judicial remedy against counterfeiting or, more generally, the fraudulent use of its trademarks. It strengthens its collaboration with the authorities, customs and external advisers to continue combating counterfeiting.

Risks associated with taxation and regulatory changes: The Group's Tax Department ensures that legislations in force in the countries in which the Group operates are followed. The Group transmits the required information to tax administrations, it also facilitates the performance of their investigations. The Group performs tax audits and sets up any required action plans.

3.6.2.3 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. 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 universal registration document.

4. INFORMATION ABOUT THE COMPANY AND THE GROUP

4.1 Company name

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

4.2 Place of registration and registration number

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

LEI: 96950034TTGHHKKEN547

4.3 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 fiscal year starts on January 1 and ends on December 31 of each year. Exceptionally, the fiscal year ended on December 31, 2017 began on May 1, 2016.

4.4 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 universal registration document, the Company is a public limited company (société anonyme) incorporated under French law.

The address of the Company's website is: www.smcp.com.The information on the Company's website is not part of this universal registration document.

5. OVERVIEW OF THE GROUP'S ACTIVITIES

5.1 Overview

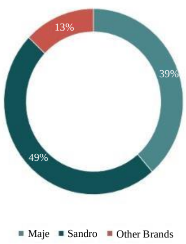
The Group is a fast-growing international apparel and accessories retail group. The Group's products are sold through a network of points of sale and websites under four brands: Sandro, Maje, Claudie Pierlot and De Fursac. The Group's product range consists of on-trend and high-quality womenswear, menswear and accessories, offered at more affordable 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).

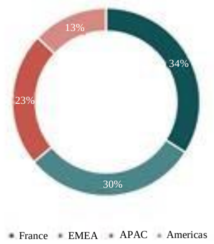
The Group designs, markets and sells its products under its four Sandro, Maje, Claudie Pierlot and De Fursac brands, catering to a broad audience mainly aged between 15 and 45. The Group believes that its Parisian design is a natural source of inspiration and the cornerstone of the positioning of its four 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, affordable apparel and accessories with strong appeal while maintaining a strong attention to detail and craftsmanship, providing luxury, high value-added products.

Each of the Group's four 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 707 points of sale worldwide as of December 31, 2019, of which 550 were directly operated.
- **Maje**: Founded in 1998 by Judith Milgrom, Maje is the Group's second largest brand in terms of sales with 577 points of sale worldwide as of December 31, 2019, of which 444 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 250 points of sale worldwide as of December 31, 2019, of which 224 were directly operated.
- **De Fursac**: Founded in 1973 and with a strong Parisian DNA, the De Fursac brand enjoys a unique positioning on the men's affordable luxury market, blending tailoring heritage with style, chic and timelessness. Known for its expertise in tailoring with an edgy and a timeless style, De Fursac has been successfully expanding an offer of urban-casualwear for the last several years. Acquired by SMCP on September 5, 2019, the brand had 62 points of sale (mostly located in France) on December 31, 2019, 60 of which are directly operated.

The following charts present the breakdown by brand and by geographic segmentation of the Group's sales for the fiscal year ended December 31, 2019 (including De Fursac):





(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 particularly extended its presence outside France, its historic base, to the following areas in particular:

- **APAC** (excluding De Fursac): The Group had 386 points at December 31, 2019, notably in mainland China (169 points of sale at December 31, 2019) where the Group has been present since 2013. In 2019, the Group opened 56 points of sale (including partnerships), of which 32 net openings in mainland China, 10 net openings in South Korea, 9 net openings in Hong Kong and 4 net openings in Australia.

- **EMEA** (excluding De Fursac): The Group, which had 531 points of sale at December 31, 2019 (including partnerships), has successfully conquered new markets in recent years. In 2019, the Group opened 51 points of sale, notably in Spain (10 net openings), in Germany (6 net openings) and in Italy (5 net openings)

The Group has also extended its presence through a selective approach, in the Americas region, where it has been present since 2011 (189 points of sale at December 31, 2019, including partnerships). In 2019, the Group opened 15 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 (IFC) and Harbour City in Hong Kong. As of December 31, 2019, of the Group's 1,578 points of sale (excluding De Fursac), 555 were free-standing stores and 745 were concessions, with the remainder being affiliates, outlets, directly-operated websites and partner-operated dedicated mono-branded stores. As of December 31, 2019, the number of De Fursac points of sale stood at 62, including 60 directly-operated stores, bringing the total to 1,640 points of sale for SMCP, of which 1,322 directly-operated stores. As of December 31, 2019, the Group sold its products through 111 websites in 17 countries, including 71 directly-operated websites, where its branded products can be purchased in the 13 countries where the Group operates and 40 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 salespeople 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 120 net store openings per annum, on average (excluding De Fursac), since 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 5.6.4 of this universal 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, 2019, the Group generated sales of €1,131.9 million, up 11.3% as reported, an adjusted EBITDA (excl. IFRS 16) of €174.2 million and an adjusted EBITDA margin of 15.4%. As of December 31, 2019, the Group had 1,640 points of sale (including partners and De Fursac stores) across 41 countries. The Group generates 66.0% of its sales outside France, reflecting an increase in international sales of 21.0% since 2016 (CAGR).

5.2 Strengths and competitive advantages

5.2.1 Four 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, Claudie Pierlot and De Fursac are leading players on 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 (46 years for De Fursac, 35 years for Claudie Pierlot and Sandro and 21 years for Maje) based on distinct values and codes and a unique expression and identity: chic, sleek and casual for Sandro; here and away, feminine, free and emotional for Maje; edgy preppy-chic and romantic femininity for Claudie Pierlot; both edgy and timeless style tailoring heritage with style chic and timelessness for De Fursac.

These distinct identities make these brands complementary because each of them addresses a different consumer base. These four 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; sharp silhouettes that combine yesterday's elegance and modern chic for De Fursac. 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 proposes limited edition capsule collections, such as the eco-responsible denim capsule "First Stone" or "In the Mood for Sun" from Maje, and organizes exclusive collaborations, such as Sandro's "smiley" capsule or the Claudie Pierlot #riseupwithclaudie capsule which donated part of the sales to UNESCO's Keystone foundation.

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.

5.2.2 A potentially large, high-growth market [(1)]

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

The global market of affordable luxury (ready-to-wear and accessories), valued at 127 billion euros in 2018 (including 61 billion euros for ready-to-wear and 66 billion euros for accessories), covers both mature and emerging economies, with key markets such as the Americas (33% of the world market in 2018), Western Europe (29% of the world market in 2018) and Asia-Pacific (24% of the world market in 2018). This market has experienced continued and steady growth in recent years, increasing by 3.2% in CAGR between 2013 and 2018, its size has increased by 19 billion euros since 2013. The share of this market addressed for male customers, represented 21 billion euros in 2018, i.e., an average growth of more than 2% since 2013, a trend that should continue in the coming years.

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

(1) 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 1 of this universal registration document.

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

The first clearly emerging trend is the responsible consumer trend. Consumer expectations are focused on three core issues: respect of the environment, animal protection and ethical manufacturing. The importance given to CSR values stems from the renewal of the consumer pool with a growing contribution from millennials and Generation Z.

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.

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.

5.2.3 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 1,640 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 a 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 2019, the Group trained more than 2,950 employees and provided more than 26,057 hours of training across the globe, through classroom-based courses. E-learning, launched in 2018, represented 54,207 hours worldwide and involved 5,931 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 500 suppliers (finished, cut-and-sew products and components), with the 10 largest suppliers representing approximately 20% of its total supply. The geographic proximity of part of the supply base (around 60% of the Group's production is carried out in the EuroMed region and around 40% in Asia) 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 5.6.6.2 of this universal 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. In February 2019, the Group also 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 in summer 2020.

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 ten new collections per year (two per brand and including Sandro Men) present on average 400 to 600 SKUs per collection for Sandro Women, Maje and Claudie Pierlot and an average of between 250 and 300 SKUs for Sandro Men and De Fursac. 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 120 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 [(2)] 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. Excluding De Fursac, the Group's distribution network:

- free-standing stores, consisting of points of sale exclusively dedicated to the Group's brands in prestigious locations and shopping malls, representing 626 [(3)] points of sale and 47.9% of sales in 2019;
- concessions (corners) for each brand in prestigious department stores, representing 565 points of sale and 31.7% of the total sales for 2019;
- e-commerce websites (including digital partnerships), representing 111 points of sale and 14.9% of sales for 2019;
- partnerships (excluding digital partnerships), representing 276 points of sale and 5.5% of the total sales in 2019.

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 enables the Group to reach a high management gross margin (74.5%) during the year ended December 31, 2019. 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, on December 31, 2019, only 6.6% of the Group's points of sale are outlets, directly operated by the Group (excluding De Fursac).

The Group also seeks to ensure a real proximity to customers by leveraging its advanced customer relationship management (CRM [(4)]) system. These tools contributed to the constitution of a multi-channel client data base unique to all of the Group's brands (excluding De Fursac) of approximately 6.9 million customers in 2019 and a strong growth of 15%. 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 to the increase in sales in its stores. The average basket is made up of 1.4 products with an average ticket of €231 per purchase. In 2019, the initial average selling price was €250. 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 €13,000 per square meter in 2019. 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.

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(2) For the fiscal year ended December 31, 2019 (excluding De Fursac), only 5.5% of the Group sales were made through physical partnerships and 1.6% through digital partnerships, the rest came from retail sales.

(3) Including affiliates and outlets.

(4) CRM, stands for "Customer Relationship Management".

5.2.4 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 2018 and 2019, the Group's sales rose from €1,017.10 million to €1,131.9 million, representing 8.7% growth at constant currency and scope, including stable like-for-like sales (-0.1%), as well as the continued expansion of the stores network (112 net openings). As reported, annual sales rose by +11.3% including a positive exchange effect of +1.3%.

Group adjusted EBITDA (excl. IFRS 16) rose from €171.5 million in 2018 to €174.2 million in 2019, representing an increase of 1.6%. The Group's margin settled at 15.4% in a particularly difficult market environment still marked by the impact of the "yellow vests" demonstrations in France at the beginning of the year, the significant deterioration of the market in Hong Kong in the second half of the year and significant strikes in France in December.

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

The Group has an experienced management team led by Daniel Lalonde, Group Chief Executive Officer. Daniel Lalonde has over 25 years of experience in international luxury and retail, having held senior executive positions at Ralph Lauren, LVMH and Nespresso.

The Company's Executive Committee, which is responsible in particular for discussing the Group's strategy and challenges, monitoring the business, and coordinating the Group's operational management, meets on a weekly basis. It comprises:

- the Group's three founders: Evelyne Chétrite, founder of the Sandro brand, Judith Milgrom, founder of the Maje brand, and Ylane Chétrite, founder of the Sandro Homme brand. As artistic directors of their respective brands, they are actively involved in the brand's development
- four Chief Executive Officers of the brands (Sandro, Maje, Claudie Pierlot and De Fursac), in charge of developing their brand in Europe and managing its identity and positioning worldwide
- two Regional Chief Executive Officers (Asia and North America), responsible for implementing the brand strategy in their respective region
- the Chief Financial and Operations Officer
- the Director of Group Strategy, Digital and Store Network Development
- the Human Resources and Sustainable Development Director.

The Group's senior management team has significant experience in both the luxury segment and major fast fashion groups. Each of the Group's brands and core regions is headed by a Chief Executive Officer with an average of more than 20 years of experience on average. This senior management team is also supported by a talented team of managers.

The Group benefits from 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 to support it as it grows, with the aim of becoming a global leader in the affordable luxury segment. Lastly, the Group's artistic directors and senior managers are also shareholders of the Company (see Chapter 16 "Principal Shareholders" of this universal registration document), contributing to an alignment of interests in the Group's future growth.

5.3 Strategy

The Group's objective is to become a leader in the global market of apparel clothes and accessories by spreading Parisian chic 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[5], Europe excluding France and North America.

5.3.1 Driving organic growth by further building on its core business, growing digital, developing menswear 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

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

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

Excluding De Fursac, the Group has experienced rapid growth in online sales in recent years. These represented 14.9% of total sales for the year ended December 31, 2019 vs. 14.7% in 2018. Between 2018 and 2019, the Group went from 99 to 111 points of sale in 17 countries. Furthermore, the online sales of the Group have grown significantly, from €149.1 million in 2018 to €166.3 million in 2019.

The Group directly controls the majority of its digital points of sale. The contribution of the Group's brand websites to online sales was 54% in 2019, excluding De Fursac. 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, which opened its own e-commerce sites in China in 2017 for the Sandro and Maje brands, also opened the Claudie Pierlot brand in China and those of Sandro and Maje in Hong Kong in 2019.

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 considers that there is additional growth potential in the menswear segment. Indeed, affordable luxury for men represents a vast market of more than 20 billion, which should continue growing by +4.4% per year in the next five years. This was the objective behind SMCP's decision to acquire the De Fursac Group on September 5, 2019. The De Fursac brand is a French leader in affordable luxury for men. With this acquisition, SMCP is strengthening its presence on the market where the Group has already successfully developed the Sandro Men brand around the "urban chic" style. The latter generated sales of €106.2 million in 2019, up by 9.4% at the current exchange rate compared to 2018. The brand is currently present in 132 points of sale dedicated to the brand and 196 mixed points of sale worldwide.

Acquiring De Fursac, which is positioned in a different market segment, modern tailoring (blending tailoring and casual codes), will allow the Group to complement its offer and expand its customer base. De Fursac's integration into the Group will be greatly facilitated by their similar business model based on a retail pure player profile and a blend of luxury and fast fashion's codes. The prestigious locations of De Fursac's network, its personalized shopping experience, and its fast and agile production cycle and sourcing capabilities, make it a perfect match for SMCP.

The Group will be able to leverage its strong expertise and in-house resources to accelerate De Fursac's successful growth trajectory. SMCP will significantly accelerate De Fursac's geographical expansion in Europe and Greater China, targeting more than 30% international exposure over the mid-term. The Group also plans to accompany De Fursac on its digital journey, targeting more than 10% sales penetration over the mid-term.

Developing the accessories activity

Accessories represent a large and growing portion of the market. The Group's accessories offering accounted for more than 8% of the Group's sales in 2019. 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, shoes and leather goods while retaining its unique DNA. To this end, in 2016, the Group signed a partnership agreement with Mondottica, 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.

5.3.2 Gaining market share in France

As of the date of this universal registration document, France continues to be the Group's primary market with 174 points of sale in the Paris region (of which 27 for De Fursac), 343 points of sale outside the Paris region (of which 29 for De Fursac) and 13 online stores [21] (of which two for De Fursac) as of December 31, 2019. The Group has a balanced retail network:

- By brand: 180 Sandro points of sale, 134 Maje points of sale, 114 Claudie Pierlot points of sale, 44 Suite 341 points of sale and 58 De Fursac points of sale and,
- By distribution channel: 202 free-standing stores, 227 concessions, 31 outlets, 56 affiliates and 12 online stores[6].

The Group outperformed the French market since 2017. It reported an increase in sales of +3.3% like-for-like in 2017 and a limited decline of -0.5% and -0.7% like-for-like in 2018 and 2019 versus +0.8%, -3.2% and -1.3% in 2017, 2018 and 2019, respectively, 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 continue optimizing its network through closures, relocations and store renovations while investing to improve the quality of its network. It therefore continued its investments in 2019 by renovating part of its existing points of sale, relocations, the opening of flagship stores in prime areas such as the Champs Elysées for Claudie Pierlot and the opening of mixed points of sale for Sandro in cities such as Lille and Strasbourg. Furthermore, the Group intends to further pursue its omni-channel strategy, increase its presence in the menswear sector and to develop its accessories activity.

5.3.3 Increase the Group's international footprint in key markets

Given the increasing worldwide demand for the Group's products, targeted international expansion in its 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 in Asia (particularly Greater China [7]), 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 2019, the French market represented 34% of the Group's sales, compared to 37% in 2018, which shows the dynamism of the Group's international expansion.

The Group's objective is to increase its penetration in its existing geographic segments, either directly or, where appropriate, through strategic partners. In particular, the Group intends to continue strengthening its direct presence in its key markets: in Greater China, Europe excluding France and North America.

The Group has a strong development potential in Greater China, where brand appeal is very important. The Group's three historic brands are present in 31 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 mainland China, with the implementation of an operational platform that is now fully integrated.

The Group also intends to expand its points-of-sale network in North America (excluding De Fursac), which consists, in particular, of 100 concessions (including partnerships) and 48 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 focused on short-term organic growth but could also evaluate, over a longer term, new opportunistic acquisitions of small and medium-sized companies, on complementary market segments in the affordable luxury market.

5.4 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.

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(6) Brand websites run directly by the Group and by partners.

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

In 2007, the Sandro Men was created by 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 5.6.4.3 of this universal 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 cooperation 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%. That 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.

On September 5, 2019, the Group acquired the De Fursac group, strengthening its presence in the fast-growing market of affordable luxury goods for men.

5.5 Presentation of markets and competitive position [8]

The Group is a fast-growing international apparel and accessories retail player in the affordable luxury segment. The Group operates in 41 countries spread in Europe, the Americas, Asia and the Middle East. During the year ended December 31, 2019, 34% of the Group's sales were generated in France, 30% in the EMEA region, 23% in APAC and 13% in the Americas.

5.5.1 Apparel and accessories: a large and growing addressable market

The global market of affordable luxury (apparel clothes and accessories) represented more than €127 billion in 2018 versus €108 billion in 2013. This market has experienced continued and steady growth in recent years, increasing at a CAGR of 3.2% between 2013 and 2018, with the size of the market increasing by 19 billion euros since 2013. The apparel market represents around €61 billion in 2018 and accessories represented around €66 billion.

5.5.2 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

Consumer spending on ready-to-wear and accessories has increased significantly in recent years. The ready-to-wear and accessories market in the affordable luxury segment is therefore growing faster than global gross domestic product (GDP).

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.

[8] 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 1 of this universal registration document) and on the Group's own estimates.

5.5.3 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.

Lastly, the optimized omni-channel experience has become key to consumers, with purchases strongly influenced by digital (by way of illustration, 50% of consumers search online before making an in-store purchase and 40% of the consumers consider that social media and online blogs impact their purchase decisions). Finally, consumers in the ready-to-wear and accessories market are constantly seeking newness in terms of brand’s products and content.

5.5.4 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. It is divided into 3 segments: the luxury segment with groups such as LVMH, Kering, Burberry, and Moncler, the *fast fashion* segment with players such as Zara or H&M, and the affordable luxury segment. Among the global players present in this segment are the Americans Tory Burch, Theory, Tapestry (Coach and Kate Spade), Capri (Michael Kors) and Marc Jacobs, and the Italian Max&Co. The Group’s position attracts consumers from all segments of the market.

The Group is firmly established in the major capitals’ cities. It generated 66.0% of its sales out of France for the year ended December 31, 2019 compared with 63.1% in 2018. 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 in the affordable luxury segment.

The Group considers that it boasts a very positive image globally thanks to the desirability its brands in particular.

5.6 Overview of the Group’s core business

5.6.1 Group products and brands

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

5.6.1.1 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 menswear 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” [9] collections to diversify its product range (for Christmas/New Year or the Spring Summer pre-collection, for example). For example, in 2019, Sandro launched the “smiley” capsule.

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

- Geographic locations

The first Sandro store opened in 2004 in the Marais quarter of Paris. As of December 31, 2019, the brand had 707 points of sale [10] in 39 countries, of which 180 were located in France and 527 were international. In total, 379 points of sale were for womenswear, 132 for menswear (“Sandro Men” points of sale) and 196 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, Zürich, 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.

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

The following table shows the breakdown of Sandro points of sale by country as of December 31, 2019:

Country	Total number of points of sale	of which Sandro Women	of which Sandro Men	of which combined (1)
France	**180**	**89**	**50**	**41**
United Kingdom	32	18	7	7
Spain	35	20	5	10
Germany	29	15	9	5
Switzerland	29	17	7	5
Italy	19	11	2	6
Russia	14	10	2	2
United Arab Emirates	9	5	-	4
Netherlands	14	8	4	2
Turkey	10	8	2	-
Belgium	6	3	-	3
Ireland	6	5	-	1
Lebanon	6	3	3	-
Saudi Arabia	3	3	-	-
Austria	2	1	1	-
Kazakhstan	2	2	-	-
Norway	2	2	-	-
Portugal	4	2	1	1
Kuwait	1	1	-	-
Latvia	1	1	-	-
Lithuania	1	1	-	-
Luxembourg	3	1	1	1
Morocco	1	1	-	-
Sweden	3	2	1	-
Denmark	3	1	1	1
Ukraine	3	1	-	2
Qatar	2	1	-	1
Bahrain	1	-	-	1
Website available for consultation in several European countries	1	-	-	1
Total EMEA	**242**	**143**	**46**	**53**
South Korea	61	42	12	7
Mainland China	78	26	4	48
Australia	16	16	-	-
Hong Kong	13	4	-	9
Macao	4	1	-	3
Thailand	4	4	-	-
Singapore	3	2	-	1
New Zealand	1	1	-	-
Total APAC	**180**	**96**	**16**	**68**
United States	81	39	15	27
Canada	15	6	3	6
Mexico	9	6	2	1
Total Americas	**105**	**51**	**20**	**34**
Total	**707**	**379**	**132**	**196**

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

5.6.1.2 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 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 around its 20th anniversary and, in 2019, on capsules highlighting its eco-responsible productions (First Stone) or capsules that will never be discounted (In the Mood for Sun).

- Geographic locations

The first Maje store opened in 2003 on Rue du Four in Paris. As of December 31, 2019, the brand had 577 points of sale [(11)] in 40 countries, of which 134 were located in France and 443 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, 2019:

Country	Total number of points of sale
France	**134**
Spain	34
United Kingdom	25
Switzerland	20
Germany	15
Russia	13
United Arab Emirates	9
Belgium	6
Italy	16
Ireland	7
Netherlands	11
Turkey	8
Andorra	1
Saudi Arabia	2
Kazakhstan	2
Lebanon	3
Norway	2

(11) The brand's points of sale include directly-operated and partner-operated stores, concessions, outlets and online platforms.

Country	Total number of points of sale
Portugal	3
Ukraine	3
Austria	1
Latvia	1
Lithuania	1
Luxembourg	1
Kuwait	1
Morocco	1
Sweden	2
Denmark	1
Qatar	2
Website available for consultation in several European countries	1
Total EMEA	**192**
South Korea	48
Mainland China	73
Australia	16
Hong Kong	14
Thailand	4
Macao	4
Singapore	3
New Zealand	1
Taiwan	4
Total APAC	**167**
United States	66
Canada	12
Mexico	6
Total Americas	**84**
Total	**577**

5.6.1.3 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).

In addition to its collections, the brand also produced capsule collections, such as the "#riseupwithclaudie" capsule in 2019, based on T-shirts made from organic cotton. The goal was to give part of the collected funds to UNESCO to support the Keystone Foundation, a local NGO in India working for women and the environment.

- Geographic locations

As of December 31, 2019, the brand had 250 points of sale [12] in 20 countries, of which 114 were located in France and 136 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, 2019:

Country	**Total number of points of sale**
France	**114**
Spain	19
United Kingdom	18
Germany	11
Switzerland	12
Russia	3
Belgium	4
Ireland	4
Lebanon	2
Netherlands	6
Portugal	2
Saudi Arabia	-
United Arab Emirates	2
Luxembourg	2
Italy	9
Ukraine	2
Website available for consultation in several European countries	1
Total EMEA	**97**
South Korea	12
Mainland China	18
Taiwan	1
Australia	3
Hong Kong	5
Total APAC	**39**
Total	**250**

(12) The brand's points of sale include directly-operated and partner-operated stores, concessions, outlets and online platforms.

5.6.1.4 De Fursac

- History of the brand

Created in 1973 by the Laufer brothers, who installed their first workshops at Saint-Pierre-de-Fursac, the brand expanded in the early 1980s and launched its first major advertising campaigns under the name of *Monsieur De Fursac*. In 1990, the Group was acquired by Edmond Cohen, which opened its first Parisian shop at 112 rue de Richelieu in the 2nd arrondissement in 1992. The brand fine-tuned, modernized and shortened its name a decade later in 2003. Alix Le Naour has been the artistic director of the brand since 2011.

- Style and target profile

De Fursac is for young, urban men who are nostalgic about classic style. The brand enjoys a unique positioning on the affordable luxury segment for men, blending tailoring heritage with style, chic and timelessness. De Fursac offers a wardrobe that gives men the ability to dress in a distinctive style.

- Product offering

De Fursac is a benchmark menswear brand in the affordable luxury segment. The brand is successfully developing an offer ranging from business to urban casual. The brand's flagship products go beyond suits to include outerwear, knitwear and shirts.

- Geographic locations

As of December 31, 2019, the brand had 62 points of sale [13] in four countries, of which 58 are located in France, and four in Europe (Switzerland, Luxembourg and a pop-up store in London at Selfridges)

De Fursac points of sale are characterized a concept unique to the brand. The color midnight blue dominates the interior of its points of sale and is associated with black lacquer furniture finished with brass angles and white niches designed for hanging articles.

The following table shows the breakdown of De Fursac brand points of sale by country as of December 31, 2019:

Country	**Total number of points of sale**
France	**58**
United Kingdom	1
Switzerland	2
Luxembourg	1
Total EMEA	**4**
Total APAC	-
Total Americas	-
Total	**62**

5.6.2 Brand image, communication and marketing

5.6.2.1 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 expertise of the sales assistants contribute to creating a unique image specific to the luxury sector (see Sections 5.6.4 and 5.6.5 of this universal 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 for example Alasdair McLellan for the Sandro 2019 collections, Coco Capitan for the Maje 2018 spring/summer collection and Kira Bunse for the Claudie Pierlot 2019 Autumn/Winter collection).

5.6.2.2 360-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

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

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.

5.6.2.3 CRM [14] 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.

5.6.3 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, Claudie Pierlot and De Fursac). For instance, the Sandro Women creative team is led by Evelyne Chétrite (the brand's founder) and 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 [15] 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.

- *Sourcing*

The Group does not have its own production capacity 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

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[14] CRM or "Customer Relationship Management".

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

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. For example, the Group's ten leading suppliers (finished products, cut-and-sew products and components) represent slightly more than 20% of the Group's 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*.

5.6.4 Distribution

The Group's distribution network is structured around four main distribution channels: free-standing stores (including affiliates and *outlets*), concessions (essentially little shops in leading department stores), online 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.

5.6.4.1 Free-standing stores (excluding De Fursac)

- Overview

As of December 31, 2019, the Group had 478 directly operated free-standing stores (excluding Suite 341), (i.e., 33 more compared with 2018), including 121 in the EMEA region, 182 in France, 48 in the Americas and 127 in Asia. For the year ended December 31, 2019, 35.9% of the Group's sales were generated through directly operated free-standing stores. In 2019, the Group notably opened free-standing stores in mainland China and in Hong Kong and for the first time in Denmark.

The following table shows the breakdown of free-standing stores by brand and by country as of December 31, 2019:

	Sandro	Maje	Claudie Pierlot	Total
Total France	**72**	**61**	**49**	**182**
United Kingdom	11	11	7	29
Spain	10	12	4	26
Belgium	5	5	3	13
Switzerland	5	4	-	9
Italy	7	7	4	18
Germany	5	4	1	10
Luxembourg	1	1	1	3
Portugal	1	1	-	2
Norway	1	1	-	2
Sweden	1	1	-	2
Denmark	1	-	-	1
Netherlands	1	2	3	6
Total EMEA	**49**	**49**	**23**	**121**
Mainland China	42	38	9	89
Hong Kong	10	10	4	24
Macao	4	4	-	8
Taiwan	-	-	-	-
Singapore	3	3	-	6
Total APAC	**59**	**55**	**13**	**127**
United States	20	20	-	40
Canada	4	4	-	8
Total Americas	**24**	**24**	**-**	**48**
Total	**204**	**189**	**85**	**478**

- 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, since the brand has only an average of about 400 to 450 SKUs in its collection plans compared to approximately 450-600 respectively for Maje and Sandro Women and 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 universal 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.

5.6.4.2 Concessions (excluding De Fursac)

- Number, location and distribution per brand

As of December 31, 2019, the Group had 545 directly operated concessions (an increase of 32 concessions compared with 2018), including 207 in the EMEA region, 178 in France, 94 in the Americas and 66 in Asia. These correspond to the Group's concessions in department stores (the average size of the concession 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, 2019, 31.7% of the Group's sales were generated through concessions.

In 2019, the Group opened new concessions in Spain, mainland China and the United States, and Luxembourg for the first time.

The following table shows the breakdown of the Group's concessions by brand and by country as of December 31, 2019:

	Sandro	**Maje**	**Claudie Pierlot**	**Total**
France	**81**	**48**	**49**	**178**
Spain	20	14	13	47
Germany	16	7	7	30
Switzerland	19	12	4	35
United Kingdom	12	7	6	25
Ireland	4	4	3	11
Netherlands	10	7	6	23
Italy	8	6	4	18
Portugal	3	2	-	5
Norway	1	1	-	2
Denmark	2	1	-	3
Luxembourg	2		1	3
Sweden	2	1	2	5
Total EMEA	**99**	**62**	**46**	**207**
Mainland China	28	26	5	59
Hong Kong	1	1	-	2
Taiwan	-	4	1	5
Total APAC	**29**	**31**	**6**	**66**
United States	47	34	-	81
Canada	8	5	-	13
Total Americas	**55**	**39**	**-**	**94**
Total	**264**	**180**	**101**	**545**

- 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.

5.6.4.3 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 44 Suite 341 points of sale (including free-standing stores and concessions) located exclusively in France and mainly outside of Paris, as of December 31, 2019. The Suite 341 concept allows the Group to optimize its coverage in France, specifically in medium-sized cities outside of Paris. The Suite 341 points of sale are mainly operated through affiliates (see Section 5.6.4.5 of this universal registration document) and concessions.

5.6.4.4 Electronic platforms (excluding De Fursac)

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. As such, for the fiscal year ended December 31, 2019, 14.9% of the Group's sales, i.e., €166.3 million were made online. As of December 31, 2019, pro forma, Group products were being sold via 71 directly operated online platforms and 40 platforms operated by partners.

For its online 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 store 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, China and Hong Kong, and the Claudie Pierlot brand has websites in France, the United Kingdom, Spain, Germany, Belgium, Switzerland and China. The Maje brand has dedicated websites in France, Spain, Italy, Germany, Ireland, the United Kingdom, Belgium, Switzerland, the United States, China and Hong Kong. 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", "galerieslafayette.com", "Farfetch.com", "selfridges.com", "bloomingdales.com", "net-a-porter.com", "zalando.fr", "tmall.com" and "JD.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 online 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.

5.6.4.5 Affiliates (excluding De Fursac)

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, 2019, the Group operated through 64 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.

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 affiliates 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, 2.5% of the Group's sales were generated with affiliates.

5.6.4.6 Outlets (excluding De Fursac)

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 *outlet* stores (83 *outlets* as of December 31, 2019) situated in premium sales locations, in particular in France, Spain, Switzerland, Italy and the United States. For the year ended December 31, 2019, 9.5% of the Group's sales were generated with *outlets*.

5.6.4.7 Partner points of sale ("*partnered retail*") excluding De Fursac

The Group also has a "*partnered retail*" distribution channel (partner-operated stores) for specific regions. For the year ended December 31, 2019, this distribution channel accounted for 7.1% of Group sales, of which 23.1% was generated through online 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 *outlet* networks with the Group's prior approval.

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

As of the date of this universal 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, Lithuania (since 2018) and in New Zealand since 2019.

In 2019, 22 partner-operated stores were opened worldwide, mainly in South Korea (10), Mexico (5), Australia (4) and Russia (3).

The following table shows the breakdown of the Group's partnered retail points of sale by brand and by country as of December 31, 2019:

	Sandro	Maje	Claudie Pierlot	Total
Russia	14	13	3	30
United Arab Emirates	9	9	2	20
Turkey	10	8	-	18
Lebanon	6	3	2	11
Saudi Arabia	3	2	-	5
Kazakhstan	2	2	-	4
United Kingdom	2	2	1	5
Austria	2	1	-	3
Ukraine	3	3	2	8
Andorra	-	1	-	1
Kuwait	1	1	-	2

	Sandro	Maje	Claudie Pierlot	Total
Latvia	1	1	-	2
Lithuania	1	1	-	2
Morocco	1	1	-	2
Germany	2	1	1	4
Qatar	2	2	-	4
Bahrain	1	-	-	1
Total EMEA	**60**	**51**	**11**	**122**
South Korea	61	48	12	121
Australia	16	16	3	35
Thailand	4	4	-	8
New Zealand	1	1		2
Hong Kong	-	1	-	1
Total APAC	**82**	**70**	**15**	**167**
Mexico	9	6	-	15
United States	6	6	-	12
Total Americas	**15**	**12**	**-**	**27**
Total	**157**	**133**	**26**	**316**

5.6.4.8 De Fursac points of sale

As of December 31, 2019, De Fursac had 19 stores and 33 wholly-owned concessions, mainly in France. In particular, the Group opened concessions in Galeries Lafayette, Printemps and Bon Marché. More recently, the Group launched its first *Pop-up store* at Selfridges in the UK and opened concessions for the first time in Luxembourg and England.

The brand also maintains a dedicated website for France. In addition to its stores, concessions and online sales, the brand also sells its unsold stock through a limited number of *outlets* (7 *outlets* at December 31, 2019) in France.

	De Fursac
Free-standing stores	**19**
France	19
Concessions	**33**
France	29
Switzerland	2
Luxembourg	1
England	1
Website	**1**
France	1
Outlets	**7**
France	**7**

	De Fursac
Partner points of sale	**2**
France	2
Total	**62**

5.6.4.9 Investment criteria for new retail stores and the establishment process

The Group follows a five-year medium-term international development plan targeting the 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.

5.6.5 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. The Group considers that in 2019, more than 2,950 sales assistants took part in this induction program now coupled with an online induction program, which enabled the training of 5,931 sales assistants worldwide.

5.6.6 Logistics organization

5.6.6.1 IT system

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

This system is based on Group Retail ERP (*Enterprise Resource Planning*) software, common to all brands and all geographical areas in which the Group operates, providing a single point of sale solution, a single e-commerce development platform and a central logistic management solution. The Group has an IT team of approximately 50 people, located at the Group's headquarters and internationally, in charge of managing projects and ensuring the development and maintenance of its applications and IT infrastructure. In 2019, SMCP continued to invest in information systems, notably with the deployment of Oracle Financial Cloud, the deployment of the SalesForce marketing platform and the implementation of new data centers in Asia and North America.

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.

5.6.6.2 In-house logistics

The Group's principal logistics center is used by all three brands Sandro, Maje and Claudie Pierlot and serves all points of sale, directly or indirectly, *via* satellite logistics centers located in the United States and mainland China 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 in summer 2020.

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

The Group also subcontracts product procurement for its points of sale in mainland China, organized through a warehouse with a total surface area of 7,200 square meters (partly used by the Group), leased by DHL and located in Shanghai. Buy Quickly handles e-commerce logistics in China. 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 De Fursac brand has its own logistics center, dubbed La Souterraine ("The Undergroud"), located in La Creuse, France. This 2,084-square-meter warehouse serves the entire French market, the European countries where the brand is sold, and is used for e-commerce.

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.

5.6.6.3 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.

5.7 Capital expenditure

Total capital expenditure amounted to €69.5 million for the fiscal year ended December 31, 2019. Capital expenditure includes investments (i) in infrastructure (shared infrastructure related to logistics and digital see Section 8.3.1 of this universal registration document, (ii) the maintenance of all stores and (iii) new store openings. A detailed description of the Group's capital expenditure cash flow is set out in Section 8.4.2 of this universal registration document.

(a) Capital expenditures in 2018 and 2019

During the 2018 and 2019 fiscal 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, especially in Europe, Greater China [16] and in the United States.

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 *outlets*. In addition, the Group opened a third logistics site in Vatry (outside Paris) in September 2017 that is dedicated to the storage of old collections of the Group's brands (see Section 5.6.6.2 of this universal registration document).

During the fiscal year ended December 31, 2019, excluding De Fursac, the Group opened 112 points of sale (including partnerships) and continued its expansion in the APAC zone with 56 openings, including 32 in mainland China, 9 in Hong and 10 in South Korea. In total and excluding De Fursac, the Group opened 90 points of sale (excluding partnerships), of which 33 free-standing stores, 30 concessions, and 21 *outlets*. In February 2019, the Group also made a commitment to lease a 30,000-square-meter warehouse under construction in Marly-la-Ville, where a large portion of the current Maje and Claudie Pierlot collections will be processed starting in the summer 2020. Lastly, SMCP continued its IT investments with key projects such as the deployment of a new finance tool, Oracle Financial Cloud, the setup of new information systems in China (as part of its transition toward a fully integrated platform) and the deployment of the SalesForce marketing platform.

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

The table below presents the net change[17] in the number of free-standing stores and concessions (excluding partnerships, *outlets*, affiliates and Suite 341) by brand in 2018 and 2019:

Number of free-standing stores and concessions opened during the period concerned (excluding partnerships, *outlets*, affiliates and Suite 341)

Brands (excluding De Fursac)		2018	2019
		Fiscal year ended December 31	
Sandro	*Free-standing stores*	+19	+12
	Concessions	+17	+22
Maje	*Free-standing stores*	+28	+15
	Concessions	+11	+10
Claudie Pierlot	*Free-standing stores*	+14	+6
	Concessions	+6	0
Total		**+95**	**+65**

Note: During the fourth quarter of 2019, following the acquisition of the De Fursac group by SMCP, the De Fursac brand opened three directly operated stores.

The table below presents the net change in the number of free-standing stores and concessions (excluding partnerships, *outlets*, affiliates and Suite 341) by geographic segment in 2018 and 2019:

Number of free-standing stores and concessions opened during the period concerned (excluding partnerships, *outlets*, affiliates and Suite 341)

Geographic segmentation (excluding De Fursac)		2018	2019
		Fiscal year ended December 31	
France	*Free-standing stores*	+5	+4
	Concessions	+2	-10
EMEA	*Free-standing stores*	+11	+9
	Concessions	+21	+24
APAC	*Free-standing stores*	+34	+16
	Concessions	+11	+13
Americas	*Free-standing stores*	+11	+4
	Concessions	0	+5
Total		**+95**	**+65**

Note: During the fourth quarter of 2019, following the acquisition of the De Fursac group by SMCP, the De Fursac brand opened three directly operated stores, including one in France and two in Europe (Luxembourg and the United Kingdom).

(17) Between 2018 and 2019, a total of 30 stores were closed (excluding relocations in the same city).

(b) Main future capital expenditure projects

The Group intends to continue and strengthen its presence in its key markets: Greater China, Europe excluding France, and North America (see Section 5.3.3 of this universal registration document). The Group will also continue its investments in infrastructure, in digital platforms, and information systems, with the continued deployment of Oracle Financial Cloud and the implementation of an *order management system* (OMS) that will make it possible to implement its *unified commerce* strategy.

(c) Information on equity interests

Information on equity interests is provided in Section 18.1.1 of this universal registration document in Note 8.4 “Scope of consolidation” to the Company’s consolidated financial statements for the period ended December 31, 2019.

5.8 Dependency factors

Information on the Group’s dependency factors is provided in Chapter 3 “Risk Factors” of this universal registration document.

5.9 Environmental factors likely to affect the use of the Group’s property, plant an eqipment

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. See Appendix II “Statement of Non-Financial Performance (DPEF)” in this universal registration document.

5.10 Research and Development, Patents and Licenses

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 389 trademarks registered worldwide, notably for the names “Sandro”, “Maje”, “Claudie Pierlot” and “De Fursac”.

The Group also has a portfolio of approximately 524 domain names.

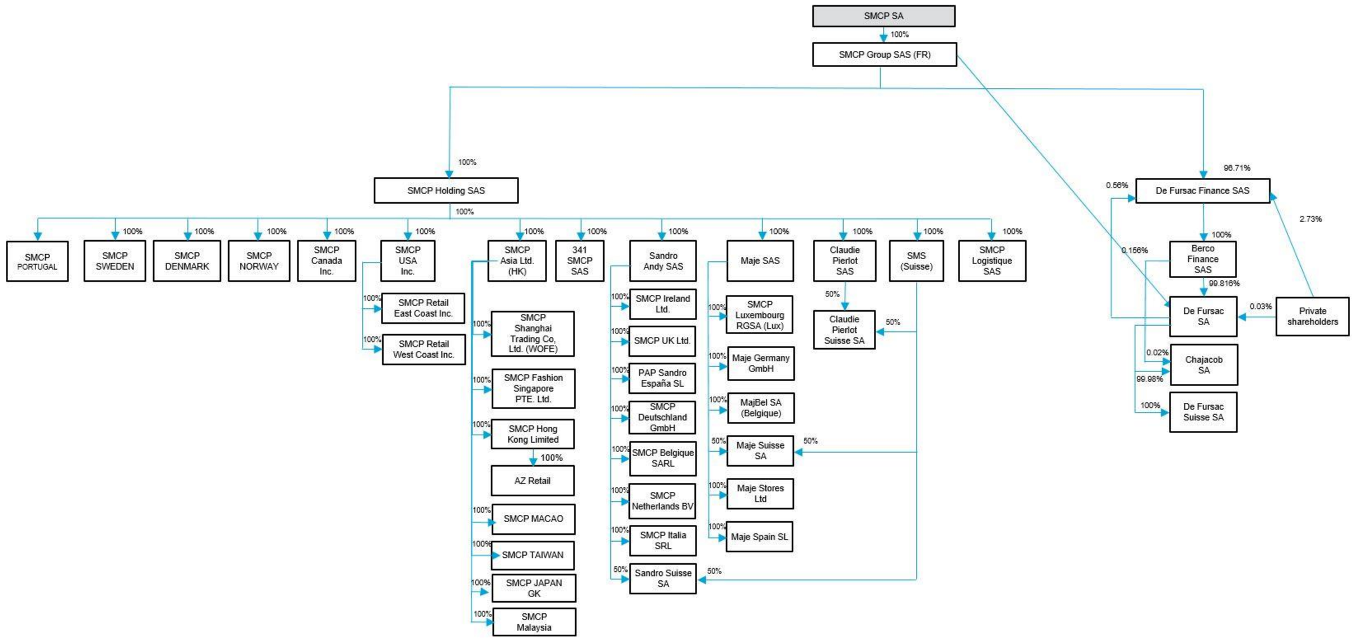
The Group’s intellectual property policy focuses on the protection of its trademarks and domain names. This policy is implemented by local applications or reservations, or applications or reservations in all of the countries where the Group is present or wishes to protect its rights.

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. After a case by case study and if all the conditions are met, the Group negotiates with the presumed counterfeiter a withdrawal of the products concerned, a compensation, or takes legal action, if necessary. The Group has also gathers intelligence online to identify the unauthorized use of its brands or the sale of counterfeit products. In addition, the Group works closely with customs authorities to promote their knowledge of the particular features of the Group’s products.

6. ORGANIZATIONAL STRUCTURE

6.1 Legal organizational structure of the Group as of December 31, 2019

The percentages indicated in the organizational chart below represent the capital and voting rights held as of December 31, 2019:



6.2 Subsidiaries and equity interests

Main subsidiaries

The principal direct or indirect subsidiaries of the Company on the date of this universal 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.
- **DE FURSAC S.A.S.** is a public limited company incorporated under French law with capital of €2,789,559.18, having its registered office at 112, rue de Richelieu, 75002 Paris, France and registered under number 378 486 096 in the Paris Trade and Companies Register. It is the Group's operating company for the De Fursac brand in France.

- **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.

7. REVIEW OF FINANCIAL POSITION AND RESULTS OF THE GROUP

The Company's consolidated financial statements for the fiscal year ended December 31, 2019 have been audited by the Statutory Auditors. The audit report prepared by the Statutory Auditors is provided in Section 18.1.1.2 of this universal registration document.

Pursuant to Article 19 of Regulation (EU) No. 2017/1129, 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 (available at: https://www.smcp.com/app/uploads/2018/10/smcp-document-de-rfrence-2017-revu-1.pdf) and for the fiscal year ended December 31, 2018 provided in chapter 10 "The Group's Liquidity and Capital" of the 2018 registration document (available at: https://www.smcp.com/app/uploads/2019/04/smcp-document-de-rfrence-2018.pdf) is included by reference in this universal registration document.

7.1 Overview

The consolidated financial statements of the SMCP Group for the fiscal year ended December 31, 2019 are provided in Section 18.1 "Group Consolidated Financial Statements" of this universal registration document. The risk management policy, as well as the main risks linked to the activity of SMCP Group are described in chapter 3 "Risk Factors" of this universal registration document.

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).

Lastly, 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.

7.1.1 Introduction

The Group is a fast-growing international apparel and accessories retail player. The Group markets its products under four brands: Sandro, Maje, Claudie Pierlot and De Fursac. 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 e-shops and third-party e-commerce platforms, as well as *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 Other Brands) and by geographical segment (France, EMEA, APAC and the Americas).

To reflect the recent changes linked to the acquisition of the De Fursac group, the Group has reviewed the organization of its business units by bringing together the Claudie Pierlot and De Fursac brands within the same "Other brands" business unit, due to their less advanced stage of development on international markets.

7.1.2 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.

7.1.2.1 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, 2019, the Group directly operated [18] 1,262 points of sale, of which 479 were free-standing stores, 565 were concessions in department stores and the remainder were affiliate-operated stores, *outlets* and online stores. As of December 31, 2019, the number of De Fursac points of sale stood at 62, including 60 directly operated stores bringing the total to 1,640 points of sale for the SMCP Group, including 1,322 directly operated stores.

Between 2015 and 2019, excluding De Fursac, the Group opened an average of 120 points of sale per year (including partnerships), 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, and with a particular focus on Europe (excluding France), 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 segment, 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.

7.1.2.2 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 remains its primary market (34% of sales for 2019). 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.

7.1.2.3 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, giving each brand its own distinct design identity. The Group believes that this multi-brand strategy also limits its exposure to changing fashion trends.

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

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

7.1.2.4 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 fiscal 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 2018 winter collection inventories in December 2019.

7.1.2.5 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*.

7.1.2.6 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).

7.1.2.7 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 25% of its sales in 2019 and 24% in 2018. 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.

7.1.2.8 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.

7.1.2.9 Currency fluctuations

The Group prepares its financial statements in euros, but a portion of its sales is generated in other currencies (43.7% for the fiscal year ended December 31, 2019), particularly in Chinese yuan, US dollars, pound sterling and Swiss francs. 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.

7.2 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, *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))	**2018**	**2019**
By brand		
Sandro	503	550
Maje	409	444
Claudie Pierlot	213	224
Suite 341	47	44
By geographical segment		
France	482	472
EMEA	364	409
Americas	148	162
APAC	178	219
Total points of sale excluding De Fursac	**1,172**	**1,262**
De Fursac points of sale	n.a	60
Total points of sale including De Fursas	**n.a**	**1,322**

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

	Fiscal year ended December 31	
(In number of points of sale, including partners)	**2018**	**2019**
By brand		
Sandro	646	707
Maje	538	577
Claudie Pierlot	235	250
Suite 341[(1)]	47	44
By geographical segment		
France	482	472
EMEA	480	531
Americas	174	189
APAC	330	386
Total points of sale excluding De Fursac	**1,466**	**1,578**
De Fursac points of sale	n.a	62
Total points of sale including De Fursac	**n.a**	**1,640**

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

The total number of Group points of sale increased from 1,466 at December 31, 2018 to 1,578 at December 31, 2019 (excluding De Fursac). This figure reflects the net opening of 122 points of sale, outside of France, primarily in the APAC segment, mainly Greater China, where the Group is now present in 31 cities. In the EMEA region, the group also extended its network by achieving 51 net openings of points of sale particularly in Spain, German and Italy. In France, the Group continued its policy to optimize and invest in the quality of its network with 10 net closures.

Of the 1,578 directly-operated points of sale at December 31, 2019, excluding De Fursac, 479 directly-operated free-standing stores and 565 were directly-operated concessions; the remainder are affiliates, *outlets*, online stores and partner points of sale.

The table below shows the number *of points of sale by category of point of sale (excluding De Fursac):*

	Fiscal year ended December 31	
	2018	**2019**
Free-standing stores	446	479
Concessions	535	565
Affiliates	67	64
Internet	62	71
Outlets	62	83
Total points of sale (directly-operated stores)	**1,172**	**1,262**
Partnerships	294	316
Total	**1,466**	**1,578**

NB: De Fursac points of sale totaled 62 as of December 31, 2019, including 60 directly operated stores, bringing the total to 1,640 points of sale for SMCP of which 1,322 directly-operated stores

7.3 Overview of activity in 2019

Highlights of fiscal year 2019

Highlights are reported in the main press statements released during fiscal year 2019.

- On April 2, 2019, SMCP announced the appointments of Isabelle Allouch as Chief Executive Director of the Sandro brand and Jean-Baptiste Dacquin as Chief Executive Director of the Claudie Pierlot brand.
- On May 10, 2019, SMCP announced the refinancing of its existing debt after signing a new unsecured credit facility totaling €465 million, comprising a €265 million Amortizing Term Loan and a €200 million Revolving Credit Facility, with a maturity of 5 years.
- On June 25, 2019, SMCP announced that it had entered into exclusive negotiations with the acquisition of De Fursac.
- On July 17, 2019, SMCP announced that it had concluded a partnership with Farfetch for the Sandro brand.
- On September 5, 2019, SMCP announced the finalization of the acquisition of the De Fursac group in accordance with the documentation dated June 25, 2019, and after having received authorization from the French competition authority.
- On October 22, 2019, SMCP announced the appointments of Elina Kousourna to the position of Chief Executive Officer of the De Fursac brand and Flavien d'Audiffret to the position of Director of the Group's Strategy, Digital and Development.

Key figures and events for the first quarter of 2020

- On February 25, 2020, SMCP indicated that the Covid-19 outbreak in Greater China had a material negative effect on Chinese consumption. In this context, the Group's sales and profitability in Greater China were also significantly impacted and to a lesser extent in other regions of the world, due to a decrease in Chinese tourists.
- On March 25, 2020, SMCP provided a Covid-19 update when it presented its annual results. On that date, all stores had reopened in Greater China, but all stores remained closed in the rest of Asia (except for South Korea), EMEA, and the Americas. Given the extent of the closures, SMCP stated that its sales and profitability would be meaningfully impacted. The Group has taken immediate measures to mitigate the economic impact and protect its cash-flow, such as reducing its operating expenses, postponing non-essential investments, adjusting its level of inventories and collections and maintaining the ecommerce channel. Additionally, the Group has decided to immediately draw the full capacity of its Revolving Credit Facility (RCF) to reinforce its cash position

.•On April 29, SMCP published its revenue for the first quarter of 2020 and provided an update on the Covid-19 epidemic as of that date (see Section 18.7 of this universal registration document.).

7.4 Review of the consolidated result

Fiscal year ended December 31

(In millions of euros)	**2018**	**2019 excluding IFRS 16**	**2019 including IFRS 16**	**IFRS 16 impacts**
Sales	**1,017.1**	**1,131.9**	**1,131.9**	
Cost of sales [(1)]	(367.8)	(418.6)	(418.6)	-
Gross margin [(2)]	**649.3**	**713.2**	**713.2**	-
Personnel costs	(212.3)	(237.2)	(237.2)	-
Other net operating income and expenses	(265.5)	(301.9)	(189.7)	+112.2
Adjusted Ebitda	**171.5**	**174.2**	**286.4**	**+112.2**
Adjusted EBITDA margin	*16.9%*	*15.4%*	*25.3%*	-
Depreciation, amortization and impairment	(36.1)	(45.2)	(154.8)	-109.6
IPO bonus share allocation plan (LTIP)	(13.4)	(10.0)	(10.0)	-
Current operating income	**122.0**	**119.0**	**121.5**	**+2.6**
Other non-current income and expenses	(12.5)	(14.6)	(14.6)	-
Operating profit	**109.5**	**104.4**	**106.9**	**+2.6**
Cost of net debt	(18.0)	(24.3)	(37.9)	-13.6
Other financial income and expenses	(1.4)	(1.9)	(1.9)	-
Financial income	**(19.4)**	**(26.2)**	**(39.8)**	**-13.6**
Profit/(loss) before tax	**90.1**	**78.1**	**67.1**	**-11.0**
Income tax expense	(39.9)	(26.5)	(23.4)	+3.1
Net profit for the period	**50.2**	**51.6**	**43.7**	**-8.0**
Group share	50.2	51.6	43.7	-8.0
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.

7.4.1 Sales

7.4.1.1 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 historic brands) are allocated to the corresponding brand of the product sold.

For the fiscal year ended December 31, 2019, sales rose by €114.7 million, i.e., +11.3% as reported (+8.7% at constant currency and scope), rising from €1,017.1 million in 2018 to €1,131.9 million in 2019. This performance reflects nearly stable *like-for-like* growth for sales including a sequential acceleration from -0.7% in the first half of 2019 to +0.8% in the second and the continued expansion of the store network, in line with the Group's objectives.

Over the last 12 months, SMCP net openings totaled +90 net openings of directly operated stores (DOS). This included 41 net openings in APAC, 45 in EMEA and 14 in the Americas. Meanwhile, in France, where the Group continued to optimize its network with 10 net closings (DOS), SMCP continued to invest in new qualitative locations such as Sandro in Strasbourg or Maje-rue Soufflot in Paris.

2019 also showed some progress in e-commerce sales (excluding De Fursac), as online sales now represent 14.9% of the Group's total sales (+ 20 bps compared with 2018.). In parallel, Accessories showed a strong increase of +18.4% (excluding De Fursac), mainly driven by Maje and Claudie Pierlot.

7.4.1.2 *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 notes to the Group's consolidated financial statements as of 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 [19].

	Fiscal year ended December 31	
	2018	**2019**
Total like-for-like growth	**+3.7%**	**-0.1%**

For the fiscal year ended December 31, 2019, comparable *like-for-like* sales performance was nearly stable at -0.1% compared to 2018. This performance reflects a particularly difficult market environment in 2019. Indeed, in France, the year was marked by (i) the impact of the "yellow vests" demonstrations in the first quarter and strikes in the fourth quarter and (ii) a significant deterioration of the market during the second half of the year in Hong-Kong.

In France, where SMCP generated 34.0% of its sales, the Group continued to gain market shares: although the French apparel market shrank by -1.3% according to the data communicated by the IFM index, the Group reported a -0.7% decline in sales on a like-for-like basis.

At the same time, the APAC region (excluding Hong Kong) continued to generate very strong like-for-like growth driven by the success of its brands in China.

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

7.4.1.3 Sales by brand and by region at December 31, 2019

€m (except percentages)	Fiscal year ended December 31 2018	2019	Change in reported data	Change at constant currency and scope
By brand				
Sandro	500.6	551.6	*+10.2%*	*+8.7%*
Maje	391.4	438.2	*+12.0%*	*+10.5%*
Other brands	125.2	142.1	*+13.5%*	*+3.0%*
By region				
France	374.9	384.6	*+2.6%*	*-0.7%*
EMEA	305.5	337.6	*+10.5%*	*+9.8%*
Americas	134.2	150.4	*+12.0%*	*+6.7%*
APAC	202.5	259.2	*+28.0%*	*+25.8%*
TOTAL	**1,017.1**	**1,131.9**	***+11.3%***	***+8.7%***

Business segmentation

The Group organizes its activities around its three units:

The **Sandro** brand reported sales of €551.6 million in 2019, up by +8.7% at constant exchange rate and scope compared to 2018. 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 613 new points of sale in 2019, 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 18 new points of sale.

The **Maje** brand reported sales of €438.2 million in 2019, up by +10.5% at constant exchange rate and scope compared to 2018. This sharp increase underlines the success of the Maje ready-to-wear collection, the accessories, and the particularly successful "gifting" strategy at the end of the year and the digital strategy implemented in 2019. Maje continued its geographic expansion with 39 new points of sale, mainly outside France, with 15 new points of sale in EMEA and 23 new points of sale in the APAC region.

The **other brands** business unit (which includes Claudie Pierlot and De Fursac) generated sales of €142.1 million in 2019, up by +3.0% at constant exchange rate compared to 2018. This performance, which only reflects the sales trend of the Claudie brand in 2019, was impacted by the brand's transition to to become a global brand. In this respect, Claudie Pierlot has launched a consumer study and continues to work on the gradual evolution of the brand's marketing and products mix through further adjustments of its collection, store concept and marketing plan.

Segmentation by geographical area

In **France**, the Group generated sales of €384.6 million in 2019, i.e., a limited -0.7% decline compared to 2018. This stability demonstrates the Group's resilience and stresses the new market share gains, in a market impacted by exceptionally difficult market conditions (at the start of the year with the continued impacts linked to the "yellow vests" demonstrations and at the end of the year due to the social movements that affected retail footfall. Meanwhile, SMCP pursued its network optimization plan with 10 net closings and several investments in key locations, including Claudie Pierlot Champs Elysées, Maje Francs Bourgeois and Sandro Lille.

The **EMEA** region generated sales of €337.6 million in 2019 thanks to an exceptional increase of +9.8% at constant exchange rate and scope supported by its key countries (Spain, Germany and Italy). At the same time, the UK, the region's leading contributor in terms of sales, reported performance below 5% in a tough and volatile market, impacted by Brexit-related uncertainties. In 2019, the Group continued to expand in Europe (excluding De Fursac) with 51 net openings, mainly in its key countries (Spain, Germany and Italy).

The **Americas region** generated sales of €150.4 million in 2019, representing 6.7% growth at constant exchange rate and scope compared with an exceptionally high comparison basis of +30.4% and under difficult market conditions marked by a slowdown of tourist flows (especially Chinese tourism) due to the appreciation of the dollar and Sino-American commercial tensions. During the year, the Group continued its expansion through a selective approach. SMCP has opened 15 new points of sale in key locations such as the *flagship* Sandro store on Prince Street (New York), Fashion Valley in San Diego for Sandro and Maje and The Grove for Sandro in Los Angeles. At the same time, the Group opened five new points of sale in Mexico.

Lastly, the **APAC** region generated sales of €259.2 million in 2019 thanks to an exceptional increase of +25.8% at constant exchange rate and scope, compared to 2018 and despite the sharp deterioration of the Hong Kong market. This very strong performance reflected an outstanding performance in mainland China, which has been amplified by some additional off-price operations on past end-of-year inventories. By excluding these liquidations, mainland China reported growth of more than 30% at constant exchange rate and scope. During the year, the Group continued its expansion with 56 net openings of which 32 openings in mainland China where the Group is now present in 28 cities (versus 23 at December 31, 2018), 9 openings in Hong Kong and the opening of a new country, New Zealand for the Sandro and Maje brands. At the same time, SMCP reported solid progress in digital, especially in mainland China where the digital penetration is now greater than that of the Group worldwide. During the year, SMCP announced a new strategic partnership with JD.com and launched a mini program WeChat (directly connected to e-commerce sites) on mainland China, which will enable it to continue the diversification of its e-commerce retail channels. Furthermore, the Group opened its own website for the Claudie Pierlot brand in mainland China and for its brands Sandro and Maje in Hong Kong.

Sales per category of points of sale:

	Fiscal year ended December 31	
(In millions of euros)	**2018**	**2019**
Free-standing stores	360.8	402.0
Concessions	342.6	355.0
Outlets	86.7	106.6
Affiliates	21.1	27.9
Internet(1)	137.5	147.8
Partnerships	68.4	79.9
Total excluding De Fursac	**1,017.1**	**1,119.3**
De Fursac sales (4 months)	-	**12.6**
Total including De Fursac (4 months)	-	**1,131.9**

(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 sales of the partnerships, total online sales (excluding De Fursac) amounted to €166.3 million for 2019 and to €149.1 million for 2018.

7.4.1.4 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.

7.4.2 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, *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 13.8%, from €367.8 million in 2018 to €418.6 million for in 2019. Cost of sales as a percentage of sales increased slightly from 36.2% in 2018 to 37.0% in 2019.

7.4.3 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 rose from €771.5 million in 2018 to €843.6 million in 2019. The management gross margin represented 74.5% of the net sales in 2019 compared to 75.9% in 2018. This change reflects, on the one hand, an unfavorable, geographic mix effect related to the sharp deterioration of the market in Hong Kong and a growing contribution from off-prices sales and, on the other hand, some markup adjustments in the United States.

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 €363.3 million in 2018 to around €377.6 million in 2019. The *retail* margin thus represented 33.4% of sales in 2019 compared to 35.7% in 2018. This change is mainly due to lower than expected sales growth in 2019 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)	**2018**	**2019**
Accounting gross margin	**649.3**	**713.2**
Readjustment of the commissions and other adjustments	122.4	130.2
Management gross Margin	**771.7**	**843.6**
Direct costs of points of sale	(408.5)	465.9
Retail Margin	**363.3**	**377.6**

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 adjusted EBITDA (excluding IFRS 16).

The Group's selling, general and administrative expenses totaled approximately €203.5 million in 2019, compared with €191.8 million in 2018. As a percentage of sales, these expenses fell significantly, from 18.9% in 2018 to 18.0 in 2019, thus highlighting the strict control of the Group's administrative and other general expenses, particularly in terms of payroll, discretionary expenditure 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.

7.4.4 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 11.7%, from €212.3 million (20.9% of sales) in 2018 to €237.2 million (21.0% of sales) in 2019. This limited increase reflects the Group's cost control methods implemented in 2019 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.

7.4.5 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.

  Lastly, other operating expenses include bank fees linked to the processing of in-store payments (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.

In 2019, including the impact of IFRS 16, other net operating income and expenses totaled €189.7 million. This decrease can be explained by the IFRS 16 restatement of the fixed portion of rental payments for an amount of €112.2 million;

Excluding IFRS 16, other net operating income and expenses increased by 13.7% in 2019, from a net expense of €265.5 million in 2018 to a net expense of €301.9 million in 2019. 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.

7.4.6 Adjusted EBITDA and adjusted EBITDA margin

Adjusted EBITDA (excluding IFRS 16) 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 €10.0 million in 2019). 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 (excluding IFRS 16) represents adjusted EBITDA (excluding IFRS 16) divided by sales.

For the fiscal year ended December 31, 2019, adjusted EBITDA (excluding IFRS 16) totaled €174.2 million, compared to €171.5 million for 2018, i.e., an increase of 1.6%.

Adjusted EBITDA margin (excluding IFRS 16) decreased from 16.9% in 2018 to 15.4% in 2019, particularly due to the weaker than expected performance of Claudie Pierlot and the sharp deterioration of the market in Hong Kong. This change also reflects the lower absorption of store costs related to a weaker than expected sales performance. At the same time, the Group efficiently managed its general and administrative expenses (SG&A/sales ratio decreased by 0.9 point between 2018 and 2019) mainly by keeping its payroll, discretionary expenditures and external service providers under control, while maintaining a steady investment pace in order to prepare for future growth, thereby offsetting part of the deterioration in margin.

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 €10.0 million. In 2019 EBITDA was €164.2 for 2019 compared with €158.1 million for 2018.

Adjusted EBITDA and adjusted EBITDA margin by brand

(In millions of euros)	Fiscal year ended December 31			
	2018	**2019 excluding IFRS16**	**2019 including IFRS16**	**IFRS 16 impacts**
Adjusted EBITDA	**171.5**	**174.2**	**286.4**	**+112.2**
Sandro	86.3	86.4	141.0	+54.6
Maje	70.8	75.3	119.9	+44.6
Other brands	14.4	12.5	25.4	+12.9
Adjusted EBITDA margin	**16.9%**	**15.4%**	**25.3%**	**+9.9%**
Sandro	17.2%	15.7%	25.6%	+9.9%
Maje	18.1%	17.2%	27.4%	+10.2%
Other brands	11.5%	8.8%	17.9%	+9.1%

Sandro

The adjusted EBITDA (excluding IFRS 16) of the *Sandro* brand amounted to €86.4 million in 2019, nearly flat in reported data compared to 2018.

The brand's adjusted EBITDA (excluding IFRS 16) margin changed from 17.7% for 2018 to for 2019. This performance reflects:

- Firstly, the reduction of the gross margin linked to an unfavorable mix (significant deterioration of the Hong Kong market and growing contribution of outlets) and pricing markups in the United States.
- Secondly, The lower absorption of store costs due to weaker sales growth in 2019, especially in the 1st half.

Maje

The adjusted EBITDA (excluding IFRS 16) of the *Maje* brand amounted to €75.3 million in 2019, up by 6.4% in reported data compared to 2018.

The brand's adjusted EBITDA (excluding IFRS 16) margin went from 18.1% for 2018 to 17.2% for 2019. This change mainly reflects a reduction in gross margin linked to the strong contribution of "off-price" sales.

Other brands

The adjusted EBITDA (excluding IFRS 16) of the *Other brands* amounted to €12.5 million in 2019, up by 13.43% in reported data compared to 2018.

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

Fiscal year ended December 31

(In millions of euros)	2018	2019 excluding IFRS16	2019 including IFRS16	IFRS 16 impacts
Adjusted EBITDA	**171.5**	**174.2**	**286.4**	**+112.2**
Depreciation, amortization and impairment	(36.1)	(45.2)	(154.8)	-109.6
Bonus shares allocation plan	(13.4)	(10.0)	(10.0)	-
Other non-current income and expenses	(12.5)	(14.6)	(14.6)	-
Operating profit	**109.5**	**104.4**	**106.9**	**+2.6**
Cost of net debt	(18.0)	(24,3)	(37.9)	-13.6
Other financial income and expenses	(1.4)	(1,9)	(1.9)	-
Financial income	**(19.4)**	**(26,2)**	**(39.8)**	**-13.6**
Profit/(loss) before tax	**90.1**	**78,1**	**67.1**	**-11.0**
Income tax expense	(39.9)	(26.5)	(23.4)	+3.1
Net profit for the period	**50.2**	**51.6**	**43.7**	**-8.0**
Group share	50.2	51.6	43.7	-8.0
Of which non-controlling interests	-	-	-	-

7.4.7.1 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.

Including the impact of IFRS 16, the depreciation, amortization and provisions expense amounted to €154.8 million in 2019. This increase can be explained by the IFRS 16 restatement of the amortization of rights of use for a total of €109.6 million.

Excluding IFRS 16, depreciation, amortization and provisions expense amounted to €45.2 million in 2019 (i.e. 4.0% of sales) versus €36.1 million (i.e. 3.6% of sales) for 2018, in the wake of the expansion of new points of sale and capital expenditure.

7.4.7.2 Bonus shares allocation plan

SMCP recorded an expense of €10.0 million linked to the free shares allocation plan in 2019, compared to an expense of €13.4 million in 2018. In 2019, SMCP decided to prioritize the delivery of the bonus share allocation plan through a share buyback program. To this end, SMCP had repurchased 400,000 shares as of December 31, 2019.

7.4.7.3 Current operating income

Including the impact of IFRS 16, current operating income amounted to €121.5 million in 2019, €2.6 million of which can be explained by the impact of IFRS 16.

Excluding IFRS 16, current operating income fell by 2.4%, dropping from €122.0 million in 2018 to €119.0 million in 2019.

7.4.7.4 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 €12.5 million in 2018 to a net charge of €14.6 million in 2019, i.e., a decrease of €2.1 million in non-recurring expenses. In 2019, other non-recurring expenses mainly included the costs linked to (i) strengthening the platform in China as part of the full integration of the Group's operating activities in China, (ii) some store impairments on certain leases in Hong Kong following the events of 2019 and (iii) the costs related to the acquisition of De Fursac.

7.4.7.5 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).

Including IFRS 16, financial result was an expense of €39.8 million in 2019. This increase in expenses can be explained by the IFRS 16 restatement of interests on lease liabilities for an amount of €13.6 million.

Excluding IFRS 16, net financial result was an expense of €26.2 million in 2019 (including €12.6 million of penalties and amortization of the issuance costs linked to the refinancing of the Group's existing debt on May 21, 2019) compared to an expense of €19.4 million in 2018. Excluding the penalty related to the early repayment of senior debt, financial expenses decreased by €3.3 million in 2019, highlighting the continued optimization of the average cost of debt from 4.7% in 2018 to 2.7% in 2019.

7.4.7.6 Profit/(loss) before tax and income tax expense

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.

Earnings before tax was a profit of €67.1 million in 2019 impacted by an expense net of IFRS 16 of €11 million.

Excluding IFRS 16, profit before tax decreased by €11.9 million, from an income of €90.1 million fin 2018 to an income of €78.9 million in 2019. Excluding the penalties linked to the refinancing of financial debt, profit/(loss) before tax decreased by €1.9 million.

Excluding IFRS 16, the Group's income tax went from a net income of €39.9 million in 2018 to an expense of €26.5 million in 2019. Income tax in 2019 represented a Corporate Income Tax rate of 33.9% (compared to 44.3% in 2018, i.e. 30.3% excluding CVAE). Income tax expense benefitted from the deductibility of free performance shares (LTIP) expenses, including some positive one-off effects, following the implementation of a share buyback program.

Including the impact of IFRS 16, income tax totaled €23.4 million in 2019.

7.4.7.7 Net profit - Group share

As a result of the factors described above, the Group's net profit, excluding IFRS 16, rose from €50.2 million in 2018 to €51.6 million in 2019. Excluding penalties related to the refinancing of the Group's debt, the Group's net income increased by 14.1%.

Including the impact of IFRS 16, the Group's net profit was €43.7 million in 2019.

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

Fiscal year ended December 31

	2018	2019 excluding IFRS16	2019 including IFRS16	IFRS 16 impacts
Net profit - Group share *(in millions of euros)*	**50.2**	**51.6**	**43.7**	**-8.0**
Average number of shares				
Before dilution (1)	73,091,198	73,365,302	73,365,302	-
After dilution (2)	78,666,510	78,841,564	78,841,564	-
EPS ***(in euros)***				
Before dilution	0.69	0.70	0.60	-0.10
After dilution	0.64	0.66	0.55	-0.11

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

(2) Average number of common shares, 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 (4,696,861 shares) and the bonus performance shares (LTIP) which are prorated on the performance criteria reached at December 31, 2019

7.4.8.1 Operating free cash flow

Operating Free cash flow after tax is defined as adjusted EBITDA after taking into account changes in working capital requirements, exceptional items, paid income tax as well as cash flows linked to investing activities excluding acquisitions.

Excluding IFRS 16, operating free cash flow before tax and excluding exceptional items related to the IPO amounted to €62.4 million in 2019, compared to €63.1 million in 2018. It totaled €174.6 million before restatement of rents related to IFRS 16. This performance includes an increase in capex to -€69.5 million (or 6.1% of sales in 2019 versus 45.5% in 2018) due to additional investments mostly related to continued expansion in Asia as well as some one-off in infrastructure & IT. At the same time, the change in working capital requirement excluding exceptional items was -€31.7 million. This highlights the first signs of improvement in inventory purchases thanks to the implementation of demand planning.

Operating Free cash flow after tax was -€19.6 million in 2019, including -€1.9 million in exceptional items related to early refinancing.

(In millions of euros)	2018	2019 Excluding IFRS 16
Adjusted EBITDA	171.5	174.2
Change in working capital	-47.5	-31.7
Non-current expenses	-18.7	-12.4
Capital expenditure	-56.3	-69.5
Income tax refunded/(paid)	-12.7	-40.9
Operating Free cash flow after tax (a)	**36.3**	**19.7**
Cost of share-based payments (b)	-11.3	-
Non-operating expenses incurred during the period (c)	-2.8	-1.9
Operating Free cash flow after tax and excluding exceptional items related to the IPO (a)-(b)-(c)	**50.4**	**21.5**
Income tax refunded/(paid)	-12.7	-40.9
Operating Free cash flow before tax and excluding exceptional items related to the IPO	**63.1**	**62.4**

7.4.8.2 Review of the consolidated balance sheet

(In millions of euros) - Assets	As of December 31, 2018	As of December 31, 2019 Excluding IFRS 16	As of December 31, 2019 Including IFRS 16	Impacts IFRS 16
Goodwill	630.1	683.2	683.2	-
Intangible assets & right-of-use	736.1	810.3	1,284.2	+473.9
Property, plant and equipment	76.0	93.9	93.9	-
Non-current financial assets	19.5	22.1	22.1	-
Other non-current assets	0.5	0	0	+0
Deferred Taxes Assets	33.4	41.3	43.9	+2.6
Non-current financial assets	**1,495.5**	**1,650.8**	**2,127.2**	**+476.5**
Inventories	221.4	247.9	247.9	-
Trade receivables	51.4	58.4	58.4	-
Other receivables	43.1	63.4	63.4	-
Cash and cash equivalents	42.6	52.3	52.3	-
Current assets	358.5	422.1	422.1	-
Total assets	**1,854.0**	**2,072.9**	**2,594.3**	**+476.5**

(In millions of euros) - Equity & liabilities	As of December 31, 2018	As of December 31, 2019 Excluding IFRS 16	As of December 31, 2019 Including IFRS 16	Impacts IFRS 16
Total equity	**1,142.2**	**1,197.9**	**1,189.8**	**-8.1**
Bonds	174.2	-	-	-
Long-term lease liabilities	-	-	402.5	+402.5
Long-term financial borrowings	-	436.5	436.5	-
Other non-current liabilities	0.2	0.2	0.2	-
Non-current provisions	0.2	3.8	3.8	-
Prepaid income	-0.1			
Net employee defined benefit liabilities	3.3	3.9	3.9	-
Deferred tax liabilities	166.5	183.5	183.0	-0.6
Non-current liabilities	**344.5**	**628.0**	**1029.9**	**+401.9**
Trade and other payables	115.5	144.0	144.0	-
Short-term lease liabilities	-	-	101.8	+101.8
Bank overdrafts and short-term borrowings and debt	146.1	3.0	3.0	-
Short-term provisions	3.2	0.7	0.7	-
Other liabilities	102.6	99.2	80.1	-19.1
Current liabilities	**367.4**	**247.0**	**329.6**	**+82.6**
Total equity and liabilities	**1,854.0**	**2,072.9**	**2,549.3**	**+476.5**

7.4.8.3 Net financial debt

In millions of euros	As of December 31, 2018	As of December 31, 2019
Bonds & Interest-bearing loans and borrowings	-176.4	-
Long-term financial borrowings & other non-current liabilities	-0.2	-436.0
Bank overdrafts and short-term borrowings and debt	-143.9	-3.0
Cash and cash equivalents	46.5	52.3
Net financial debt	**-274.0**	**-387.4**
Adjusted EBITDA over the last 12 months	*171.5*	*174.2*
1.6x	**1.6x**	**1.2x**

Net financial debt (excluding IFRS 16) increased from €274.0 million as of December 31, 2018 to €387.4 million as of December 31, 2019. The debt ratio (net financial debt/ adjusted EBITDA[20]) increased to 2.2x as of December 31, 2019 compared to 1.6x as of December 31, 2018.

Including IFRS 16, the total of lease liabilities and net financial debt increased to €891.7 million as of December 31, 2019.

[20] Adjusted EBITDA calculated on a rolling 12-month basis

8. THE GROUP'S LIQUIDITY AND CAPITAL

8.1 Overview

The Group's main financing needs include its working capital requirement, capital expenditure, expense payments and repayments of financial liabilities.

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 commercial 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 3 of this universal registration document). The Group uses its cash and cash equivalents to fund the ongoing requirements of its business. SMCP Group S.A.S., direct subsidiary of the Company, is the borrower of the main bank debt.

Pursuant to Article 19 of Regulation (EU) No. 2017/1129, 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 (available at: https://www.smcp.com/app/uploads/2018/10/smcp-document-de-rfrence-2017-revu-1.pdf) and for the fiscal year ended December 31, 2016 provided in Chapter 10 "The Group's Liquidity and Capital" of the 2018 Registration Document (available at: https://www.smcp.com/app/uploads/2019/04/smcp-document-de-rfrence-2018.pdf) is included by reference in this universal registration document.

8.2 Financial resources and financial liabilities

8.2.1 Overview

The Group fully restructured its debt in the fiscal year ended December 31, 2019. The Group took advantage of the three-year *non-call period* of its bond debt, favorable financial conditions and a leverage level at 1.6x to restructure its debt.

As such, the bond issue maturing in 2023 and its previous credit line were totally repaid and replaced on May 21, 2019 by a credit facility of €465 million (the "**credit facility**").

The credit facility consists of an amortizable Term Loan A of €265 million and a revolving credit line of €200 million.

This credit facility was granted by a club deal of 14 international banks. This new debt, with a 2024 maturity, does not provide for any sureties.

The Group reported a reduction of its average debt by 200 basis points in a full year.

In June 2019, the Group set up a commercial paper program "NEU CP" (*Negotiable European Commercial Paper*) by submitting a dossier to Banque de France and obtaining approval.

In September 2019, the Group set up a *Bridge Term Loan* credit line of €40 million to partly finance the acquisition of the De Fursac group, valid for 12 months renewable for six additional months.

In short, the Group mainly uses the following financing sources: (i) cash, which mainly includes net cash flows from operational activities and (ii) bank borrowings, which include the Term Loan A, the Revolving Credit and the Bridge Term Loan (see Section 10.2.5.1 of this universal registration document), the NEU CP program (see Section 10.2.5.2 of this universal registration document), and short-term bank overdraft lines. On the conclusion date of these contracts, SMCP Group S.A.S was the borrower and the Company. was the guarantor for the borrower.

8.2.2 Financial liabilities

The Group's financial liabilities were €439.8 million and €320.5 million, respectively, at December 31, 2019 and December 31, 2018.

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**	**2019**
Loans	**174.2**	**300**
Bonds	174.2	-
Credit Facility	-	260.9
Bridge Term Loan	-	39.1
Current bank overdrafts	**7.2**	**3.0**
Other loans and borrowings	**139.1**	**136.8**
NEU CP	138.9	128.0
Other borrowings and accrued interests	0.2	8.8
Financial liabilities	**320,5**	**439.8**

The table below shows the Group's adjusted net debt/EBITDA ratio (before IFRS 16) for the twelve-month periods ended December 31, 2019 and December 31, 2018.

	Fiscal year ended December 31	
(In millions of euros)	**2018**	**2019**
Adjusted EBITDA (before IFRS 16)	171.5	174.2
Financial liabilities	**320.5**	**439.8**
Cash and cash equivalents	46.5	52.3
Net financial debt	**274.0**	**387.4**
Net financial debt/adjusted EBITDA (before IFRS 16)	**1.6**	**2.2**

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

8.2.2.1 The Term Loan A and Revolving Credit – €465 million

Term Loan A and the Revolving Credit Facility were granted on May 9, 2019 and arranged on May 21, 2019 to reimburse the Revolving Credit Facility of €250 million granted on October 23, 2017 and the 2023 bond loan granted in May 2016.

Term Loan A is a credit of €265 million credit fully drawn at signature. It is repayable in installments of €55 million in May 2021, May 2022, May 2023 and €100 million on May 9, 2024.

The Revolving Credit Facility is a revolving credit of €200 million. A so-called €50 million swingline tranche allows drawdowns in day value. The Revolving Credit Facility expires in May 2024 and had not been used as of the fiscal year's closing date. €200 million was withdrawn on March 19, 2020.

8.2.2.2 The NEU CP program – €200 million

The NEU CP is a euro-denominated commercial paper program filed with the Banque de France, with a maximum utilization amount of €200 million. The aim is to optimize the cost of the Group's debt. The first tranche of €33.9 million was issued on June 20, 2019. At the closing of the 2019 fiscal year, the issued amount was €128.5 million.

8.2.2.3 The Bridge Term Loan – €40 million

The Bridge Term loan is a €40-million loan fully drawn at first drawdown on September 5, 2019. The loan has a term of 12 months plus an additional six months. At the closing of the 2019 fiscal year, €40 million had been drawn.

Furthermore, the Group can supplement this loan with additional lines or credit provided that it complies with the leverage ratio test to avoid exceeding 3.0x.

8.2.2.4 De Fursac's debt

As at December 31, 2019, De Fursac's bank borrowings amounted to €7.1 million, consisting of two types of medium-term loans with maturities of 3 to 5 years: (i) a line of credit for network development investments, contracted with French commercial banks in the amount of €3.9 million, and (ii) a line of credit for brand growth contracted with BPI in the amount of €3.2 million.

8.2.3 Interest and fees

Loans contracted under the Credit Facility will bear interest at a floating rate indexed on the EURIBOR with a minimum of 0% plus the applicable margin.

On the drawdown date, the applicable margin was set at 2.15% per year for the Term Loan A and 1.75% per year for the Revolving Credit.

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

Leverage ratio (total net debt/consolidated EBITDA before IFRS 16)	**TLA Margin**	**RCF Margin**
≥ 2.5x	2.45%	2.05%
< 2.5x and ≥ 2.0x	2.30%	1.90%
< 2.0x and ≥ 1.5x	2.15%	1.75%
< 1.5x and ≥ 1.0x	2.00%	1.60%
< 1.0x	1.85%	1.45%

With respect to the Revolving Credit Facility alone, 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 Bridge Term Loan also bears interest at a EURIBOR-indexed floating rate with a minimum of 0% plus the applicable margin. At December 31, 2019, the applicable margin was 2.00% per year.

The table below sets out the margin, ratcheted as a function of the loan maturity:

Adjustment period	**Bridge Term Loan margin**
0 - 3 months	1.75%
4 - 6 months	2.00%
7 - 9 months	2.25%
10 - 12 months	2.75%
13 - 15 months	3.25%
16 - 18 months	4.00%

As part of its NEU CP issuance program, the Group has to determine an issue price, calculated as a function of supply and demand on this market and the maturity of the issued securities. At the closing of the 2019 fiscal year, the Group reported an average rate of 0.21% per year for all issues made in 2019.

8.2.4 Undertakings and covenants

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

- delisting SMCP S.A.;
- mergers (with the exception of mergers that do not involve the Company itself);
- disposals of significant assets;
- changing the nature of the Group's business;

with, in certain cases, reserves of stipulated amounts and the usual exceptions for this type of financing.

The Credit Facility also requires the Group to maintain a leverage ratio, which limits the amount of the debt that may be contracted by the Group (see 8.2.3 Interest and expenses) and restricts the payment of SMCP S.A. dividends to its shareholders. The Group may distribute up to 50% of the consolidated net annual profit.

8.2.5 Voluntary early repayment

The Credit Facility and the Bridge Term Loan authorize 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.

8.2.6 Mandatory early repayment

The Credit Facility and the Bridge Term Loan provide for early repayment in the event of a change of control, delisting or the disposal of the Group's entire business and/or assets.

8.2.7 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.

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

8.3.1 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).

Group capital expenditure for the fiscal year ended December 31, 2019, totaled €69.5 million (including €11.2 million of expenditure for the renovation of existing points of sale, €19.0 million for infrastructure expenditure and other items, and €39.4 million to open new points of sale).

8.3.2 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 €17.8 million in 2019 (including €5.3 million in penalties) compared with €16.0 million (including €0.6 million in early redemption penalties) in 2018. In addition, it paid €290.3 million to refinance its debts in 2019 after having repaid €20 million in 2018 for its borrowings.

8.3.3 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, 2019 was €44.1 million and was impacted by the amount of €12.4 million for exceptional items (including €1.9 million for the IPO). Adjusted for these items, the change in working capital requirement amounted to €31.7 million at December 31, 2019.

8.4 Consolidated cash flow

The table below summarizes the Group's cash flow for 2018 and 2019:

	Fiscal year ended December 31	
	2018	**2019**
Net cash flow from operating activities	**92.6**	201.4
Net cash flow used in investing activities	**(56.3)**	(164.5)
Net cash flow from financing activities	**(31.3)**	(29.8)
Net currency translation adjustments	**0.2**	0.8
Change in net cash and cash equivalents	**5.2**	7.9
Net cash and cash equivalents at the beginning of the period	**36.3**	41.5
Net cash and cash equivalents at the end of the period	**41.5**	49.3

Before the application of IFRS 16, cash flow related to operational activities would have been €89.2 million, cash flows linked to investing activities would have been identical to €(164.5) million and cash flows linked to financing activities €82.4 million.

Evolution of free cash flow

The Group's free cash flow[21] amounted to €62.4 million for the fiscal year ended December 31, 2019 excluding IFRS 16. It amounted to €174.6 million before restatement of lease payments.

[21] Free cash flow is defined as adjusted EBITDA after taking into account changes in working capital requirements, non-current items paid, rents canceled due to IFRS 16 as well as net cash flows from investing activities (excluding acquisitions of subsidiaries net of acquired cash).

8.4.1 Net cash flow from operating activities

The table below presents the Group's cash flow items resulting from activity in respect of 2018 and 2019:

	Fiscal year ended December 31	
	2018	**2019**
Profit (loss) before tax	90.1	67.1
Adjusted EBITDA	171.5	286.4
Non-current items paid	(18.7)	(12.4)
Change in working capital	(47.5)	(31.7)
Income tax refunded/(paid)	(12.7)	(40.9)
Net cash flow from operating activities	**92.6**	**201.4**

Before the application of IFRS 16, adjusted EBITDA would have been €174.2 million and cash flow from operating activities at €89.2 million.

Net cash flow from operating activities was €201.4 million (€89.2 million excluding IFRS 16) for the fiscal year ended December 31, 2019, which reflects the Group's cash-generating ability.

The change in working capital requirement had an impact of €31.7 million on cash generation for the fiscal year ended December 31, 2019.

Income tax paid for the fiscal year ended December 31, 2019 corresponds to a net cash outflow of €40.9 million.

8.4.2 Net cash flow used in investing activities

The following table sets out the Group's net cash flow used in financing activities for 2018 and 2019.

	Fiscal year ended December 31	
	2018	**2019**
Purchases of property, plant and equipment and intangible assets	(53.2)	(72)
Sales of property, plant, equipment and intangible assets	1.0	3.6
Purchases of financial instruments	(5.6)	(4.9)
Proceeds from sales of financial instruments	1.5	3.8
Purchases of subsidiaries net of cash acquired	-	(95)
Net cash flow used in investing activities	**(56.2)**	**(164.5)**

Net cash flow from investing activities amounted to €(164.5) million for the fiscal year ended December 31, 2019.

The acquisition flow for property, plant and equipment and intangible assets totaled €72.0 million for the year ended December 31, 2019 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 €4.9 million for the fiscal year ended December 31, 2019.

Subsidiary flows amount to €(95) million and represents the cash outflows linked to the acquisition of De Fursac for €101.4 million net of the acquired cash of €6.4 million.

8.4.3 Net cash flow from financing activities

The following table sets out the Group's net cash flow used in financing activities for 2018 and 2019.

	Fiscal year ended December 31	
	2018	**2019**
Capital increases		
Treasury shares purchase program	-	(4.9)
Change in long-term borrowings and debt	(20.0)	80.1
Change in short-term borrowings and debt	5.0	27.4
Other financial income and expenses	(0.3)	(2.4)
Interest paid	(16.0)	(17.8)
Lease payment reimbursement	-	(112.2)
Net cash flow from financing activities	**(31.3)**	**(29.8)**

Net cash from financing activities represented a net cash outflow of €29.8 million in the fiscal year ended December 31, 2019. Excluding IFRS 16, net cash from financing activities represented a cash outflow of €82.4 million.

The change in long-term financial debts reflects the redemption of the 2023 Bonds for an amount of €180.3 million, the repayment of the former RCF in the amount of €110 million, the arrangement of the €265 million Term Loan as well as the withdrawal of €128.5 million of NEU CP and the Bridge Loan of €40 million in the fiscal year ended December 31, 2019. The financial interests paid in respect of the fiscal year ended December 31, 2019 totaled €17.8 million. The repurchase of treasury shares for €4.9 million allowed the acquisition of €400,000 SMCP shares.

9. 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.

9.1 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 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. 221-18 and seq. of the French Consumer Code, 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. In addition, Article L.623-1 of the Consumer Code, also established 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.

9.2 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.421-3 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.

9.3 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 General Counsel fulfills the duties of the DPO.

9.4 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 universal 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.

9.5 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.121-2 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.

9.6 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.

9.7 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.

9.8 Environmental regulations

See Appendix II "Statement of Non-Financial Performance (DPEF)" in this universal registration document.

10. TRENDS AND OUTLOOK

Not applicable – see chapter 11 of this universal registration document

11. PROFIT FORECASTS

The Covid-19 epidemic, which since January 2020 has gradually spread to a considerable portion of the globe, has had a significant impact on global consumer trends as of this date of this document.

After significantly impacting business activity in Greater China starting from January 24, 2020 due to the closure of most of the Group's points of sale, the epidemic impacted all European and North American countries in March. As a result, these countries have taken strict measures to try to contain the spread of the epidemic with the total closure of physical points of sale.

In this context, SMCP's sales and profitability are meaningfully impacted. The Group has taken immediate measures to mitigate the economic impact and protect its cash-flow, such as reducing its operating expenses, non-essential investments, adjusting its level of inventories and collections and maintaining the ecommerce channel which represented c. 15% of Group sales in 2019.

Considering the uncertainties around the duration and the severity of the epidemic, it is not relevant to provide forecasts for the full-Year 2020 at this stage, both in sales and profitability. The Group will monitor the situation closely and will update the market in due course.

The Group remains confident in its business model and the attractiveness of its brands. The dedication of its teams towards ensuring a strict control of its costs will contribute to mitigate the impact of Covid-19. SMCP's financial structure and level of liquidity put the Group in a solid position to face these exceptional circumstances.

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

12.1 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 universal 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 universal registration document: *Within the Group:* None *Outside the Group:* Shandong Ruyi Technology Group Co., Ltd – Chairman Shandong Ruyi Woolen Garment Group Co., Ltd. – Chairman of the Board of Directors Trinity Limited – Chairman of the Board of Directors Renown Incorporated – Director 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 universal 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. – Director 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 *Outside the Group:* Puig – Member of the Supervisory Board Ferretti Group – 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:* INSEAD – Member of the Board of Directors Trinity Limited – Member of the Board of Directors

First and last name	Nationality	Expiration date of the term of office	Principal duty performed for the Company	Principal terms of office and duties performed outside the Company during the past five years
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 universal 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 universal 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 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 Maje Boutique – Co-Manager 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 universal registration document: *Within the Group:* None. *Outside the Group:* Shandong Ruyi Technology Group Co., Ltd. – CEO Trinity Limited – Executive Director Renown Incorporated – Director 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	Director	Offices and positions held on the registration date of this universal registration document: *Within the Group:* None *Outside the Group:* Shandong Ruyi Technology Group Co., Ltd. – Vice Chairman Renown Incorporated – Director Trinity Limited – Executive Director Positions and offices held during the past five years that are no longer held: *Within the Group:* SMCP SA – Deputy Chief Executive Officer *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 universal registration document: *Within the Group:* None *Outside the Group:* Shandong Ruyi Technology Group Co., Ltd – President Shandong Ruyi Woolen Garment Group Co., Ltd. – Director Trinity Limited – Director 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)	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 universal registration document: *Within the Group:* None *Outside the Group:* Shandong Ruyi Technology Group Co., Ltd – Chief Strategy Officer Ruyi International Fashion (China) Financial Investment Holding Group Limited – President Trinity Limited – Executive Director, Chief Strategy Officer 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 universal registration document: *Within the Group:* None *Outside the Group:* Adevinta – Chairman of the Board of Directors Iliad SA – Independent Director Agence France Presse (AFP) – Independent Director Knightly Investments – Chairman Positions and offices held during the past five years that are no longer held: *Within the Group:* None *Outside the Group:* Schibsted Media Group – Independent Director AB Group – Chief Executive Officer, Member of the Board of Directors AB Entertainment – Director RTL9 – Director Team Co – Chairman
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 universal registration document: *Within the Group:* None *Outside the Group:* Vestiaire Collective – Co-founder and President 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 universal registration document: *Within the Group:* None *Outside the Group:* Dolce & Gabbana – Director Golden Goose – Executive President 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 universal 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	Director representing employees	Offices and positions held on the registration date of this universal registration document: *Within the Group:* Europe Development Manager *Outside the Group:* Equerre Conseil – Chairman 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:* Laplace Le Chemin de La Propriété – CFO, Partner

(1) Director appointed by the Shandong Ruyi Group.

Biographical Information about the Members of the Board of Directors

Yafu Qiu, 62, 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 at the National People's Congress of the People's Republic of China for four consecutive terms.

Daniel Lalonde, 56, 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

Supervisory Board of Puig and of the Board of Directors of Ferretti Group. Mr. Lalonde is Chief Executive Officer and a member of the Board of Directors of the Company.

Evelyne Chétrite, 62, 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, 55, 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, 49, 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 *Chief Executive Officer* of Shandong Ruyi Technology Group Co., Ltd. She is also a member of the Board of Directors of Renown Incorporated and Trinity Limited.

Chenran Qiu, 39, holds a Master's from the University of Manchester (United Kingdom) and a Bachelor's degree from Soochow University. Ms. Qiu is currently *Vice Chairman* of Shandong Ruyi Technology Group Co, Ltd and a member of the Board of Directors of Renown Incorporated and Trinity Limited. 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, 44, holds a Master's degree from the University of Tsinghua in China. She has been working within the Shandong Ruyi Technology Group Co, Ltd 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 Co, Ltd and Trinity Limited. She is also responsible for the Group's investments.

Kelvin Ho Cheuk Yin, 46 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, 50, is a graduate of HEC in France (1994) and holds a *Bachelor of Arts (Economics)* 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 Business 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 2018 Orla Noonan was appointed Chairman of Adevinta. In addition, she has been a member of the Board of Directors of Iliad S.A. since 2009. She is also an independent member of the Board of *Agence France Presse* (AFP) and Chair of the Board of Directors of Adevinta and Chair of Knightly Investments. Mrs Noonan was an independent member of the Board of Directors of Schibsted Media Group between 2017 and 2019.

Fanny Moizant, 44, 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, 58, 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, 52, 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, 38 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 Manager of International Store Planning, and later became Development Manager for the four 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, Chenran Qiu resigned from her position as Deputy Chief Executive Officer of the Company on December 30, 2019. 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.

12.2 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, 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.

12.3 Conflicts of interest

To the Company's knowledge and subject to the relationships described in chapter 16 of this universal registration document, on the date of registration of this universal registration 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.

13. COMPENSATION AND BENEFITS

13.1 Compensation and benefits paid to Directors and Executives

At the date of this universal 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, 2019 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 4, 2020 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 2020 will be submitted for approval to the Annual Shareholders' Meeting scheduled for June 4, 2020 in a specific resolution for each executive officer.

13.1.1 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, 2018 and 2019:

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 2018 fiscal year	Amounts paid during the 2019 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
Kelvin Ho	N/A	None
Orla Noonan	€39,891	€62,000
Fanny Moizant	€32,010	€48,000
Patrizio di Marco	€35,102	€50,000
Dajun Yang	€35,450	€50,500
Lauren Cohen	N/A	None

(1) Francis Srun resigned from his position as director on March 13, 2019. Kelvin Ho was coopted by the Board Meeting of March 20, 2019, to replace Francis Srun. This appointment was ratified by the Company's General Shareholders' meeting of June 7, 2019.

13.1.2 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, 2018 and 2019: 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 of Directors provided in Appendix 1 of this universal registration document.

Table 1 (AMF nomenclature)[22]

Summary table of compensation and options allocated to each executive officer

(amounts paid in euros)	**2018 fiscal year**	**2019 fiscal year**
Yafu Qiu, Chairman of the Board of Directors		
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	**0**	**0**

Summary table of compensation and options allocated to each executive officer

(amounts paid in euros)	**2018 fiscal year**	**2019 fiscal year**
Daniel Lalonde, Chief Executive Officer		
Compensation due for the year (*detailed in Table 2*)	€1,568,048	€1,072,854
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	€1,237,501
Total	**€1,568,048**	**€2,310,355**

22 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)	2018 fiscal year	2019 fiscal year
Evelyne Chétrite, Deputy Chief Executive Officer		
Compensation due for the year (*detailed in Table 2*)	€1,495,692	€1,160,255
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	€935,512
Total	**€1,495,692**	**€2,095,767**

Summary table of compensation and options allocated to each executive officer

(amounts paid in euros)	2018 fiscal year	2019 fiscal year
Judith Milgrom, Deputy Chief Executive Officer		
Compensation due for the year (*detailed in Table 2*)	€1,626,825	€1,318,375
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	€935,512
Total	**€1,626,825**	**€2,253,887**

Summary table of compensation and options allocated to each executive officer

(amounts paid in euros)	2018 fiscal year	2019 fiscal year
Ylane Chétrite, Deputy Chief Executive Officer		
Compensation due for the year (*detailed in Table 2*)	€973,050	€722,800
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	€654,612
Total	**€973,050**	**€1,377,412**

Summary table of compensation and options allocated to each executive officer		
(amounts paid in euros)	**2018 fiscal year**	**2019 fiscal year**
Chenran Qiu, Deputy Chief Executive Officer(1)		
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**

(1) Chenran Qiu resigned from her position as Deputy Chief Executive Officer of the Company on December 30, 2019.

Table 2 (AMF nomenclature)

Summary table of compensation paid to each executive officer				
	2018 fiscal year		**2019 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)	**2018 fiscal year**		**2019 fiscal year**	
	Amounts due	**Amounts paid**	**Amounts due**	**Amounts paid**
Daniel Lalonde, Chief Executive Officer				
Fixed compensation[(1)]	€900,000	€900,000	€900,000	€900,000
Annual variable compensation[(2)]	€639,000	€1,466,147	€144,000	€639,000
Multi-year variable compensation	None	None	None	None
Exceptional compensation[(3)]	€15,000	€15,000	€15,000	€15,000
Benefits in kind[(4)]	€14,048	€14,048	€13,854	€13,854
Total	**€1,568,048**	**€2,395,195**	**€1,072,854**	**€1,567,854**

(1) The fixed annual compensation of Daniel Lalonde was set at €900,000 for 2019, an identical amount since October 5, 2017.

(2) The annual variable compensation of Daniel Lalonde changed on October 5, 2017 to a gross amount of €900,000 for a complete calendar year if the performance objectives are met. For 2019, the objective is linked to the achievement of the Group's EBITDA (taking into account the performances of each of the Group's brands) as set out in the annual budget. In case of significant overachievement (notably by reaching a predefined threshold beyond the EBITDA target), the bonus is increased proportionally and can be doubled (which is, on the basis of the 2019 compensation, a maximum of €1,800,000 gross). If the performance condition is not met, this variable compensation is not paid. If the performance condition is partially met, the variable compensation will be 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 the fiscal years ended 2018 and 2019, the performance condition was not fully met, hence the partial payment of the variable compensation pro rata of the aforementioned 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 the GSC insurance. The payment of this amount, to be repeated in 2020, 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) This amount includes in particular a company car.

Summary table of compensation paid to each executive officer

(amounts paid in euros)		2018 fiscal year		2019 fiscal year	
		Amounts due	**Amounts paid**	**Amounts due**	**Amounts paid**
Evelyne Chétrite, Deputy Chief Executive Officer					
Fixed compensation[(1)]		€620,000	€620,000	€995,000	€995,000
Annual variable compensation[(2)]	*Corporate office*	€494,515	€1,296,431	€159,200	€494,515
	Service agreements	€375,000	€375,000	None	None
	Total variable compensation	**€869,515**	**€1,296,431**	**€159,200**	**€494,515**
Multi-year variable compensation		None	None	None	None
Exceptional compensation		None	None	None	None
Benefits in kind[(3)]		€6,177	€6,177	€6,055	€6,055
Total		**€1,495,692**	**€1,922,608**	**€1,160,255**	**€1,495,570**

(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 president of Sandro Andy. The fixed annual compensation of Evelyne Chétrite was fixed a €995,000 for 2019, following the integration, as from January 1, 2019, of the works completed in the form of services rendered and paid as variable compensation based on time spent in corporate office by the company Evelyne Chétrite SASU (as president of Sandro Andy). The fixed compensation received for this role 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 this compensation does not change the overall amount of compensation paid to Ms. Chétrite.*

(2) *The annual variable compensation for Evelyne Chétrite includes 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 Evelyne Chétrite in both the management of the Sandro brand and as a Deputy Chief Executive Officer of the Group, approximately 30% of the 2019 targets relate to achievement of the EBITDA of the Sandro brand and approximately 70% to the achievement of the Group's EBITDA planned in the annual budget. In case of significant overachievement of the objectives, the bonus can be doubled (which is, on the basis of the 2019 compensation, a maximum gross amount of €1,990,000). 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 its achievement. 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 years ended 2019 and 2018, the performance conditions were not fully met, hence the partial payment of the variable compensation pro rata of the aforementioned performance.*

In 2018, the annual variable compensation of Evelyne Chétrite included a variable compensation paid to Evelyne Chétrite SASU in respect of the service agreements concluded with several Group companies for an amount of €375,000 (see Section 16.2 of this universal registration document), which were canceled with effect from January 1, 2019.

The total amount of the variable compensation corresponds to 200% 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)		2018 fiscal year		2019 fiscal year	
		Amounts due	**Amounts paid**	**Amounts due**	**Amounts paid**
Judith Milgrom, Deputy Chief Executive Officer					
Fixed compensation[(1)]		€620,000	€620,000	€995,000	€995,000
Annual variable compensation[(2)]	*Corporate office*	€631,825	€1,048,121	€323,375	€631,825
	Service agreements	€375,000	€375,000	None	None
	Total variable compensation	**€1,006,825**	**€1,423,121**	**€232,375**	**€631,825**
Multi-year variable compensation		None	None	None	None
Exceptional compensation		None	None	None	None
Fringe benefits		None	None	None	None
Total		**€1,626,825**	**€2,043,121**	**€1,318,375**	**€1,625,825**

(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 president of Maje. In 2019, the annual fixed compensation for Judith Milgrom was set at €995,000 for 2019, following the integration, starting from January 1, 2019, work previously completed in the form of services and paid as variable compensation on the basis of time spent in the corporate office roles of the company Judith Milgrom SASU (as president of Maje). The fixed compensation received for this role 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. Milgrom.

(2) The variable annual compensation of Judith Milgrom for 2019 includes 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 in respect of corporate offices amounts to €995,000 since October 5, 2017, if the objectives are met. Given the role played by Judith Milgrom in both the management of the Maje brand and as Deputy Chief Executive Officer of the Group, approximately 30% of the targets relate to achievement of the EBITDA of the Maje brand and approximately 70% of the targets relate to achievement of the Group's EBITDA set out in the annual budget. In case of significant overachievement of the objectives, the bonus can be doubled (which is, on the basis of the 2019 compensation, a maximum gross amount of €1,990,000). 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 its achievement. 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 years ended 2018 and 2019, the performance conditions were not fully met, hence the partial payment of the variable compensation pro rata of the aforementioned performance.

In 2018, the annual variable compensation of Judith Milgrom included a variable compensation paid to Judith Milgrom SASU in respect of the service agreements concluded with several Group companies for an amount of €375,000 (see Section 16.2 of this universal registration document), which were terminated with effect from January 1, 2019.

(3) The total amount of the variable compensation corresponds to 200% of fixed compensation as described in (1) above.

Summary table of compensation paid to each executive officer

(amounts paid in euros)	2018 fiscal year		2019 fiscal year	
	Amounts due	**Amounts paid**	**Amounts due**	**Amounts paid**
Ylane Chétrite, Deputy Chief Executive Officer				
Fixed compensation[(1)]	€650,000	€650,000	€650,000	€650,000
Annual variable compensation[(2)]	€323,050	€690,461	€72,800	€323,050
Multi-year variable compensation	None	None	None	None
Exceptional compensation	None	None	None	None
Fringe benefits	None	None	None	None
Total	**€973,050**	**€1,340,461**	**€722,800**	**€973,050**

(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) of Sandro Andy SAS as Chief Executive Officer. The fixed annual compensation of Ylane Chétrite was set at €650,000 for 2019.

(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 variable compensation paid in respect of corporate offices amounts to €650,000 since October 5, 2017, if the objectives are met. Objectives for 2019 concern EBITDA of the Sandro Men brand (30%) and Group EBITDA per the annual budget (70%). In case of significant overachievement of the objectives, 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. 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 its achievement. 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 years ended 2018 and 2019, the performance conditions were not fully met, hence the partial payment of the variable compensation pro rata of the aforementioned performance.

Summary table of compensation paid to each executive officer

(amounts paid in euros)	2018 fiscal year		2019 fiscal year	
	Amounts due	**Amounts paid**	**Amounts due**	**Amounts paid**
Chenran Qiu, Deputy Chief Executive Officer[(1)]				
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	**0**	**0**	**0**	**0**

(1) Chenran Qiu resigned from her position as Deputy Chief Executive Officer of the Company on December 30, 2019.

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.

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 for a gross amount equal to 200% of the fixed and variable compensation received during the 12 months prior to said termination, subject to the achievement of 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 universal 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. The commitment will be compensated at 70% of their gross fixed and variable, direct and indirect compensation paid 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 directly and indirectly by the party in question, the non-compete severance would be reduced accordingly and considered to be included in the amount received for the aforementioned severance package.

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

The compensation policy for executive officers, i.e. Yafu Qiu, as Chairman of the Board of Directors, Daniel Lalonde as Chief Executive Officer, Evelyne Chétrite, Judith Milgrom, Chenran Qiu, and Ylane Chétrite, Deputy Chief Executive Officers of the Company on the date of this report, is approved by the Board of Directors after review and an opinion from the Nominating and Compensation Committee. The Board of Directors applies the recommendations of the AFEP/MEDEF Code, amended in 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 one or several operational criteria that are clear and stringent, fixed for 2019 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. For 2020, there is also a CSR objective defined by the Board of Directors' meeting of November 21, 2019 (whose implementation is subject to the ratification of the Shareholders' Meeting of June 4, 2020).

The compensation of the Chief Executive Officer and the Deputy Chief Executive Officers consists of a fixed portion and a variable potion on the basis of one or several objectives determined on an annual basis. At the end of each year, on the recommendation of the Nominations and Compensation Committee, the Board of Directors sets the amount of the gross fixed annual compensation of the Chief Executive Officer and the Deputy Chief Executive Officers for the following year and, if applicable, the cap on their annual variable compensation for the following year, and the quantitative criteria on the basis of which this variable portion will be calculated. At the beginning of each year, the Board of Directors, on the recommendation of the Nominations 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 objectives, and sets the objectives of the qualitative portion of their variable annual compensation for the current year.

In addition, in order to associate the Chief Executive Officer and the Deputy Chief Executive Officers in the long-term performance, a portion of their compensation consists of performance shares. This component of compensation is directly related to the Group's performance, since the number of shares vested by the Chief Executive Officer and the Deputy Chief Executive Officers at the end of the vesting period is a function of the Group's performance in consolidated EBITDA and a target for *Total Shareholders Return* (*TSR*). As from the allocations made by the Board of Directors' meeting of December 5, 2019, a condition for the achievement of CSR objectives has been added

13.1.3 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(1)			None			

(1) Chenran Qiu resigned from her position as Deputy Chief Executive Officer of the Company on December 30, 2019.

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(1)		None	

(1) Chenran Qiu resigned from her position as Deputy Chief Executive Officer of the Company on December 30, 2019.

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 canceled 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)				

13.1.1 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. 3 3/20/2019	None	None	None	None	None
	Plan no. 4 12/5/2019	None	None	None	None	None
Daniel Lalonde, Chief Executive Officer	Plan no. 3 3/20/2019	29,000	308,179	04/17/2021	0417/2021	Performance conditions tied to a target EBITDA for the Group (70%) and a target TSR* (30%)
	Plan no. 4 12/5/2019	110,040	929,322	03/31/2022 03/31/2022	03/31/2023 03/31/2023	Performance conditions tied to an EBITDA target for the Group (70%), a target TSR* (20%) and CSR targets (10%)
Evelyne Chétrite, Deputy Chief Executive Officer	Plan no. 3 3/20/2019	None	None	None	None	None
	Plan no. 4 12/5/2019	110,773	935,512	3/31/2022 3/31/2023	3/31/2022 3/31/2023	Performance conditions tied to a target EBITDA for the Group (70%), a target TSR* (20%) and CSR targets (10%)
Judith Milgrom, Deputy Chief Executive Officer	Plan no. 3 3/20/2019	None	None	None	None	None
	Plan no. 4 12/5/2019	110,773	935,512	3/31/2022 3/31/2023	3/31/2022 3/31/2023	Performance conditions tied to a target EBITDA for the Group (70%) and a target TSR* (20%) and CSR targets (10%)
Ylane Chétrite, Deputy Chief Executive Officer	Plan no. 3 3/20/2019	6,000	63,761	4/17/2021	4/17/2021	Performance conditions tied to a target EBITDA for the Group (70%) and a target TSR* (30%)

	Plan no. 4 12/5/2019	69,962	590,851	3/31/2022 3/31/2023	3/31/2022 3/31/2023	Performance conditions tied to a target EBITDA for the Group (70%) and a target TSR* (20%) and CSR targets (10%)
Chenran Qiu, Deputy Chief Executive Officer[1]	Plan no. 3 3/20/2019	None	None	None	None	None
	Plan no. 4 12/5/2019	None	None	None	None	None

* *Total shareholder return.*

(1) Chenran Qiu resigned from her position as Deputy Chief Executive Officer of the Company on December 30, 2019.

Table 7 (AMF nomenclature)

Bonus shares vested for each executive officer	No. and date of	Number of shares vested 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[1]		None	

(1) Chenran Qiu resigned from her position as Deputy Chief Executive Officer of the Company on December 30, 2019.

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	Plan no. 3	Plan no. 4
Date of Shareholders' Meeting	10/10/2016	10/10/2016	10/10/2016	10/5/2017	6/18/2018	6/7/2019
Date of Chairman's decision	10/10/2016	12/14/2016	2/27/2017	11/23/2017	3/20/2019	12/5/2019
Total number of bonus shares allotted, including the number allotted to:	12,768,753	1,520,100	393,000	2,038,324	132,000	870,460
Executive Officers:	6,855,000	None	None	1,040,498	35,000	401,548
Yafu Qiu, Chairman of the Board of Directors	None	None	None	None	None	None
Daniel Lalonde, Chief Executive Officer	1,605,000[1]	None	None	242,018	29,000	110,040
Evelyne Chétrite, Deputy Chief Executive Officer	1,750,000[2]	None	None	302,390	None	110,773
Judith Milgrom, Deputy Chief Executive Officer	1,750,000[3]	None	None	302,390	None	110,773
Ylane Chétrite, Deputy Chief Executive Officer	1,750,000[4]	None	None	193,700	6,000	69,962

Chenran Qiu, Deputy Chief Executive Officer(5)	None	None	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	4/17/2021	3/31/2022 3/31/2023
Date of end of holding period	10/10/2018	12/14/2018	2/27/2019	11/23/2019 11/23/2020 11/23/2021	4/17/2021	3/31/2022 3/31/2023
Number of shares subscribed	None	None	None	None	None	None
Cumulative number of shares canceled or expired	307,178	150,600	0	256,047	0	0
Bonus shares remaining at the end of the financial year	12,461,575	1,369,500	393,000	1,792,277	132,000	870,460

(1) Following the June 2018 reverse stock-split (see Section 15.2.2), the number of shares held by Daniel Lalonde is 145,909 Class G preferred shares, which may be converted into 572,411 common stock. The next possible conversion date will be January 1, 2021.

(2) Following the June 2018 reverse stock-split (see Section 15.2.2), the number of shares held by Evelyne Chétrite is 159,090 Class G preferred shares, which may be converted into 624,121 common stock. The next possible conversion date will be January 1, 2021.

(3) Following the June 2018 reverse stock-split (see Section 15.2.2), the number of shares held by Judith Milgrom is 159,090 Class G preferred shares, which may be converted into 624,121 common stock. The next possible conversion date will be January 1, 2021.

(4) Following the June 2018 reverse stock-split (see Section 15.2.2), the number of shares held by Ylane Chétrite is 159,090 Class G preferred shares, which may be converted into 624,297 common stock. The next possible conversion date will be January 1, 2021.

(5) Chenran Qiu resigned as Deputy Chief Executive Officer of the Company on December 30, 2019.

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 12.1.4 of this universal 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 of Directors' 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.

On June 18, 2018, the Extraordinary Shareholders' Meeting of the Company authorized the Board of Directors, under certain conditions, to award new or existing bonus shares to corporate officers 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 350,000 shares (Plan No. 3). Meeting on March 20, 2019, 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 (March 2019 Plan).

Within this framework, the Company decided on the bonus allocation of 132,000 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). These performance shares will be definitively vested for beneficiaries (subject to compliance with the presence and performance conditions) at the end of a vesting period of two years starting from the allocation date, as such the allocated shares shall be fully vested and delivered to beneficiaries on April 17, 2021.

On June 7, 2019, the Extraordinary Shareholders' Meeting of the Company authorized the Board of Directors, under certain conditions, to award new or existing bonus shares to corporate officers 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 of Directors' decision (Plan No. 4). Meeting on December 5, 2019, the Board of Directors, on the basis of the authority granted by the Shareholders' Meeting, established a bonus share allocation plan for corporate officers and salaried employees of the Company and its subsidiaries (January 2020 Plan). Within this framework, the Company decided on the bonus allocation of 870,460 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 of 70% (achievement of a level of EBITDA) and external performance of 20% (dependent on a target *TSR* against a median *TSR* of the companies included in the CAC Mid and Small index) and CSR conditions for 10%.

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

- Half of the allocated shares will be fully vested and delivered to beneficiaries on March 31, 2022;
- Half of the allocated shares will be fully vested and delivered to beneficiaries on March 31, 2023.

13.2 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.

14. OPERATIONS OF ADMINISTRATIVE AND MANAGEMENT BODIES

See chapter 1 “Corporate Governance” 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 universal registration document.

15. EMPLOYEES

15.1 Presentation

15.1.1 Number and distribution of employees

(a) General presentation of the work force

At December 31, 2019, the Group employed a total of 6,678 employees, approximately 39% of whom were employed for the Sandro brand, approximately 31% for the Maje brand, approximately 13% for the Claudie Pierlot brand and around 4% for the De Fursac brand.

For the fiscal year ended December 31, 2019, Group payroll totaled €233.6 million (excluding De Fursac), compared with €212.3 million (excluding De Fursac) for the twelve-month period ended December 31, 2018. The payroll corresponds to the sum of all gross salaries and employer social security charges, as well as employee profit-sharing and incentive plans. Including De Fursac, the Group's payroll for 2019 stood at €237.2 million.

(b) Breakdown of employees

The table below shows the breakdown of Group employees by country at December 31, 2018 (excluding De Fursac) and 2019 (including De Fursac):

Country	**2018**	**2019**
France	2,457	2,712
United Kingdom	361	400
Germany	166	187
Ireland	71	80
Belgium	62	65
Italy	215	222
Luxembourg	14	24
Spain	324	375
Netherlands	114	145
Portugal	33	39
Norway	20	18
Sweden	17	25
Switzerland	173	180
Denmark	10	17
North America	786	865
Asia	1,050	1,324
Total	**5,873**	**6,678**

The table below shows the breakdown of Group employees at the main subsidiaries as of December 31, 2018 and 2019:

Subsidiaries	**2018**	**2019**
SMCP S.A.	30	29
SMCP GROUP	164	156
SMCP LOGISTIQUE SAS	153	148
SANDRO ANDY	904	903
MAJE S.A.S.	680	685
CLAUDIE PIERLOT S.A.S.	471	487
341 SMCP S.A.S.	55	58
SMCP ASIA Ltd. and its subsidiaries	1,050	1,324
SMCP USA Inc. & SMCP CANADA Inc.	786	865
DE FURSAC S.A.	N/A	252

The table below shows the breakdown of Group employees by function at December 31, 2018 (excluding de Fursac) and 2019 (including De Fursac):

Categories	**2018**	**2019**
Headquarters	866	963
Sales Networks	4,854	5,553
Logistics	153	162
Total	**5,873**	**6,678**

The table below shows the proportion of women within the Group's workforce in France at December 31, 2018 (excluding De Fursac) and 2019 (including De Fursac), in France:

Proportion of women	**2018**	**2019**
Proportion of women in the workforce	77%	74%
Proportion of women managers	77%	74%
Proportion of women supervisors	77%	75%
Proportion of non-managerial women employees	78%	74%

The table below shows the proportion of women within the Group's workforce in France and in Europe (who account for 66% of the Group's total headcount) as of December 31, 2018 (excluding De Fursac) and 2019 (including De Fursac):

Proportion of women	**2018**	**2019**
Proportion of women in the workforce	80%	81%

The table below shows the breakdown of Group employees by type of contract at December 31, 2018 (excluding De Fursac) and 2019 (including De Fursac):

Employees per type of contract	**2018**	**2019**
Permanent contracts	5,104	5,730
Others(1)	769	948

(1) Fixed term contracts, apprenticeships and internships

The table below shows the age pyramid for Group employees in France and in Europe as of December 31, 2018 (excluding De Fursac) and 2019 (including De Fursac):

Age pyramid	**2018**	**2019**
< 25 years old	1,089	1,288
25 – 40 years old	2,471	2,631
41 – 55 years old	411	491
56 – 60 years old	49	55
> 60 years old	17	24

15.1.2 Employment and working conditions

The table below shows the change in employment within the Group in France at December 31, 2018 (excluding De Fursac) and 2019 (including De Fursac):

Employment	**2018**	**2019**
Turnover - permanent employees	64.6%	57.70%
Voluntary departures - permanent employees	43.2%	43.8%
Recruitment rate - permanent employees	33.2%	32.2%

The table below shows the trends in absenteeism and overtime working in France at December 31, 2018 (excluding De Fursac) and 2019 (including De Fursac):

Working conditions	**2018**	**2019**
Rate of absenteeism [(1)]	7%	7.1%
Overtime	1,495	26
Overtime and supplementary working	50,549	43,717

(1) Number of days of absence out of the total number of theoretical working days.

The table below presents changes in workplace safety during fiscal year 2018 (excluding De Fursac) and 2019 (including De Fursac) (workplace accidents - Group employees):

Safety at work	**2018**	**2019**
Number of fatal occupational accidents	None	None
Number of employees having taken sick leave (following an occupational accident or commuting accident)	116	96

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 head offices. Women are also present in management teams. In addition, 60% of the 50 highest-paid employees within the Group are women.

15.1.3 Training

The table below presents training expenditures, the number of employees who have received training and the total number of training hours as of December 31, 2018 (excluding De Fursac) and 2019 (including De Fursac):

Training	**2018 (France)**	**2018 (Europe)**	**2019 (France)**	**2019 (Europe)**
Total training expenses *(in euros)*	798,700	101,300	614,753	180,901
Employees having received training	749	146	1,046	242
Total number of training hours	14,471	1,367	14,826	3,325

For the fiscal year ended December 31, 2019, an amount equivalent to 0.1% of payroll in France was devoted to training Group employees in France.

15.1.4 Compensation policy

The total gross compensation paid by the Group (excluding social security contributions) for the years ended December 31, 2018 (excluding De Fursac) and 2019 (including De Fursac) is as follows:

(In thousands of euros)	**2018**	**2019**
Gross remuneration	160.0	181.6

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.

15.1.5 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 universal registration document, there are 32 employee representatives within the UES (principals and substitutes).

Furthermore, De Fursac employees are represented by an Economic and Social Council (ESC), which includes 14 members, both principals and substitutes. Two major agreements have been negotiated with representatives of the existing union organizations. The Group has constructive and peaceful relations with employee representatives from De Fursac.

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.

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

15.2.1 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 16.1 of this universal 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. Ylane Chétrite, non-voting director and Deputy Chief Executive Officer of the Company, is a direct shareholder of the Company (see Section 16.1 of this universal registration document).

Yafu Qiu, director and Chairman of the board of directors of the Company, Chenran Qiu, Director 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 16.1 of this universal registration document).

15.2.2 Options for subscription or purchase of shares and free allocation of 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 18.2.3.2 of this universal 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 13.1.4 of this universal 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 Articles of Association were modified accordingly.

On March 20, 2019, the Group allocated 132,000 bonus shares to certain senior executives of the Group (including Daniel Lalonde and Ylane Chétrite) and certain Group employees, as detailed in Section 13.1.4 of this universal registration document.

On November 21, 2019, the Company decided to allocate 4,064 ordinary shares to be issued to 1,016 Company employees.

On December 5, 2019, the Group allocated 870,460 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 13.1.4 of this universal registration document.

As of January 1, 2020, 143,809 class G preferred shares had been converted into ordinary shares by 25 managers of the company. Consequently, 564,162 new ordinary shares were issued and the Company's Articles of Association were modified accordingly. On January 2, 2020, it was noted that 900 class G preferred shares converted into 3,530 ordinary shares by one manager of the Company had been omitted by mistake during the conversion on January 1 and consequently, the Company issued these additional 3,530 newly created shares and amended its Articles of Association accordingly.

15.3 Profit-sharing agreements and incentive schemes

15.3.1 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 2018, the amount was approximately 1.24 months of gross salary (before CSG/CRDS) for an employee present for the full year.

In 2019, the amount was approximately 0.92 months of gross salary (before CSG/CRDS) for an employee present all year round.

At De Fursac, employees benefit from profit sharing under a collective agreement signed in 2002. 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 2018, the amount was approximately 1.07 months of gross salary (before CSG/CRDS) for an employee present all year round. For 2019, the amount of the special profit-sharing reserve is nil.

15.3.2 Incentive schemes

None.

15.3.3 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.). De Fursac has a Company savings scheme which can receive payments of the amounts received under the profit-sharing plan.

15.4 Company shareholding

Certain senior executives and employees of the Group are shareholders of the Company (see Section 16.1 of this universal registration document).

The Board of Directors of November 23, 2017, on the basis of the authorization granted by the General Shareholders' Meeting held on October 5, 2017 (Plan No. 2), set up:

- A free allocation of bonus shares reserved for certain salaried employees of the Company and its subsidiaries (the "First November 2017 Plan"). Within this framework, the Company decided on the bonus allocation of 3,992 shares to certain employees of the Group. The vesting date for these shares is November 23, 2018; and
- A free allocation of bonus shares for corporate officers and members of the salaried employees of the Company and its subsidiaries (the "Second November 2017 Plan). 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. The vesting date for the last third of these performance shares is November 23, 2021.

Meeting on April 25, 2018, the Board of Directors, on the basis of the authority granted by the Shareholders' Meeting of October 5, 2017 (Plan No. 2), established a bonus share allocation plan for executive officers and salaried employees of the Company and its subsidiaries (the "April

2018 Plan”). Within this framework, the Company decided on the bonus allocation of 25,709 performance shares to certain employees of the Group. The vesting date for the last third of these performance shares is March 31, 2022.

Meeting on August 30 and 31, 2018, the Board of Directors, on the basis of the authority granted by the Shareholders’ Meeting of June 18, 2018 (Plan no. 3), established a bonus share allocation plan for executive officers and salaried employees of the Company and its subsidiaries (the “August 2018 Plan”). Within this framework, the Company decided on the bonus allocation of 98,171 performance shares to certain employees of the Group. The vesting date for the last half of these performance shares is November 23, 2021.

Meeting on November 20, 2018, the Board of Directors, on the basis of the authority granted by the Shareholders’ Meeting of June 18, 2018 (Plan No. 3), established a bonus share allocation plan for executive officers and salaried employees of the Company and its subsidiaries (the “November 2018 Plan”). Within this framework, the Company decided on the bonus allocation of 57,694 performance shares to certain employees of the Group. The vesting date for the last half of these performance shares is November 23, 2021.

Meeting on March 20, 2019, the Board of Directors, on the basis of the authority granted by the Shareholders’ Meeting of June 18, 2018 (Plan No. 3), established a bonus share allocation plan for executive officers and salaried employees of the Company and its subsidiaries (the “March 2019 Plan”). Within this framework, the Company decided on the bonus allocation of 132,000 performance shares to certain employees of the Group. The vesting date for these performance shares is April 17, 2021.

Meeting on April 17, 2019, the Board of Directors, on the basis of the authority granted by the Shareholders’ Meeting of June 18, 2018 (Plan No. 3), established a bonus share allocation plan for executive officers and salaried employees of the Company and its subsidiaries (the “April 2019 Plan”). Within this framework, the Company decided on the bonus allocation of 30,000 performance shares to certain employees of the Group. The vesting date for these performance shares is April 17, 2021.

Meeting on November 21, 2019, the Board of Directors, on the basis of the authority granted by the Shareholders’ Meeting of June 7, 2019 (Plan No. 4), established a bonus share allocation plan for executive officers and salaried employees of the Company and its subsidiaries (the “December 2019 Plan”). Within this framework, the Company decided on the bonus allocation of 4,064 shares to certain employees of the Group. The vesting date for these shares is December 31, 2020.

Meeting on December 5, 2019, the Board of Directors, on the basis of the authority granted by the Shareholders’ Meeting of June 7, 2019 (Plan No. 4), established a bonus share allocation plan for executive officers and salaried employees of the Company and its subsidiaries (the “January 2020 Plan”). Within this framework, the Company decided on the bonus allocation of 870,460 performance shares to certain employees of the Group. The vesting date for the last half of these performance shares is March 31, 2023.

16. PRINCIPAL SHAREHOLDERS

16.1 Shareholders

The following table shows shareholders of the Company as of December 31, 2019:

Shareholders	Number of ordinary shares	Number of Class G preferred shares[4]	Total number of voting rights	% of share capital	% of voting rights
European TopSoho Sàrl[1]	40,135,102	0	80,270,204	53.69%	67.38%
Founders: Sivan [2] Judor [3] Ylane Chétrite	3,025,392	477,315	7,005,414	4.68%	5.88%
Managers					
Daniel Lalonde:	119,225	145,909	530,268	0.35%	0.45%
Other managers:	681,278	418,952	1,922,490	1.47%	1.61%
Free float	29,095,306	155,063	29,396,286	39.13%	24.67%
Treasury shares	493,765	0	0	0.66%	0%
TOTAL	**73,550,068**	**1,197,239**	**129,124,662**	**100%**	**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 18.2.3.2 of this universal 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

As at March 31, 2020, Evelyne Chétrite, founder of Sandro, and Judith Milgrom, founder of Maje, respectively hold, through the companies Sivan and Judor, 2.15% and 1.97% of the capital and 2.70% and 2.47% voting rights of the Company.

Ylane Chétrite, founder of Sandro Men, is a shareholder of the Company. As at March 31, 2020, he holds 0.57% of the share capital and 0.72 voting rights of the Company.

Shareholding managers

Certain managers, current executives and key employees, i.e., 95 people to date, including Daniel Lalonde, General Manager, have become shareholders of the Company in the context of the acquisition of the Group by Shandong Ruyi. As at March 31, 2020, together they hold 1.83% of the share capital and 2.06% of the voting rights of the Company.

16.2 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.

16.3 Declaration concerning control of the Company

At the Company's initial public offering, Evelyne Chétrite, Judith Milgrom, Ylane Chétrite (the "**Founders**"), Sivan Sàrl [23] and Judor Sàrl [24], 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.

16.4 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.

16.5 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 universal registration document.

[23] Company held by Evelyne Chétrite.
[24] Company held by Judith Milgrom.

17. RELATED PARTY TRANSACTIONS

17.1 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, 2019, presented in Section 18.1.1.1 of this universal registration document.

17.2 Statutory Auditors' special report on regulated agreements and commitments for the fiscal year ended December 31, 2019

To the SMCP S.A. 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. The objectives to be achieved concern the EBITDA of the Sandro brand (30%) and the Group's EBITDA as set out in the annual budget (70%). The bonus may be doubled if these targets are significantly exceeded.

Mrs. Evelyne Chétrite received total compensation of €287,389 during the period ended December 31, 2019.

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. The objectives to be achieved concern the EBITDA of the Maje brand (30%) and the Group's EBITDA as set out in the annual budget (70%). The bonus may be doubled if these targets are significantly exceeded.

Mrs. Judith Milgrom received total compensation of €315,995 during the period ended December 31, 2019

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 to be achieved concern the Group EBITDA and EBITDA of each of the brands as set out in the annual budget. The bonus may be doubled if these targets are significantly exceeded.

Mr. Daniel Lalonde received total compensation of €1,567,854 during the fiscal year ended December 31, 2019.

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. The objectives to be achieved concern the EBITDA of the Sandro Men brand (30%) and the Group's EBITDA as set out in the annual budget (70%). The bonus may be doubled if these targets are significantly exceeded.

Mr. Ilan Chétrite received total compensation of €950,550 during the period ended December 31, 2019.

Paris La Défense, on April 29, 2019

The Statutory Auditors

KPMG S.A.	*Deloitte & Associés*
Valéry FOUSSE	*Albert AIDAN*

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

18.1 The Group's consolidated financial statements

18.1.1 The Group's consolidated financial statements for the period ended December 31, 2019 and the corresponding Statutory Auditors' report

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

1. CONSOLIDATED FINANCIAL STATEMENTS

1.1. Consolidated income statement

	Notes	12/31/2019 €k	12/31/2018[(a)] €k
Revenue	**5.1**	**1,131,866**	**1,017,133**
Cost of sales	5.2	(418,638)	(367,828)
Gross margin		**713,228**	**649,305**
Other operating income and expenses	5.3	(189,670)	(265,522)
Personnel costs	5.4	(237,207)	(212,320)
Depreciation, amortization and impairment		(154,809)	(36,143)
Free shares allocation plan	5.5	(10,000)	(13,357)
Current operating income		**121,542**	**121,963**
Other income and expenses	5.6	(14,624)	(12,450)
Operating profit		**106,918**	**109,513**
Financial income and expenses		(1,918)	(1,443)
Cost of net debt		(37,886)	(17,998)
Financial income	**5.7**	**(39,804)**	**(19,441)**
Profit/(loss) before tax		**67,114**	**90,072**
Income tax expense	5.8	(23,440)	(39,869)
Net profit for the period		**43,674**	**50,203**
Attributable to owners of the Company		43,674	50,203
Attributable to non-controlling interests			
Net profit attributable to owners of the Company		**43,674**	**50,203**
Basic earnings per share attributable to owners (€)	**5.9**	**0.60**	**0.69**
Diluted earnings per share attributable to owners (€)	**5.9**	**0.55**	**0.64**

(a) The financial statements at December 31, 2018 have not been restated to reflect the effects of the application of IFRS 16 Leases. See Note 3.2.1 concerning the effects of the application of IFRS 16.

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

	12/31/2019 €k	12/31/2018 [(a)] €k
Net profit for the period	**43,674**	**50,203**
Actuarial losses on defined benefit plans, net of tax	99	412
Total other comprehensive income/(loss) that may not be reclassified to profit or loss	**99**	**412**
Gains/(losses) on derivative financial instruments (cash flow hedges), net of tax	(1,723)	(31)
Gains/(losses) on exchange differences on translation of foreign operations	626	57
Total other comprehensive income/(loss) that may be reclassified to profit or loss	**(1,097)**	**26**
Total other comprehensive income/(loss)	**(998)**	**438**
Total comprehensive income/(loss)	**42,676**	**50,641**

(a) The financial statements at December 31, 2018 have not been restated to reflect the effects of the application of IFRS 16 Leases. See Note 3.2.1 concerning the effects of the application of IFRS 16.

1.3. Consolidated statement of financial position

1.3.1. Assets

	Notes	12/31/2019 €k	12/31/2018 (a) €k
Goodwill	6.1.1	683,175	630,071
Trademarks	6.1.2	663,000	600,000
Other intangible assets	6.1.2	26,787	136,076
Property, plant and equipment	6.2	93,889	75,982
Rights of use	6.3.1	594,372	
Non-current financial assets		22,097	19,477
Other non-current assets		1	477
Deferred tax assets		43,894	33,435
Non-current assets		**2,127,215**	**1,495,518**
Inventories	6.6	247,936	221,400
Trade receivables	6.7	58,443	51,428
Other receivables	6.8	63,421	39,175
Cash and cash equivalents	6.9	52,329	46,528
Current assets		**422,129**	**358,531**
Total assets		**2,549.344**	**1,854,050**

(a) The financial statements at December 31, 2018 have not been restated to reflect the effects of the application of IFRS 16 Leases. See Note 3.2.1 concerning the effects of the application of IFRS 16.

1.3.2. Equity and liabilities

	Notes	12/31/2019 €k	12/31/2018 (a) €k
Share capital		82,222	81,914
Share premium		951,214	951,522
Reserves and retained earnings		162,856	110,385
Treasury shares		(6,508)	(1,649)
Equity attributable to owners of the Company	**6.10**	**1,189,784**	**1,142,172**
Non-controlling interests		7	-
Total equity		**1,189,791**	**1,142,172**
Bonds		-	174,205
Long-term lease payments	6.3.2	402,482	-
Long-term financial borrowings	6.11	436,533	
Other non-current liabilities	6.11	230	221
Non-current provisions	6:12	3,787	241
Net employee defined benefit liabilities	6:13	3,931	3,346
Deferred tax liabilities	5.8.2	182,982	166,535
Non-current liabilities		**1,029,945**	**344,548**
Interest-bearing loans and borrowings (current)	6.11	1	2,153

Trade and other payables	6:14	144,030	115,536
Short-term lease payments	6.3.2	101,762	
Bank overdrafts and short-term borrowings and debt	6.11	2,989	143,917
Short-term provisions	6:12	743	3,196
Other liabilities	6:15	80,083	102,528
Current liabilities		**329,608**	**367,330**
Total equity and liabilities		**2,549,344**	**1,854,050**

(a) The financial statements at December 31, 2018 have not been restated to reflect the effects of the application of IFRS 16 Leases. See Note 3.2.1 concerning the effects of the application of IFRS 16.

1.4. Consolidated statement of cash flows

€k	**12/31/2019**	**12/31/2018 (a)**
Profit/(loss) before tax	**67,114**	**90,073**
Depreciation, amortization and impairment	154,809	36,143
Other income and expenses	14,624	12,450
Financial income	39,804	19,441
Free shares allocation plan	10,000	13,357
Sub-total (1)	**286,351**	**171,464**
Cost of share-based payments	-	(11,257)
Non-operating expenses incurred during the period	(12,424)	(7,467)
(Increase)/decrease in trade and other receivables and prepayments	(31,089)	9,817
(Increase)/decrease in net inventories after provisions	(18,135)	(41,191)
Increase /(decrease) in trade and other payables	17,545	(16,127)
Change in working capital (2)	**(31,680)**	**(47,501)**
Reimbursed / (paid) income tax	(40,881)	(12,686)
Net cash flow from operating activities	**201,366**	**92,553**
Purchases of property, plant and equipment and intangible assets	(72,004)	(53,240)
Sales of property, plant, equipment and intangible assets	3,557	1,017
Purchases of financial instruments	(4,879)	(5,578)
Proceeds from sales of financial instruments	3,804	1,537
Purchases of subsidiaries net of cash acquired	(94,992)	-
Net cash flow used in investing activities	**(164,514)**	**(56,264)**
Treasury shares buyback program	(4,859)	-
Redemption of bonds	(180,306)	(20,034)
Issuance of long-term financial borrowings	261,051	219
Issuance of long-term financial borrowings	(605)	(2)
Net reimbursement of short-term financial borrowings	27,368	5,000
Lease payment reimbursement	(112,202)	-
Other financial income and expenses	(2,445)	(514)
Interest paid (3)	(17,812)	(15,992)
Net cash flow from financing activities	**(29,810)**	**(31,324)**
Net foreign exchange difference	818	229

Change in net cash and cash equivalents	**7,860**	**5,194**
Cash and cash equivalents at the beginning of the period	46,528	40,422
Bank credit balances at the beginning of the period	(5,047)	(4,136)
Net cash and cash equivalents at the beginning of the period	**41,480**	**36,286**
Cash and cash equivalents at the end of the period	52,329	46,528
Bank credit balances at the end of the period	(2,989)	(5,047)
Net cash and cash equivalents at the end of the period	**49,340**	**41,480**

(a) The financial statements at December 31, 2018 have not been restated to reflect the effects of the application of IFRS 16 Leases. See Note 3.2.1 concerning the effects of the application of IFRS 16.

(1) Recurring operating income before other income and expenses, before depreciation, amortization and impairment and before the free shares allocation plan and after the rental charges linked to IFRS 16.

(2) Does not include other non-operating income and expenses with an impact on cash for -€12,424 thousand in 2019 and for -€7,467 thousand for 2018, nor the cost of share-based payments with an impact on cash for -€11,257 thousand in 2018.

(3) Interest paid includes early payment penalties: €5,328 thousand in 2019 subsequent to the early redemption of the entire 2023 bond subscribed in 2016 for €371 million by SMCP Group, €601 thousand in 2018 on this same borrowing.

1.5. Consolidated statement of changes in equity

€k	Number of OS	Share capital	Share premium	Treasury shares	Reserves and retained earnings	Revaluation of defined benefit liabilities	Translation adjustment	Future cash flow hedges	Net profit attributable to owners of the Company	Total Group share	Non-controlling interests	Total equity
Balance at January 1, 2018	**73,170,023**	**81,870**	**951,566**	**(723)**	**17,010**	**(170)**	**(3,979)**	**348**	**36,941**	**1,082,862**	**-**	**1,082,862**
Net profit at December 31, 2018 (12 months)		-	-		-	-	-	-	50,203	50,203	-	**50,203**
Cumulative actuarial losses on defined benefit plans, net of tax		-	-		-	412	-	-	-	412	-	**412**
Gains/(losses) on exchange differences on translation of foreign operations		-	-		-	-	57	-	-	57	-	**57**
Other comprehensive income/(loss)		-	-		-	-	-	(31)		(31)	-	**(31)**
Total comprehensive income/(loss)		**-**	**-**	**-**	**-**	**412**	**57**	**(31)**	**50,203**	**50,641**	**-**	**50,641**
Appropriation of 2017 net loss		-	-		36,941	-	-	-	(36,941)	-	-	**-**
Dividend paid		-	-		-	-	-	-	-	-	-	**-**
Capital increase/(decrease)		-	-		-	-	-	-	-	-	-	**-**
Conversion of free shares	3,992	4	(4)		-	-	-	-	-	-	-	**-**
Conversion of class G preferred shares		40	(40)							-		**-**
Free shares allocation plan		-	-		10,974	-	-	-		10,974	-	**10,974**
Purchase of treasury shares		-	-	(926)						(926)		**(926)**
Changes in scope		-	-		-	-	-	-	-	-	-	**-**
IFRS 15 cumulative catch-up net of tax					(1,379)					(1,379)		**(1,379)**
Total transactions with shareholders	**3,992**	**44**	**(44)**	**(926)**	**46,536**	**-**	**-**	**-**	**(36,941)**	**8,669**	**-**	**8,669**
Balance at December 31, 2018	**73,174,015**	**81,914**	**951,522**	**(1,649)**	**63,546**	**242**	**(3,922)**	**317**	**50,203**	**1,142,172**	**-**	**1,142,172**
Net profit at December 31, 2019									43,674	43,674	-	**43,674**
Cumulative actuarial losses on defined benefit plans, net of tax						99				99	-	**99**
Gains/(losses) on exchange differences on translation of foreign operations							696			626	-	**696**
Other comprehensive income/(loss)								(1,558)		(1,558)	-	**(1,558)**
Total comprehensive income/(loss)	**-**	**-**	**-**	**-**	**-**	**99**	**696**	**(1,558)**	**43,674**	**42,911**	**-**	**42,911**
Appropriation of 2017 net loss					50,203				(50,203)	-	-	**-**
Dividend paid										-	-	**-**
Capital increase/(decrease)										-	-	**-**
Conversion of free shares										-	-	**-**
Conversion of class G preferred shares	376,053	308	(308)							-	-	**-**
Free shares allocation plan					9,560					9,560	-	**9,560**
Purchase of treasury shares				(4,859)						(4,859)	-	**(4,859)**
Changes in scope										-	7	**7**
1st application of IFRS 9 “Hedge accounting”					165			(165)		-	-	**-**
Total transactions with shareholders	**376,053**	**308**	**(308)**	**(4,859)**	**59,928**	**-**	**-**	**(165)**	**(50,203)**	**4,701**	**7**	**4,708**
Balance at December 31, 2019	**73,550,068**	**82,222**	**951,214**	**(6,508)**	**123,474**	**341**	**(3,226)**	**(1,406)**	**43,674**	**1,189,784**	**7**	**1,189,791**

2. GENERAL INFORMATION

The financial statements were approved by the Company's Board of Directors at its meeting on March 24, 2020 and will be presented to its Annual General Meeting of Shareholders on June 4, 2020 for approval.

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 four French brands, Sandro, Maje, Claudie Pierlot and De Fursac, 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 53.69% 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, Claudie Pierlot and De Fursac brands mostly through directly-operated stores, concessions ("corners") in department stores or its own websites.

At December 31, 2019, the total number of stores operated by the Group was 1,640 stores (including 1,578 for Sandro, Maje, Claudie Pierlot and 62 for De Fursac), of which 1,322 are directly operated (of which 1,262 for Sandro, Maje, Claudie Pierlot and 60 for De Fursac), and 318 managed through partnerships (of which 316 for Sandro, Maje, Claudie Pierlot and 2 for De Fursac). Its brands were present in 41 countries worldwide.

2.2. Significant events

During the 2019 fiscal year, 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. Optimization of the Group's financial structure

As part of the optimization of its financial structure and its deleveraging, SMCP announced on May 21, 2019 the early redemption of the entire outstanding amount of its high-yield bonds, leading to a significant drop in the average cost of its debt:

- Early redemption of the €180 million outstanding in respect of the high-yield bonds due in 2023, issued in May 2016, for an amount of €371 million at a fixed rate of €5.875%;
- Reimbursement of the €110 million drawn on the revolving credit facility (RCF) of €250 million dated October 2017 and cancellation of this facility;
- Signing of a new unsecured credit facility totaling €465 million, comprising a €265 million Amortizing Term Loan and a €200 million Revolving Credit Facility, with a maturity of five years;
- Subscription of a new Bridge Loan for €40 million to partly finance the acquisition of the De Fursac group;

Average cost of the debt fell from 4.7% in 2018 to 2.7% in 2019.

2.2.2. Acquisition of De Fursac

On September 5, 2019, SMCP acquiredDe Fursac Finance (parent company of De Fursac group), a French leader in affordable luxury for men, with strong international potential. With this acquisition, SMCP has strengthened its presence on a high-growth market that of accessible luxury for men where the Group is already successfully developing the Sandro Men brand. SMCP will capitalize on its expertise on international markets and in online retail and on its development platform to accelerate the growth of the De Fursac group.

2.3. Statement of compliance and basis of preparation

The Group's consolidated financial statements as of December 31, 2019 covers the 2019 calendar year.

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, 2019. 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 2019 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, 2019

Change of accounting principles and methods

IFRS 9 – *Stage 3 - Hedge accounting, applicable as of January 1, 2019*

SMCP Group opted for the application of stage 1 and stage 2 of IFRS 9 components as of January 1, 2018.

In 2019, the SMCP Group applied stage 3 of IFRS 9, in this respect, the main change compared to IAS 39 concerns the accounting treatment of currency derivative instruments qualified as hedges. IFRS 9 can be used to exclude from the hedge relation the time value of a purchased option and the forward (premium/discount) component of futures contracts and assimilate them as a "cost" linked to a hedge.

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 the transactions (while IAS 39 required their recognition in income or loss) and recycled to income or loss on a symmetrical basis with the hedged item.

The impact of the retrospective application of the "hedge" component of IFRS 9 led to the recognition of an adjustment of €165 thousand within opening equity capital at January 1, 2019.

IFRS 16 - *Leases, applicable as of January 1, 2019*

The application of IFRS 16 on or after January 1, 2019 has significantly impacted 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). They are managed dynamically in direct connection with the conduct of the brands' activities and their distribution and development strategy.

When a lessee signs a lease with fixed payments, this standard requires the lessee to record a debt on the liabilities side of the balance sheet corresponding to the discounted future payments, as consideration for the rights of use of the asset amortized over the term of the contract.

The Group has applied the so-called "modified retrospective" transition approach, which provides for the recognition of a liability on the transition date equal to discounted residual lease payments only, as consideration for a right of use adjusted with the amount of lease payments made in advance or recorded as a payable expense. The standard offers several modification measures during the transition; the Group has mainly adopted those that allow the exclusion of contracts with a remaining term of less than twelve months and leases for low-value assets. The amount of the liability is depends mostly on the assumptions adopted in respect of the term of commitments and, to a lesser extent, the discount rate. Due to the Group's geographic presence, it is faced with a broad diversity of legal procedures in the drafting of contracts. The term of the contract used to calculate the liability is that of the initially negotiated contract, without taking the early termination or extension options into account. The discount rate is determined for each contract according to the country of the contracting subsidiary. Considering the organization of the Group's financing, carried almost exclusively by SMCP Group, this marginal borrowing rate is actually defined by the sum of the risk-free rates for the contract currency, by reference to its residual duration, and the Group's credit risk for this same currency and duration reference.

Leasehold rights, previously recognized under intangible assets, are now presented under Rights of Use.

The Group has chosen to roll out over its entire scope an IT tool dedicated to the operational management of real-estate leases, thus allowing the collection and calculation of their financial impacts to reflect operating reality as closely as possible.

Impacts on the presentation of SMCP financial statements

The application of IFRS 16 implies a new presentation of the consolidated financial statements:

- the statement of the consolidated financial position presents:
  - under Non-current assets, between Brands and other intangible assets and property, plant and equipment, a new heading "Rights of use" relating to rights-of use for leases,
  - under Non-current Liabilities and Current liabilities, a new heading "Short- and long-term lease liabilities" relating to the obligations linked to these rights-of-use;
- the consolidated income statement presents the impact of leases in three different headings:
  - lease expenses, in Other current operating income and expenses, 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 is an integral part of depreciation, amortization and impairment and for the discounted fixed portion of lease payments for all leases for which the initial term is twelve months or more or which does not have a low-value underlying asset,
  - the interest expense relating to Lease payables, in (net) Financial charges;
- the consolidated cash flow statement presents the impact of leases under two different headings:
  - Net cash flows linked to operating activities 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 include, for their part, the cash outflows linked to fixed lease payments, corresponding to repayment of Lease liabilities (interest included).

Off-balance sheet commitments given for an amount of €329.9 million at January 1, 2019 have fallen by €302.8 million due to the application of IFRS 16 and the recording of lease payments (see Note 6.3.2).

Reconciliation between off-balance sheet commitments at December 31, 2018 and IFRS 16 discounted lease payments at January 1, 2019 breaks down as follows:

€k	**1/1/2019**
Commitments given in respect of leases at December 31, 2018	**302,803**
Non-recognized leases as allowed by IFRS 16 recognition exemptions	(9,838)
Effect of differences in the adopted terms concerning termination or extension options, the exercise of which is reasonably certain	188,376
Lease payments at January 1, 2019 pursuant to IFRS 16	**481,341**
Discount effect	(49,481)
Discounted lease payments at January 1, 2019 pursuant to IFRS 16	**431,860**
Lease payments at more than one year	*348,390*
Lease payments at less than one year	*83,470*

The average discount rate of lease payments on the transition date is 2.8%.

The table below summarizes the effect of the application of IFRS 16 on the financial statements' opening balance sheet at December 31, 2019:

€k	**12/31/2018 before IFRS 16**	**IFRS 16**	**1/1/2019 after IFRS 16**
	Net	**Net**	**Net**
Goodwill	630,071		630,071
Trademarks	600,000		600,000
Other intangible assets	136,076	(115,543)	20,533

Right of use	-	535,005	543,318
Property, plant and equipment	75,982		75,982
Non-current financial assets	19,477		19,477
Other non-current assets	477		477
Deferred tax assets	33,435		33,435
Non-current assets	**1,495,518**	**419,462**	**1,923,293**
Inventories	221,400		221,400
Trade receivables	51,428		51,428
Other receivables	39,175	(3,319)	35,856
Other current financial assets	-		-
Cash and cash equivalents	46,528		46,528
Current assets	**358,531**	**(3,319)**	**355,212**
Total assets	**1,854,050**	**416,144**	**2,278,506**

€k	**12/31/2018 before IFRS 16**	**IFRS 16**	**1/1/2019 after IFRS 16**
	Net	**Net**	**Net**
Share capital	81,914		81,914
Share premium	951,522		951,522
Reserves and retained earnings	63,547		63,547
Other comprehensive income/(loss)	46,838		46,838
Treasury shares	(1,649)		(1,649)
Equity attributable to owners of the Company	**1,142,172**	**-**	**1,142,172**
Non-controlling interests	-		-
Total equity	**1,142,172**	**-**	**1,142,172**
Bonds	174,205		174,205
Long-term lease payments	-	348,390	348,390
Long-term financial borrowings	-		-
Other non-current liabilities	221		221
Non-current provisions	241		241
Net employee defined benefit liabilities	3,346		3,346
Deferred tax liabilities	166,535		166,535
Non-current liabilities	**344,548**	**348,390**	**692,938**
Interest-bearing loans and borrowings (current)	2,153		2,153
Trade and other payables	115,536	(215)	115,321
Short-term lease payments	-	83,470	83,470
Bank overdrafts and short-term borrowings and debt	143,917		143,917
Short-term provisions	3,196		3,196
Other liabilities	102,528	(15,501)	95,340
Current liabilities	**367,330**	**67,754**	**443,397**
Total equity and liabilities	**1,854,050**	**416,144**	**2,278,506**

IFRIC 23

The Group applies IFRIC 23 relating to uncertain tax positions since January 1, 2019. The latter had no material impact on the Group's financial statements.

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 so-called "cumulative catch-up" transition method.

The basis of preparation and presentation integrated the application of these new standards.

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 6.12)
- Estimation of lease renewal assumptions (Note 3.2.1)

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, 2019 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.

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).

IFRS 9 – Financial Instruments, which sets out the principles for recognition and financial disclosure relating to financial assets and financial liabilities.

The Group opted for the application of stage 1 and stage 2 of IFRS 9 components as of 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 provision matrix proposed by IFRS 9. The risk associated with the recovery of trade receivables, primarily those of retail activities, is very limited. For wholesale activities, the Group hedges the bulk of its trade receivables through insurance against credit risk, guarantees or requests for advance payment. Department stores have very short-term receivables from top-tier counterparties that are considered to present a very low risk of default. Consequently, there is no impact on the Group's financial statements;
- State 3 "Hedge accounting": see Section 3.2.1.

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".

The expenses, income and flows of each of the two fiscal years were converted at the average rate.

Assets and liabilities were converted at the losing rate in force at December 31, 2019.

3.6.2. Rates applicable at December 31

The rates used to translate foreign currency transactions into euros are indicated below:

		12/31/2019		12/31/2018	
		Closing	Average	Closing	Average
SWISS FRANC	EUR/CHF	1.0854	1.1127	1.1269	1.1549
EURO	EUR/EUR	1.0000	1.0000	1.0000	1.0000
POUND STERLING	EUR/GBP	0.8508	0.8773	0.8945	0.8848
US DOLLAR	EUR/USD	1.1234	1.1196	1.1450	1.1815
CANADIAN DOLLAR	EUR/CAD	1.4598	1.4857	1.5605	1.5304
CHINESE YUAN	EUR/CNY	7.8237	7.7402	7.8714	7.8141
HONG KONG DOLLAR	EUR/HKD	8.7473	8.7724	8.9675	9.2601
SINGAPORE DOLLAR	EUR/SGD	1.5111	1.5272	1.5591	1.5929
DANISH KRONE	EUR/DKK	7.4715	7.4661	7.4673	7.4532
NORWEGIAN KRONE	EUR/NOK	9.8638	9.8497	9.9483	9.6022
SWEDISH KRONA	EUR/SEK	10.4468	10.5867	10.2548	10.2573
PATACA DE MACAO	EUR/MOP	9.0066	9.0365	9.2382	9.5402
TAIWAN DOLLAR	EUR/TWD	33.8005	34.6065	35.0462	35.5925
JAPANESE YEN	EUR/JPY	121.9400	122.0600	125.8500	130.4000
MALAYSIAN RINGGIT	EUR/MYR	4.5953	4.6372	-	-

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).

4.1. Acquisition of De Fursac

The Group acquired a 99.97% stake in De Fursac Finance (parent company of the De Fursac group) on September 5, 2019 (broken down into an immediate payment for 97.24% and a put option payable in the first half of 2020 for 2.73%).This company was then held by its founder, its managers and the FCDE fund. The consideration paid in cash amounted to €101 million, in addition to a put of €2.9 million to be paid in the second quarter of 2020 and an earnout of €10 million to be paid in April 2023 subject to the achievement of the sales targets.

In accordance with IFRS 3 – Business Combinations, De Fursac'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 De Fursac is presented as follows:

	9/5/2019
	in €m
Trademarks	63.0
Other intangible assets	1.10
Other non-current assets	4.2
Rights of use (IFRS 16)	21.2
Deferred tax assets	2.0
Inventories	7.1
Other current assets	4.5
Cash and cash equivalents	6.4
Lease payments (IFRS 16)	(17.8)
Financial liabilities	(7.3)
Deferred tax liabilities	(16.3)
Other non-current liabilities	(0.7)
Other liabilities	(7.2)
Total net assets transferred at September 5, 2019 (b)	**60.2**
Consideration transferred (a)	**113.3**
Final DE FURSAC goodwill at September 5, 2019 = (a) - (b)	**53.1**

	9/5/2019
	in €m
Consideration transferred	(113.3)
Put and earnout	12.0
Net acquired cash	6.4
Purchases of DE FURSAC net of cash acquired	**(95.0)**

The fair values of assets and liabilities were determined as described below:

- The fair value of the acquired brand was estimated using the royalties-on-sales method based on the 2020-2025 business plan and a royalty rate of 6.5%. The discount rate used is 10.11%, assuming a long-term growth rate of 3%. Considering its positioning as leading accessible luxury for men brand and the Group's ambition for long-term development, its service life was considered as indefinite as defined by IAS 38 "Intangible assets". The fair value of the De Fursac brand was estimated at €63 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 €4.6 million;
- Residual goodwill was recognized in a total amount of €53.1 million, 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, 2019, i.e. for a period of 4 months, were as follows:
  - Revenue: €12,596k
  - Net profit for the period: €963k

Assuming that the acquisition was completed at January 1, 2019, the Group's consolidated revenue would have amounted to €1,160,594 thousand.

Transaction fees were booked for €1,875 thousand on the fiscal year ended December 31, 2019 (see Note 5.6 - Other income and expenses).

4.2. Segment information

According to IFRS 8 – Segment Reporting, an operating segment is a component of an entity that engages in business activities from which it may earn 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.

4.2.1. Group operating segments

SMCP's operations are managed through three operating and reportable segments as defined by IFRS 8. These correspond to the four brands that each have their specific customer base:

- Sandro
- Maje
- Other brands* comprising Claudie Pierlot and De Fursac because these brands have a more international profile

*the operational monitoring, as understood in IFRS 8 was reviewed during the De Fursac acquisition.

These four 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 four brands.

4.2.2. Financial information by operating segment

The tables below set out financial information by operating segment at December 31, 2019 and December 31, 2018:

	Sandro	Maje	Other brands	Others & Holdings	12/31/2019
	€k	*€k*	*€k*	*€k*	*€k*
Sales (1)	551,578	438,238	142,050	-	1,131,866
Adjusted EBITDA (2)	141,039	119,910	25,403	-	286,351
Adjusted EBITDA excluding IFRS 16	**86,405**	**75,272**	**12,476**		**174,163**
Current operating income	**59,864**	**50,896**	**10,782**	**-**	**121,542**
Goodwill (3) and (4)	336,038	237,327	109,810	-	683,175
Rights of use (5)	291,256	228,507	75,211	(873)	594,372
Intangible assets (6)	320,856	228,531	66,596	73,803	689,786
Property, plant and equipment	25,772	43,807	12,720	11,590	93,889
Capital expenditure (7)	29,354	22,533	7,028	17,968	76,883

(1) Sales include retail sales and sales with Group partners.

(2) Adjusted EBITDA is not defined by IFRS but was defined by the Group as being the recurring operating income deducted from depreciation, amortization and impairment and the free shares allocation plan.

(3) Including impact of €53 million in 2019 following the acquisition of De Fursac (see Note 4.1.)

(4) The assumption adopted consisted of allocating goodwill on the same weighting as trademarks.

(5) Application of IFRS 16 at January 1, 2019
(6) Of which impact of €63 in 2019 following the acquisition of De Fursac (see Note 4.1.
(7) At December 31, 2019, capital expenditure broke down as follows: (see Note 1.4. Statement of consolidated cash flow) and excluding rights of use
Purchases of property, plant and equipment: €50,448 thousand;
Purchases of intangible assets: €22,616k;
Purchases of financial instruments: €4,879 thousand;
Variation of accounts payable for fixed assets: -€1,061k;

Adjusted EBITDA excluding IFRS 16 breaks down as follows: Sandro €86.4 million, Maje €75.3 million and Other brands for €12.5 million.

	Sandro	Maje	Claudie Pierlot	Others & Holdings	12/31/2018
	€k	*€k*	*€k*	*€k*	*€k*
Sales (1)	500,542	391,409	125,184	-	1,017,134
EBITDA	86,296	70,768	14,399	-	171,463
Current operating income	61,382	50,337	10,242	-	121,962
Goodwill (2)	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 (3)	21,307	19,503	5,648	12,360	58,818

(1) Sales include retail sales and sales with Group partners.
(2) The assumption adopted consisted of allocating goodwill on the same weighting as trademarks.
(3) 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;

Operating expenses of holding companies are rebilled to the brands pro rata to sales, plus a mark-up.

4.2.3. 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 adjusted EBITDA, excluding IFRS 16.

EBITDA is not defined by IFRS but was defined by the Group as being the recurring operating income deducted from depreciation, amortization and impairment.

	12/31/2019	12/31/2018
	€k	*€k*
Current operating income	**121,542**	**121,963**
Depreciation, amortization and impairment	154,809	36,143
EBITDA	**276,351**	**158,106**
Free shares allocation plan	10,000	13,357
Adjusted EBITDA	**286,351**	**171,463**

The financial statements at December 31, 2018 have not been restated to reflect the effects of the application of IFRS 16 Leases.

Current operating income for 2019 is impacted by €112.1 million of canceled leases and the recognition of a depreciation and amortization expense of €112.5 million. Adjusted Ebitda excluding IFRS 16 would have been €174.2 million.

4.2.4. 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:

	France	EMEA	Americas	APAC	12/31/2019
	€k	*€k*	*€k*	*€k*	*€k*
Revenue	384,586	337,629	150,415	259,236	**1,131,866**
Total assets (1)	572,868	297,157	145,069	188,074	**1,203,069**

(1) Total assets consist of all assets except goodwill and trademarks, which are not allocated by country. Growth of total assets compared to 2018 can be mainly explained by the application of IFRS 16 and the valuation of rights of use.

Revenue earned on wholesale and online sales are allocated on the basis of the customer's country of residence.

	France	EMEA	Americas	APAC	12/31/2018
	€k	*€k*	*€k*	*€k*	*€k*
Revenue	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 trademarks, which are not allocated by country. Leasehold rights are geographically allocated as follows:

- *France for €94,874 thousand;*
- *EMEA for €28,042 thousand;*
- *USA for €1,288 thousand.*

Revenue earned on wholesale and online sales are allocated on the basis of the customer's country of residence.

4.2.5. Information by major customers

The Group did not have any customers that individually accounted for over 10% of its revenue in the period ended December 31, 2019.

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 is recognized at the time of the direct sale to the end customer. This is also the case for concessions ("corners") in department stores directly operated by the Group, even when the department stores act as intermediary, collect the sales amount on the Group's behalf and pay 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 is recognized at the departure from the warehouse.
- Online sales include sales made by the Group on its own websites as well as via third party websites, particularly those operated by department stores.

	12/31/2019	12/31/2018
	€k	*€k*
Sales of goods	1,131,866	1,016,961
Income from services rendered	-	172

Revenue	**1,131,866**	**1,017,133**

At December 31, 2019, Group sales can be analyzed as follows by distribution channel:

	12/31/2019	12/31/2018
	€k	*€k*
Retail	1,050,281	948,744
- Directly operated stores	*405,074*	*360,849*
- Concessions ("corners")	*360,743*	*342,624*
- Outlets	*107,908*	*86,689*
- Affiliates	*27,944*	*21,099*
- Online	*148,612*	*137,483*
Partnered retail sales	81,586	68,389
Revenue	**1,131,866**	**1,017,133**

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.

	12/31/2019	12/31/2018
	€k	*€k*
Raw materials consumed	(77,514)	(70,136)
Finished products consumed	(123,519)	(98,043)
Subcontracting and purchase-related costs	(87,073)	(76,463)
Commissions	(130,531)	(123,186)
Cost of sales	**(418,638)**	**(367,828)**

5.3. Other net operating income and expenses

	12/31/2019	12/31/2018
	€k	*€k*
Other operating income	2,880	2,945
Net exchange gain/ (loss)	(1,758)	(1,920)
Lease payments(1)	(22,639)	(113,011)
Other external expenses (2)	(85,459)	(80,100)
Fees	(35,957)	(28,399)
Services provided	(25,937)	(25,185)
Purchases of small equipment and supplies not held in inventory	(8,741)	(10,721)
Other taxes	(12,058)	(9,131)
Other net operating income and expenses	**(189,670)**	**(265,522)**

(1) The amount of lease payments in 2019 corresponds to the sole variable portion of rents and related expenses. The fixed portion has been restated following the application of IFRS 16 for an amount of €112.2 million.

(2) "Other external expenses" relate to sales shipment and marketing costs.

5.4. Personnel costs

	12/31/2019	12/31/2018
	€k	*€k*
Wages and salaries	(182,887)	(157,163)
Social security charges	(44,505)	(44,244)
Other staff expenses	(3,714)	(3,714)
Employee profit-sharing	(6,101)	(7,200)
Personnel costs	**(237,207)**	**(212,320)**

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. Free 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 free share allocation plans totaled €10 million.

Plan no. 2

Exercising the authorization granted by the Shareholders' Meeting on October 5, 2017.

The Board of Directors, at its November 23, 2017 meeting, decided to grant (Second Plan of November 2017) 2,038,324 free shares to some executives and managers. This plan includes, for all beneficiaries, a vesting period per third of two, three and four years.

The Board of Directors, at its April 25, 2018 meeting, decided to grant (April 2018 Plan) 25,709 free shares to executives and managers. This plan includes, for all beneficiaries, a vesting period per third of two, three and four years.

Plan no. 3

Exercising the authorization granted by the Shareholders' Meeting on June 18, 2018.

The Board of Directors, at its August 30 and 31, 2018 meetings, decided to grant (August 2018 Plan) 98,171 free shares to some executives and managers. This plan includes, for all beneficiaries, a vesting period per half of two and three years.

The Board of Directors, at its November 20, 2018 meeting, decided to grant (November 2018 Plan) 57,694 free shares to some executives and managers. This plan includes, for all beneficiaries, a vesting period per half of two and three years.

The Board of Directors, at its March 20, 2019 meeting, decided to grant (March 2019 Plan) 132,000 free shares to some executives and managers. This plan includes, for all beneficiaries, a vesting period of two years.

The Board of Directors, at its April 17, 2019 meeting, decided to grant (April 2019 Plan) 30,000 free shares to some executives and managers. This plan includes, for all beneficiaries, a vesting period of two years.

Plan no. 4

Exercising the authorization granted by the Shareholders' Meeting on June 7, 2019.

The Board of Directors, at its November 21, 2019 meeting, decided to grant (December 2019 Plan) 4,064 free shares to some Group employees. This plan includes, for all beneficiaries, a vesting period of one year.

The Board of Directors, at its December 5, 2019 meeting, decided to grant (January 2020 Plan) 870,460 free shares to some executives and managers. This plan includes, for all beneficiaries, a vesting period per half of two and three years.

Free shares allocation plan	Second Plan of November 2017	Plan of April 2018	Plan of August 2018	Plan of November 2018	Plan of March 2019	Plan of April 2019	Plan of December 2019	Plan of January 2020
Initial allocation date	11/23/2017	4/25/2018	8/31/2018	11/20/2018	4/17/2019	4/17/2019	12/31/2019	01/01/2019
Vesting period	2, 3 and 4 years per third	2, 3 and 4 years	2 and 3 years per half	2 and 3 years per half	2 years in a single	2 years in a single	1 year in a single transaction	2 and 3 years per half
Availability date	3/31/2022	3/31/2022	3/31/2022	3/31/2022	4/17/2021	4/17/2021	12/31/2020	3/31/2023
Vesting date	03/31/2020 03/31/2021 03/31/2022	4/25/2020 3/31/2021 3/31/2022	03/31/2021 03/31/2022	03/31/2021 03/31/2022	4/17/2021	4/17/2021	12/31/2020	03/31/2022 03/31/2023
Number of beneficiaries	125	4	36	14	10	17	1,016	106
Number initially granted	2,038,324	25,709	98,171	57,694	132,000	30,000	4,064	870,460
Number outstanding as of 12/31/2018	1,923,337	25,709	98,171	57,694				
Number canceled over the fiscal year	107,101		10,912	16,020				
Number exercised over the fiscal year								
Number of shares transferred					132,000	30,000	4,064	
Number surrendered over the fiscal								
Number outstanding as of 12/31/2019	1,816,236	25,709	87,259	41,674	132,000	30,000	4,064	
Number that may be exercised over the fiscal year								
Performance conditions	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Expense for the fiscal year (in €k)	6,536	43	54	-	-	-		

In the second half of 2019, SMCP acquired 400,000 shares in order to prioritize the delivery of the free shares allocation plan through existing shares.

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)	**12/31/2019**	**12/31/2018**
Other income	14,495	4,432
Other expenses	(29,119)	(16,881)
Other income and expenses	**(14,624)**	**(12,450)**

Other income and expenses break down as follows:

(€k)	**12/31/2019**	**12/31/2018**
Cancel / postponed openings	(1,735)	(1,233)
Fixed assets depreciation (1)	(4,526)	(8,337)

Disputes & penalties	(773)	(324)
Transition and acquisition costs (2)	(6,836)	(1,616)
Other	(754)	(940)
Other income and expenses	**(14,624)**	**(12,450)**

(1) At December 31, 2019, the Group performed impairment tests on its leasehold rights in France which led to the recognition of an impairment of €1.1 versus €2.9 million at December 31, 2018 and a fair value adjustment on certain leases in Hong Kong following the 2019 events leading to the recording of an impairment of €2.3 million.

(2) Transition and acquisition costs mainly concern acquisition costs linked to the full internalization of back office functions in China for an amount of €4.6 million and the expenses linked to the acquisition of De Fursac for an amount of €1.9 million.

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).

	12/31/2019	**12/31/2018**
	€k	*€k*
Interest expenses on borrowings	(37,886)	(17,998)
- Bonds 2023	*(14,985)*	*(13,695)*
- RCF	*(3,050)*	*(4,126)*
- New RCF & NEU CP	*(1,128)*	-
- Term Loan	*(4,362)*	-
- Others	*(773)*	*(177)*
- IFRS 16	*(13,588)*	-
Net exchange gain/ (loss)	(1,184)	(36)
Other financial expenses	(734)	(1,406)
Financial income	**(39,804)**	**(19,441)**

Excluding the early reimbursement effect of financial liabilities and excluding IFRS 16, the comparable financial result amounted to €13.6 million in 2019 compared to €16.9 million in 2018.

The breakdown of interest expense in the 2023 Bonds of the RCF and the new financing is as follows:

	12/31/2019	**12/31/2018**
	€k	*€k*
2023 Bonds	**(14,985)**	**(13,695)**
- Interest paid	*(5,885)*	*(11,367)*
- Accrued interests	*1,765*	*202*
- Repayment penalty	*(5,296)*	*(601)*
- Amortization of issuance costs	*(5,569)*	*(1,928)*
RCF	**(3,050)**	**(4,126)**
- Interest paid	*(1,706)*	*(3,834)*
- Accrued interest	*402*	*6*
- Amortization of issuance costs	*(1,746)*	*(298)*
New RCF & NEU CP	**(1,128)**	**-**
- Interest paid	*(903)*	
- Accrued interest	*(167)*	

- Amortization of issuance costs	*(58)*	
Term Loan Agreement	**(4,363)**	-
- Interest paid	*(2,979)*	
- Accrued interest	*(633)*	
- Amortization of issuance costs	*(751)*	

At December 31, 2019, the redemption of the nominal of the 2023 bond generated one-off costs of €10.9 million (repayment penalty of €5.3 million and acceleration of issue costs amortization for €5.6 million), the reimbursement of the RCF generated one-off costs of €1.6 million linked to the acceleration of issue costs amortization.

At December 31, 2018, the redemption of the nominal of the 2023 bond generated one-off costs of €1.3 million (repayment penalty of €0.6 million and the acceleration of issue costs amortization for €0.7 million).

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	**12/31/2019**	**12/31/2018**
Deferred tax	6,074	(5,781)
Current tax	(29,514)	(34,088)
Income tax expense	**(23,440)**	**(39,869)**

5.8.2. Deferred tax position

In the context of the acquisition of De Fursac, the brands and the leasehold rights were revalued, the related deferred tax was applied at the rate of 25.83% that was applicable on September 5, 2019.

a) Deferred taxes at December 31, 2019:

€k	12/31/2018	Change in the income statement	Change in other comprehensive income items	Translation adjustments and other changes	Other changes	Changes in scope	12/31/2019	Deferred Tax Assets	Deferred Tax Liabilities
Restatement of pension liabilities	**719**	120	(53)	-	-	-	**786**	1,014	(229)
Elimination of internal gains and losses (margin on inventories)	**14,272**	2,102	-	237	-	-	**16,611**	16,611	-

Capitalization of tax loss carry forwards	**372**	693	-	13	-	-	**1,078**	1,078	-
Allocation of goodwill to brands and leasehold rights	**(166,653)**	217	-	-	-	15,084	**(181,520)**	1,191	(182,711)
Neutralization of start-up costs and acquisition costs	**3,372**	(1,402)	-	(1)	-	-	**1,969**	2,009	(40)
IFRS 15	**228**	7	-	(31)	-	-	**204**	205	(1)
IFRS 16	**-**	2,978	-	-	-	70	**3,048**	3,048	-
Other restatements*	**14,590**	1,356	819	256	1,012	704	**18,736**	18,737	-
Net deferred tax assets/(liabilities)	**(133,100)**	**6,070**	**766**	**474**	**1,012**	**(14,310)**	**(139,088)**	**43,894**	**(182,982)**

**mainly relates to temporary differences.*

€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*	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)**

**mainly relates to temporary differences.*

b) Breakdown of tax expense:

		12/31/2019	**12/31/2018**
		€k	*€k*
Profit/(loss) before tax		**66,969**	**90,072**
Statutory tax rate in France	(1)	*34.43%*	*34.43%*
Theoretical tax expense		**(23,057)**	**(31,012)**
Changes in tax rate		132	(1,873)
Difference in income tax rates applied to earnings in countries other than that of the consolidating entity		2,913	2,313
Non-deductible or non-taxable income and expenses		(601)	(1,314)
- *Tax deductibility ceiling*		-	*(1,165)*
- *Additional contribution on dividends*		*(173)*	*(162)*
- *Other permanent differences*		*(428)*	*13*
- Other changes in deferred tax		(340)	(1,206)
Bonus share awards	(2)	364	(3,890)

Tax expense before CVAE tax on value added net of income tax		**(20,589)**	**(36,982)**
CVAE tax on value added net of income tax	(3)	(2,837)	(2,886)
Income tax expense		**(23,426)**	**(39,868)**

(1) At December 31, 2019 the standard tax rate in France takes into account 3.3% of company social solidarity contribution.

(2) In 2019, SMCP decided to prioritize the delivery of the free shares allocation plan through a share buyback program. This decision made the purchase cost of these shares deductible. The Group recorded a tax gain for the fiscal year of €3.7 million of which €1.6 million linked to the expense for 2019 and €2.1 million linked to the previously recognized expenses.

(3) Taxes based on value added (i.e., the CVAE tax on value added levied on French companies, IRAP in Italy and Trade Tax in Germany, etc.) are treated as "Income" 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, 2019, the Group's cumulative tax loss carryforwards represented deferred tax assets of €1.1 million.

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:

	12/31/2019	12/31/2018
	€k	*€k*
Net profit attributable to owners of the Company	**43,674**	**50,203**
Average number of outstanding shares during the fiscal year	73 550,068	73,170,450
Average number of treasury shares during the fiscal year	(184,766)	(79,252)
Average number of shares taken into account for the calculation before dilution	**73,365,302**	**73,091,198**
Dilution effect of G PS and free share plans	5,476,262	5,575,313
Average number of shares taken into account for the calculation after dilutive effects	**78,841,564**	**78,666,510**
Basic earnings per share (€)	**0.60**	**0.69**
Diluted earnings/(loss) per share (€)	**0.55**	**0.64**

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)	1/1/2019	Changes in scope	Impairment / Reversals	Translation adjustment	12/31/2019
Goodwill - gross value	630,071	53,104	-	-	683,175
Impairment	-	-	-	-	-
Goodwill - net	**630,071**	**53,104**	**-**	**-**	**683,175**

The acquisition of the De Fursac group generated the recognition of a new goodwill.

(€k)	5/1/2018	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).

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, included in rights of use

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)	1/1/2019	Changes in scope [1]	Acquisitions	Disposals	Depreciation & amortization	Impairment	Foreign exchange differences	Effect of standard changes[2]	Others	12/31/2019
Trademarks	600,000	63,000	-	-	-	-	-	-	-	663,000
Leasehold rights	124,217	-	-	-	-	-	-	(124,217)	-	-
Intangible assets in progress	7,477	-		-	-	-	1	-	(62)	7,416
Other intangible assets	21,279	57	13,856	(2)	-	-	41	-	84	35,315
Intangible assets	**752,973**	**63,057**	**13,856**	**(2)**	**-**	**-**	**42**	**(124,217)**	**22**	**705,730**
Impairment of brands	-	-	-	-	-	-	-	-	-	-
Impairment of leasehold rights	(8,674)	-	-	-	-	-	-	8,674	-	-
Amort. /impairment of intangible assets	(8,223)	-	-	-	(7,673)	-	(26)	-	(22)	(15,943)
Amort. /impairment of intangible assets	**(16,897)**	**-**	**-**	**-**	**(7,673)**	**-**	**(26)**	**8,674**	**(22)**	**(15,943)**
Carrying amount of intangible assets	**736,076**	**63,057**	**17,158**	**(2)**	**(7,673)**	**-**	**16**	**(115,543)**	**-**	**689,787**

(1) The acquisition of De Fursac group generated a change in scope, assets were consolidated for their carrying amount in accordance with IFRS 3.

(2) The effect of changes in standard corresponds to the application of IFRS 16. Leasehold rights are presented as rights of use (see Section 6.3.1).

At December 31, 2019, the Group's four trademarks, Sandro, Maje, Claudie Pierlot and De Fursac, were valued for a total of €663 million, with respectively €320 million for Sandro, €226 million for Maje, €54 million for Claudie Pierlot and €63 million for the De Fursac brand, at December 31, 2019.

(€k)	1/1/2018	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.

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)	1/1/2019	Changes in scope (2)	Acquisitions	Disposals	Depreciation & amortization	Impairment	Change of method	Foreign exchange differences	Others(1)	12/31/2018
Technical fittings, equipment and industrial tools	4,145	-	1,192	(50)	-	-	-	-	108	5,395
Property, plant and equipment in progress	7,710	51	8,583	-	-	-	-	61	(5,202)	11,204
Advances and down payments on property, plant and equipment	499	-	45	-	-	-	-	6	(461)	88
Other property, plant and equipment	126,122	2,778	40,628	(3,634)	-	-	-	2,412	5,022	173,329
Property, plant and equipment	**138,477**	**2,829**	**50,448**	**(3,684)**	**-**	**-**	**-**	**2,479**	**(532)**	**190,017**
Amort. /impairment of technical fittings, equipment and industrial tools	(1,782)	-	-	145	(966)	-	-	-	1	(2,602)
Amort. /impairment of other property, plant and equipment	(60,713)	-	-	8,658	(39,859)	-	-	(1,657)	45	(93,525)
Amort. /impairment of property, plant and equipment	**(62,495)**	**-**	**-**	**8,803**	**(40,825)**	**-**	**-**	**(1,657)**	**46**	**(96,127)**
Carrying amount of property, plant and equipment	**75,982**	**2,829**	**50,448**	**5,119**	**(40,825)**	**-**	**-**	**822**	**(486)**	**93,889**

(1) Reclassifications to intangible assets and fixed asset suppliers.

(2) The acquisition of De Fursac group generated a change in scope, assets were consolidated for their carrying amount in accordance with IFRS3.

(€k)	1/1/2018	Acquisitions	Disposals	Depreciation & amortization	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.

6.3. Leases

6.3.1. Rights of use

Rights of use break down as follows:

Rights of use in €k		12/31/2019		1/1/2019
	Gross	Amortization, depreciation and impairment	Net	Net
Stores	509,956	(100,555)	409,400	363,230
Offices and warehouses	75,449	(10,983)	64,466	56,232
Capitalized fixed rents	**585,404**	**(111,538)**	**473,866**	**419,462**
Leasehold rights	130,362	(9,857)	120,505	115,543
Right of use	**715,767**	**(121,395)**	**594,372**	**535,005**

The change in the net balance of rights of use during 2019 can be explained by the following elements:

Gross value	Capitalized discounted fixed lease payments			Leasehold rights	Total
	Stores	Offices and warehouses	Total		
At January 1, 2019	363,211	56,232	419,443	124,217	543,660
Provision for rental losses	(2,248)	-	(2,248)	-	(2,248)
Reversal of deferred rent	14	-	14	-	14
Entry of scope	17,571	-	17,571	4,760	22,331
Arrangement of new leases	138,037	19,241	157,278	5,459	162,737
Expirations and early terminations	(8,252)	-	(8,252)	(6,338)	(14,590)
Reclassification of fixed assets in progress	-	-	-	1,556	1,556
Other (foreign exchange difference)	1,623	(24)	1,599	708	2,307
As of December 31, 2019	**509,956**	**75,449**	**585,405**	**130,362**	**715,766**

Amortization, depreciation and impairment in €k	Capitalized discounted fixed lease payments			Leasehold rights	Total
	Stores	Offices and warehouses	Total		
At January 1, 2019	-	-	-	(8,674)	(8,674)
Provision for rental losses	-	-	-	-	-

Reversal of deferred rent	(1,437)	-	(1,437)	-	(1,437)
Entry of scope	-	-	-	-	-
Amortization, depreciation and impairment	(102,849)	(10,983)	(113,832)	(886)	(114,718)
Expirations and early terminations	3,886	-	3,886	-	3,886
Other (foreign exchange difference)	(155)	-	(155)	(297)	(452)
	(100,555)	**(10,983)**	**(111,538)**	**(9,857)**	**(121,395)**
As of December 31, 2019	**409,401**	**64,466**	**473,867**	**120,505**	**594,371**

Lease arrangements mainly concern store rentals, and incidentally, administrative and storage buildings.

6.3.2. Lease payments

Lease payments break down as follows:

	12/31/2019	**1/1/2019**
	€k	*€k*
Lease payments at more than one year	402,482	348,390
Lease payments at less than one year	101,762	83,470
Total	**504,244**	**431,860**

The change in lease payments during the year can be explained by the following items:

€k	**Stores**	**Offices and warehouses**	**Total**
At January 1, 2019	375,676	56,183	431,860
Entry of scope	17,789	-	17,789
Arrangement of new leases	138,037	19,241	157,278
Reimbursement of the nominal	(88,159)	(9,705)	(97,864)
Changes in incurred interests	799	141	940
Expiries and early termination of leases	(7,155)	-	(7,155)
Other (foreign exchange difference)	1,420	(23)	1,397
As of December 31, 2019	**438,406**	**65,838**	**504,244**

6.4. 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 comes from the three original brands Sandro, Maje and Claudie Pierlot acquired in October 2016 and the De Fursac brand acquired in September 2019.

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.

6.4.1. 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 2020-2025 business plan.

- **Key assumptions**

The key assumptions applied in determining the fair value of brands in 2019 are shown below:

	CGU			
	Sandro	**Maje**	**Claudie Pierlot**	**De Fursac**
Criteria				
Calculation basis for recoverable amount	Relief-from-royalty method			
Source	Business plan/DCF			
Date of acquisition of brands	*Oct-16*	*Oct-16*	*Oct-16*	*Sept-19*
Perpetuity growth rate	*2%*	*2%*	*2%*	*3%*
Discount rate	*9.0%*	*9.0%*	*9.0%*	*10.1%*
Long-term tax	*34.43%*	*34.43%*	*34.43%*	*25.8%*
Royalty rate	*7.40%*	*6.50%*	*4.30%*	*6.50%*

Historic value of brands (€m)	**320**	**226**	**54**	**63**
Total historic value of brands (€m)			**663**	

The SMCP Group used an independent expert to determine the royalty rate of the De Fursac 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 4.5% and 17.8% of sales.
- - Strategic comparative analysis of De Fursac to place them within the rate range defined above. This strategic analysis allocates a rating of between 0 and 10 to the 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 brand. Based on the global rating achieved for De Fursac during the strategic analysis and the range of comparative royalty rate values, the royalty rate before tax stood at 6.5% for De Fursac.

The 3% long-term growth rate was determined in respect of the rate adopted in the acquisition business plan.

- **Results of brand impairment testing**

The Group analyzed the sensitivity of the fair value of key assumptions for each of the four brands at December 31, 2019, 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 2020-2025 business plan.

None of these tests taken individually would lead to the recognition of an impairment loss against trademarks.

6.4.2. Leasehold rights impairment tests and right of use

- **Key assumptions**

Leasehold rights and right od use 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 and right of use**

Management identified and recognized a €1,063 thousand impairment loss against 10 leasehold rights in France at December 31, 2019 compared to an impairment of €2,871 thousand on 14 leasehold rights in 2018 and a fair value adjustment on certain leases in Hong Kong (see 5.6).

6.4.3. Goodwill impairment tests

- **Key assumptions**

The key assumptions applied in determining the value in use of goodwill CGUs in 2019 were as follows:

	CGU	
	Sandro/Maje Claudie Pierlot	**De Fursac**
Calculation basis for recoverable amount	*Value in use*	
Source	*Business plan/DCF*	
Carrying amount to be tested subject of the test (€m)	***630***	***53***
Total goodwill (€m)	***683***	
Acquisition date	*oct.-16*	*sept.-19*

Perpetuity growth rate	*2%*	*3%*
Discount rate	*9.0%*	*10.1%*
Long-term taxes	*25.80%*	*25.80%*

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 2020 to 2025 as of December 31, 2019.

There could be a significant increase in risk premiums depending on how the economic situation unfolds due to the Covid-19 outbreak.

- **Results of goodwill impairment testing**

The Group analyzed the sensitivity of the value in use of each goodwill CGU at December 31, 2019, 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 (2020-2025) period.

With the exception of cases where the growth rate is 1.5% and the discount rate higher than or equal to 10% or where the growth rate is 1.0% and the discount rate higher than or equal to 9.5%, none of these tests taken individually would lead to impairments of goodwill at December 31, 2019.

6.4.4. Impairment testing of property, plant and equipment

No impairment of property, plant and equipment was recognized at December 31, 2019.

6.5. Financial assets

Financial assets totaled €22,097 thousand at December 31, 2019 and mainly relate to loans and guarantees for €21,464 thousand and pledged mutual funds for €633 thousand.

6.6. 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:

		12/31/2019	
			€k
	Gross value	**Impairment**	**Carrying amount**
Raw materials and other supplies	37,455	(4,782)	32,673
Finished products	233,102	(17,838)	215,263
Total inventories	**270,557**	**(22,620)**	**247,936**

	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**

The allowance for impairment of inventories reflects the technical and stylistic obsolescence of the Group's inventories at December 31, 2019.

Defective inventories are now valued at their cost price and then fully written off for impairment, which explains the €7.9 million increase in gross inventories and the provisions for impairment of €7.9 million.

	12/31/2019
	€k
Cumulative impairment at the beginning of the period	**(12,040)**
Impairment	(30,346)
Reversals	19,802
Foreign exchange differences	(36)
Cumulative impairment at the end of the period	**(22,620)**

	12/31/2018
	€k
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)**

6.7. 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)	1/1/2019	Changes in scope	Changes in gross value	Impairment	Reversals	Translation adjustment	Other changes	12/31/2019
Trade receivables	51,589	1,093	5,371	-	-	502	-	58,555
Provisions for impairment	(161)	-	-	(39)	87	-	-	(113)
Trade receivables, net	**51,428**	**1,093**	**5,371**	**(39)**	**87**	**502**	**-**	**58,442**

(€k)	1/1/2018	Changes in scope	Changes in gross value	Impairment	Reversals	Translation adjustment	Other changes	12/31/2019
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**

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.

6.8. Other receivables

At December 31, 2019, other receivables totaled €63,421 thousand and included primarily prepayments for €21,734 thousand, tax receivables for €23,447 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 €8,507 thousand.

6.9. 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, 2019, consolidated cash and cash equivalents net of current bank overdrafts amounted to €49,340 thousand:

(€k)	12/31/2019	12/31/2018
Cash and cash equivalents	52,329	46,528
Current bank overdrafts	(2,989)	(5,047)
Cash and cash equivalents net of current bank overdrafts	**49,340**	**41,480**

6.10. Equity

6.10.1. 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, 2019, the Company's fully subscribed and paid-up share capital amounted to €82,222,037.70, or 73,550,068 common shares each with a par value of €1.10 each and 1,197,239 class G preferred shares (the "G PS").

At December 31, 2019, Ruyi International Fashion (China) Limited indirectly held 53.7% of the share capital of SMCP S.A., through its subsidiary European TopSoho S.à.r.l.

12/31/2019				
Shareholders	**Ordinary shares**	**Class G preferred shares**	**Composition of share capital (€)**	**% share capital**
European TopSoho	40,135,102	-	44,148,612	53.7%
Senior management	3,825,895	1,042,176	5,354,878	6.5%
Treasury shares	493,765	-	543,142	0.7%
Free float	29,095,306	155,063	32,175,406	39.1%
Total share capital	**73,550,068**	**1,197,239**	**82,222,038**	**100.0%**

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%**

6.10.2. 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 1,293,098 class G preferred shares existing at December 31, 2018 were 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. At January 1, 2019, 95,859 class G preferred shares were converted into 376,053 common shares.

There were four free shares allocation plans at December 31, 2019 (see Note 5.5 - Share-based payments).

6.10.3. 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 on the one hand, the shares purchased under the €2 million liquidity agreement set up in 2017. At December 31, 2019, SMCP had 93,765 shares purchased for €0.89 million and a liquidity balance of €0.3 million and on the other hand shares purchased under a buyback agreement to deliver free shares from the allocation plans, subscribed on September 6, 2019. On the balance sheet date, SMCP SA had 400,000 additional shares for a total of €4.9 million.

6.11. Financial liabilities

6.11.1. 2023 Bond and RCF

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:

- In 2017, in accordance with the terms and conditions of redemption, the Group carried out several redemptions of the 2023 Bonds for a total amount of €179.0 million (i.e., €170.7 million of nominal and €8.3 million of early repayment penalty).
- In 2018, the Group had redeemed €20.6 million (i.e., €20.0 million of nominal and a repayment penalty of €0.6 million).

These redemptions decreased the nominal debt of the 2023 Bonds from €371 million to €180.3 million in 2018.

At December 31, 2018, total interest for 2023 Bonds amounted to €11,044 thousand and total accrued interest to €1,941 thousand.

On May 21, 2019, the Group refunded €180.3 million representing the full amount of the 2023 Bonds plus a repayment penalty of €5.3 million as well as the full RCF for the drawn amount of €110 million.

6.11.2. The Credit Term Loan Agreement and Revolving Credit Facility

The Term Loan A and Revolving Credit Facility were granted on May 9, 2019 and implemented on May 21, 2019 to reimburse the revolving Credit Line of €250 million granted on October 23, 2017 and the 2023 bond granted in May 2016.

The Term Loan is a credit of €265 million fully withdrawn at signature. It is repayable in installments of €55 million in May 2021, May 2022, May 2023 and for €100 million on May 9, 2024.

The Revolving Credit is a revolving credit of €200 million. A €50 million installment known as a "swingline" allows withdrawals in day value. The Revolving Credit expires in May 2024 and had not been drawn as of the reporting date.

Loans contracted under the Credit Facility will bear interest at an EURIBOR-indexed floating rate with a minimum of 0% increased by the applicable margin.

As of the drawdown date, the applicable margin was fixed at 2.15% per year for the Term Loan A and 1.75% for the Revolving Credit.

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 before IFRS 16)**	**TLA margin**	**RCF margin**
≥2.5x	2.45%	2.05%
<2.5x and ≥2.0x	2.30%	1.90%
<2.0x and ≥1.5x	2.15%	1.75%
<1.5x and ≥1.0x	2.00%	1.60%
< 1.0x	1.85%	1.45%

With respect to the Revolving Credit facility alone, 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.

6.11.3. Bridge Term loan

The Bridge Term loan is a €40 million loan fully drawn at the first drawdown on September 5, 2019. The duration of this credit is 12 months, plus a six-month period. On the reporting date of the fiscal year, €40 million had been withdrawn.

The Bridge Term Loan also bears interest at a EURIBOR-indexed floating rate with a minimum of 0% increased by the applicable margin. At December 31, 2019, the applicable margin was 2.00% per year.

The table below sets out the margin, which is ratcheted as a function of the loan maturity:

Adjustment period	Bridge margin Term Loan
0 - 3 months	1.75%
4 - 6 months	2.00%
7 - 9 months	2.25%
10 - 12 months	2.75%
13 - 15 months	3.25%
16 - 18 months	4.00%

6.11.4. NEU CP

The NEU CP is a Treasury Paper program filed with the Banque de France and for which the maximum utilization amount is €200 million. It is backed by the Revolving Credit line and aimed at optimizing the Group's cost of debt. The first emission occurred on June 20, 2019 for an amount of €33.9 million. As of the reporting date for the fiscal year, a total amount of €128.5 had been issued.

In the context of its NEU CP issue, the Group is responsible for determining an issue price which shall be a function of demand and supply on this market and the maturity of the issued securities. As of the reporting date of the fiscal year, the Group recognized an average rate of 0.2% per year for all issues made in 2019.

6.11.5. Bank overdraft

The Group also had a bank overdraft, which had not been used at December 31, 2019 for a total of €67.5 million.

Each quarter, the Group calculates consolidated net debt, which constitutes an important indicator of the Group's financial performance, as follows:

	12/31/2019 *€k*	12/31/2018 *€k*
Cash and cash equivalents	52,329	46,528
Current bank overdrafts	(2,989)	(5,047)
Cash and cash equivalents net of current bank overdrafts	**49,340**	**41,480**
Short-term borrowings and debt	-	(138,870)
Accrued interest on short-term borrowings and debt	-	(211)
Bank borrowings	(435,321)	-
Other loans and borrowings	(230)	(223)
Accrued interest on bonds	(1,212)	(1,941)
Operating net debt	**(387,423)**	**(99,765)**
Fixed rate Bonds (2023)	-	(174,205)
Consolidated net debt	**(387,423)**	**(273,970)**

Furthermore, the Group has the capacity to add additional lines or credits provided that it adheres to the leverage ratio test to avoid exceeding 3.0x.

6.12 Current and non-current provisions

Basic principles

A provision is recognized whenever the Group has an obligation with regard to a third party which is likely to result in an outflow of cash that can be reliably estimated. When execution of this obligation is expected to be deferred by more than one year, the provision is classified within "Non-current liabilities" and the amount is discounted, with the effects of discounting recognized 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)	**1/1/2019**	**Additions**	**Reversals (utilized provisions)**	**Reversals (surplus provisions)**	**Foreign exchange differences**	**Other comprehensive income/(loss)**	**Other**	**12/31/2019**
Provisions for disputes	-	-	-	-	-	-	-	-
Provision for risk	200	4,037	(3,052)	-	(4)	-	1,891	3,746
Other provisions for contingencies and charges	41	-	-	-	-	-	(1)	41
Non-current provisions	**241**	**4,037**	**(3,052)**	**-**	**(3)**	**-**	**1,890**	**3,787**
Provisions for pension liabilities	3,346	977	(204)	-	-	(151)	(37)	3,931
Total non-current provisions	**3,587**	**5,014**	**(3,256)**	**-**	**(3)**	**(151)**	**1,853**	**7,718**
Provisions for disputes	1,347	237	(842)	-	1	-	-	743
Provision for risk	1,849	-	-	-	42	-	(1,891)	-
Other provisions for contingencies and charges	-	-	-	-	-	-	-	-
Total current provisions	**3,196**	**237**	**(842)**	**-**	**42**	**-**	**(1,891)**	**743**

Provisions for disputes include provisions for labor-related risks, supplier-related risks and tax audits.

(€k)	1/1/2018	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**

Provisions for disputes include provisions for labor-related risks, supplier-related risks and tax audits.

6.13. Employee benefits

Defined contribution plans

Under defined contribution plans, the Group pays contributions based on salaries to external bodies and has no obligation with regard to the level of benefits paid to the beneficiaries. Expenses are recorded when the contributions are due.

Defined benefit plans

Pension liabilities are recorded for defined benefit pension plans at the present value of the corresponding pension obligations at the reporting date. The Group's liability for defined benefit pension plans is calculated annually by independent actuaries, using a discount rate determined by reference to the EUR Composite AA curve published by Bloomberg on December 31, 2019.

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.

	12/31/2019	12/31/2018
	€k	*€k*
Projected benefit obligation at the beginning of the period	**3,346**	**3,196**
Current service cost	733	746
Estimated interest cost	40	34
Other comprehensive income/(loss)	(188)	(630)
Projected benefit obligation on the balance sheet date	**3,931**	**3,346**
Liability recognized on the statement of financial position	**3,931**	**3,346**
Service cost	**733**	**746**
Current service cost	733	746
Net interest cost	**40**	**34**
Interest cost	40	34
Net cost for the period	**773**	**780**

6.14. Trade and other payables

A put of €2,927 thousand and an earnout of €9,276 thousand were recognized at the acquisition of De Fursac.

6.15. Other liabilities

Other liabilities amounted to €80,083 thousand at December 31, 2019 and were mainly composed of taxes, duties and other payroll-related liabilities totaling €61,212 thousand, advances and prepayments from customers for €11,293 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, 2019 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. The time value of a purchased option and the forward (premium/discount) component of futures contracts are assimilated as a "cost" linked to the hedge. 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 the transactions and recycled to income or loss on a symmetrical basis with the hedged item.

Cash flow hedge:

The effective portion of changes in the value of the derivative is recognized as other comprehensive income and recycled to income or loss on a symmetrical basis with the hedged item. The time value of a purchased option and the forward (premium/discount) component of futures contracts are assimilated as a "cost" linked to the hedge. 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 the transactions and recycled to income or loss on a symmetrical basis with the hedged item. The ineffective portion is recognized immediately in profit or loss.

Following the application of IFRS 9 on financial instruments, the group reviewed and evaluated financial assets in the light of the existing facts and circumstances at January 1, 2019. It also determined its economic model for the holding of a financial asset.

Impacts on financial assets relating to their classification and their evaluation are summarized in the table below:

				12/31/2019		12/31/2018	
					€k		*€k*
	Notes	**Categories (IAS 39)**	**Fair value hierarchy**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Liquidity agreement		FV OCI	1	351	351	351	351
Pledged assets (**)		FV PL	1	282	282	333	333
Loans and receivables		L&R	(*)	21,464	21,464	18,793	18,793
Non-current financial assets	6.4			**22,097**	**22,097**	**19,477**	**19,477**
Other non-current assets		L&R	(*)	**1**	**1**	**(2,897)**	**(2,897)**
Trade receivables	6.6	L&R	(*)	**58,443**	**58,443**	**51,428**	**51,428**
Derivative instruments eligible for hedge accounting (***)		FV OCI/FV PL	2	1,212	1,212	1,404	1,404
Other derivative instruments not eligible for hedge accounting		FV PL	2			25	25
Other current financial assets	6.4	L&R	(*)			-	-
Cash and cash equivalents	6.7	L&R	(*)	**52,329**	**52,329**	**46,528**	**46,528**
2023 Bonds	6.11	Amortized costs	1			**174,205**	**190,088**
Term Loan	6.11	Amortized costs	1	260,859	265,000	-	-
Bridge	6.11	Amortized costs		39,321	40,000		
NEU CP	6.11	Amortized costs		128,047	128,500		
Medium-term borrowing	6.11	Amortized costs		7,096	7,096		
Other financial liabilities	6.11	Amortized costs	(*)	230	230	**221**	**221**
Accrued interest on bonds		FV PL	(*)	1,212	1,212	(1,941)	(1,941)
Other accrued interests		Amortized costs	(*)	(1,211)	(1,211)	4,094	4,094
Interest-bearing liabilities (current)	6.11			**1**	**1**	**2,153**	**2,153**
Trade and other payables		Amortized costs	(*)	**144,030**	**144,030**	**115,536**	**115,536**
Current bank overdrafts		Amortized costs	(*)	2,989	2,989	5,047	5,047
Short-term borrowings and debt		Amortized costs	(*)	-	-	138,870	140,000
Bank overdrafts and short-term borrowings and debt	6.11			**2,989**	**2,989**	**143,917**	**145,047**
Derivative instruments eligible for hedge accounting (***)		FV OCI/FV PL	2	3,117	3,117	1,048	1,048

Other derivative instruments not eligible for hedge accounting (***)	FV PL	2	-	-	-	-
Other liabilities			**3,117**	**3,117**	**1,048**	**1,048**

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, 2019, 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 (44.7% during the period ended December 31, 2019) 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 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 cash flow for investments and limiting its ability to service its debt. As of December 31, 2019, the Group's outstanding floating-rate debt was €308 million and the Group's outstanding fixed-rate debt was €136 million, including accrued interest. The Group may have to set up appropriate hedging instruments in line with the fixed rate / floating rate allocation objectives. To date and with respect to key interest rates and anticipations of interest rate hikes, the Group has not set up such instruments. The table below presents the breakdown of fixed/floating rate date as of December 31, 2019:

€k	**12/31/2019**	
Floating-rate debt	**307,989**	**69%**
Amortizable term loan (TLA)	265,000	60%

Used facilities (RCF)	-	0%
Bridge Term Loan	40,000	9%
Bank overdrafts	2,989	1%
Fixed-rate debt	**135,516**	**31%**
Short-term negotiable securities (NEU CP)	128,420	29%
Other bank borrowings	7,096	2%
Total	**443,505**	**100%**

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 €1.5 million.

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 values of asset and liability derivative instruments at December 31, 2019 are as follows:

€k	**Positive Fair Value**	**Negative Fair Value**	**Net Fair Value**
Terms	989	(2,299)	(1,310)
Options	222	(817)	(595)
Total	**1,212**	**(3,116)**	**(1,904)**

The fair values of asset and liability derivative financial instruments at December 31, 2018 are as follows:

€k	**Positive Fair Value**	**Negative Fair Value**	**Net Fair Value**
Terms	787	(523)	264
Options	617	(526)	91
Total	**1,404**	**(1,049)**	**355**

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	CNY Export	CAD Export	HKD Export	NOK Export	SEK Export	DKK Export	12/31/2019
OCI impacts	CFH	84	(1,342)	(213)	(47)	(294)	(208)	-	-	-	(2,021)
OCI impacts	FVH	(41)	(16)	-	-	(15)	(50)	(2)	(0)	-	(124)
P&L impacts	FVH	293	75	(21)	(59)	(158)	207	(34)	(5)	-	298
P&L impacts	Trading	1	(67)	(3)	9	(4)	8	-	-	-	(58)
Total in €k		**337**	**(1,351)**	**(237)**	**(97)**	**(472)**	**(43)**	**(36)**	**(5)**	**0**	**(1,904)**
Position (in million foreign currency)		36	63	14	341	39	367	13	26	9	

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**	
12/31/2019 ***(in €k)***	**Increase**	**Decrease**	**Increase**	**Decrease**
USD (+/-10% change)	(1,087)	1,170	(1,742)	2,293
GBP (+/-10% change)	(5,854)	2,771	(3,065)	2,795
CHF (+/-10% change)	(1,415)	974	(177)	44
HKD (+/-10% change)	(2,177)	1,623	(2,127)	2,408
CNY (+/-10% change)	(2,927)	2,702	(1,501)	1,244
CAD (+/-10% change)	(1,728)	1,022	(1,484)	1,048
DKK (+/-10% change)	-	-	(125)	124
NOK (+/-10% change)	(2)	2	(166)	98
SEK (+/-10 % change)	-	-	(254)	244
Net cash flow sensitivity	**(15,190)**	**10,261**	**(10,640)**	**10,298**

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, 2019.

12/31/2019	Equity		Income statement	
(€k)	Increase	Decrease	Increase	Decrease
USD (+/-10% change)	(1,859)	2,272	(376)	460
GBP (+/-10% change)	(467)	571	(141)	172
HKD (+/-10% change)	(693)	847	(230)	281
CNY (+/-10% change)	(2,270)	2,274	(1,161)	1,419
Sensitivity to exchange rate	**(5,289)**	**6,464**	**(1,908)**	**2,332**

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, 2019, the Group had access to an undrawn committed credit line totaling €200 million, as well as non-confirmed credit lines of €67.4 million, drawn for €2.9 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, 2019.

At December 31, 2019, the Group's financial debt consisted in particular of a credit facility of €465 million payable in 2024. This facility is unsecured and includes an amortizable term loan of €265 million and an undrawn revolving credit facility of €200 million used as a back-up for a short-term negotiable securities program (NEU CP) of the same amount drawn for €128.5 million.

€k	2020	2021	2022	2023	2024	Total
Amortizable term loan (TLA)	-	55,000	55,000	55,000	100,000	**265,000**
Used facilities (RCF)	-	-	-	-	-	**-**
Bridge Term Loan	40,000	-	-	-	-	**40,000**
Other bank borrowings	2,700	2,320	1,360	559	157	**7,096**
Bank overdrafts and short-term borrowings and debt	131,404	-	-	-	-	**131,404**
Interest expenses	8,152	6,920	5,571	4,268	1,759	**26,670**
Total financial liabilities at December 31, 2019	**182,257**	**64,239**	**61,930**	**59,827**	**101,916**	**470,169**

6.17.7. Financial risk

€k	Accounting value as of December 31, 2019	Contractual cash flows	<1 year	2 to 5 years	> 5 years
Bank borrowings	**311,706**	**341,734**	**53,831**	**287,903**	**-**
Amortizable term loan (ATL)	260,859	265,000	-	265,000	-
Used facilities (RCF)	-	-	-	-	-
Bridge loan	39,109	40,000	40,000	-	-
Other bank borrowings	7,096	7,096	2,700	4,395	-
Bank overdrafts	2,984	2,984	2,984	-	-
Interest expenses	1,658	26,654	8,147	18,507	
Other loans and borrowings	**128,047**	**128,420**	**128,420**	**-**	**-**
Short-term negotiable securities (NEU CP)	128,047	128,420	128,420	-	-
Financial liabilities	**439,753**	**473,137**	**185,235**	**287,903**	**-**

6.17.8. 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)	**12/31/2019**	**12/31/2018**
Sureties	2,645	2,364
Undrawn credit lines	75,722	110,000
Commitments received	**78,367**	**112,364**

7.2. Commitments given

(€k)	**12/31/2019**	**12/31/2018**
Letters of credit	7,184	5,957
Guarantee commitments	29,450	21,150
Commitments given	**36,634**	**27,107**

8. OTHER INFORMATION

8.1. Headcount

	Operational headcount (1)		**Average number of full-time equivalent operational employees (2)**	
	12/31/2019	**12/31/2018**	**12/31/2019**	**12/31/2018**
France	2,637	2,415	2,508	2,443
Europe (except France)	1,771	1,580	1,661	1,444
America	865	1,050	810	900
Asia	1,324	786	1,223	689
Total headcount	**6,597**	**5,831**	**6,202**	**5,476**

(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. The consolidation of De Fursac had an impact of 204 people.

(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. The consolidation of De Fursac had an impact of 66 people on the last four months of the fiscal year.

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, 2019:

	KPMG SA		DELOITTE & associates	
	Amount	**%**	**Amount**	**%**
Certification of accounts				
Issuer	367,510	41%	330,690	35%
Fully consolidated subsidiaries	535,629	59%	608,590	65%
Sub-total	**903,139**	**100%**	**939,280**	**100%**
Services other than the certification of accounts				
Issuer	-	0%	-	0%
Fully consolidated subsidiaries	-	0%	-	0%
Sub-total	-	0%	-	**0%**
Total	**903,139**	**100%**	**939,280**	**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

None.

8.3.2. Transactions with members of the Group's management and supervisory bodies

a) Transactions with members of the Group's management and supervisory bodies or their families or close friends

Certain members of the Group's management or supervisory bodies and their families or close friends are also members of other companies which they control or over which they have significant influence. Some of these companies recorded transactions with the Group at December 31, 2019 and 2018 as shown below:

(€k)	12/31/2019 Consultancy services	 Executive management services	 Rental charges	 Affiliation agreements
	(1)	(2)	(3)	(4)
Evelyne Chétrite SASU, managed by Evelyne Chétrite	-	839		
Judith Milgrom SASU, managed by Judith Milgrom	-	839		
SCI MAJ, managed by Judith Milgrom and her brother Alain Moyal			439	
Company managed by Lévana Gampel, daughter of Judith Milgrom				1,001
Total for the period	**-**	**1,677**	**439**	**1,001**
Total transactions for the period		**3,117**		

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 €5,038 thousand at December 31, 2019.

(€k)	12/31/2018 Consultancy services	 Executive management services	 Rental charges	 Affiliation agreements
	(1)	(2)	(3)	(4)
Evelyne Chétrite SASU, managed by Evelyne Chétrite	375.0	833		
Judith Milgrom SASU, managed by Judith Milgrom	375.0	936		
SCI MAJ, managed by Judith Milgrom and her brother Alain Moyal			439	
Company managed by Lévana Gampel, daughter of Judith Milgrom				730
Total for the period	**750**	**1,769**	**439**	**730**
Total transactions for the period		**3,688**		

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.

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)	**12/31/2019**	**12/31/2018**
Gross fixed salary	4,667	4,213
Variable salary	230	5,967
Social security charges	1,604	1,968
Termination indemnities	-	45

Fringe benefits	29	35
Directors' fees	170	142
Free shares	6,677	8,664
Total	**13,378**	**21,033**
Retirement indemnities	**266**	**179**

The Group has also negotiated severance packages with some of its managers to be paid if they leave the Group. Total commitments represented €5,460,000 as of December 31, 2019.

8.4. Scope of consolidation

The table below shows the scope of consolidation at December 31, 2019:

	12/31/2019		12/31/2018	
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	-	-
SMCP MALAYSIA	100.00%	FC		-
DE FURSAC FINANCE SAS	100.00%	FC		-
BERCO FINANCE SAS	100.00%	FC		-
DE FURSAC SA	99.97%	FC		-
CHAJACOB SA	99.97%	FC		-
DE FURSAC SUISSE SA	99.97%	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

As of January 1, 2020, 143,809 class G preferred shares had been converted into common shares by 25 managers of the company. Consequently, 564,162 new common shares were issued and the Company's bylaws were modified accordingly. On January 2, 2020, it was noted that the conversion of 900 class G preferred shares into 3,530 common shares by one Company manager had been omitted by mistake during the conversion of January 1. Consequently the Group proceeded to the issue of these 3,530 additional newly-created common shares and the Company's bylaws were amended accordingly. In total, 144,709 class G preferred shares were therefore converted at the beginning of January 2020 leading to the creation of 567,692 common shares. Therefore, the share capital comprises 75,170,290 shares consisting of 74,117,760 common shares and 1,052,530 class G preferred shares.

8.5.2. Covid-19

On February 25, 2020, SMCP indicated that the Covid-19 epidemic in mainland China had significantly impacted Chinese consumption. In this context, the Group's sales and profitability in mainland China were also significantly impacted and to a lesser extent in other regions of the world, due to the decreased number of Chinese tourists.

On March 25, 2020, SMCP provided a Covid-19 update when it presented its annual results. On that date, all stores had reopened in Greater China, but all stores remained closed in the rest of Asia (except for South Korea), EMEA, and the Americas. Given the extent of the closures, SMCP stated that its sales and profitability would be significantly affected. The Group has therefore taken immediate steps to soften the economic impact and protect its cash position, such as reducing its operating expenditures, postponing its non-essential investments, adjusting the level of its inventories and collections and maintaining its e-commerce business. Furthermore, the Group has decided to immediately draw on its revolving credit facility (RCF) to strengthen its cash position.

18.1.1.2 Statutory Auditors' report on the consolidated financial statements for the year ended December 31, 2019

"To the SMCP S.A. 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 S.A. relating to the fiscal year ended December 31, 2019, as attached to this report. These financial statements were approved by the Board of Directors on March 24, 2020 on the basis of the information available at that date in light of the evolving Covid-19 health crisis.

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, 2019 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.

Observation

Without calling into question the opinion 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 16 on leases on or after January 1, 2019.

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, closed under the aforementioned conditions, 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, 2019, the value of the Group's intangible fixed assets amounted to €1,373 million compared to a total balance sheet of €2,549 million. [These intangible fixed assets mainly consist of the Sandro, Maje, Claudie Pierlot and De Fursac trademarks and the goodwill recognized at the acquisition of SMCP Holding S.A.S. and of De Fursac Finance S.A.S.

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 (hereafter "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 Note 6.4 "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 6.4 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 presented in the Board of Directors' management report and closed on March 24, 2020. The management has indicated that the events and items relating to the effects of the Covid-19 crisis occurring since the financial statements were closed will be the subject of a communication to the Shareholders' Meeting called to approve the financial statements.

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 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 S.A. by your Shareholders' Meeting of September 25, 2017 with deferred effect to September 29, 2017. KPMG S.A. was appointed statutory auditor of SMCP S.A. by your Shareholders' Meeting of April 22, 2016.

At December 31, 2019, KPMG S.A. was in the fourth year of its uninterrupted engagement, i.e., the third year since the company's securities were admitted for trading on a regulated market.

At December 31, 2019, Deloitte et Associés was in the third year of its uninterrupted assignment, i.e., the third 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.

Paris La Défense, on April 29, 2020

The Statutory Auditors,

KPMG S.A. *DELOITTE Audit*

Valéry Foussé *Albert Aidan*
Partner *Partner*

18.2 Company Statutory Financial Statement

Pursuant to Article 19 of Regulation (EU) No. 2017/1129, 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 (available at: https://www.smcp.com/app/uploads/2018/10/smcp-document-de-rfrence-2017-revu-1.pdf) and for the fiscal year ended December 31, 2018 provided in chapter 10 "The Group's Liquidity and Capital" of the 2018 registration document (available at: https://www.smcp.com/app/uploads/2019/04/smcp-document-de-rfrence-2018.pdf) is included by reference in this universal registration document.

18.2.1 Company statutory financial statements for the twenty-month fiscal year ended December 31, 2019 and the corresponding Statutory Auditors' report

18.2.1.1 Company statutory financial statements for the fiscal year ended December 31, 2019

Balance sheet - Assets

Headings	Gross amount	Depreciation, Amortization and	12/31/2019	12/31/2018
Subscribed, uncalled capital				
INTANGIBLE ASSETS				
Start-up costs	44,523	28,201	16,322	25,226
Development costs				
Concessions, patents and similar rights	95,880	2,714	93,166	
Leasehold rights	4,100		4,100	4,100
Other intangible assets				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	16,150		16,150	
Advances and down payments				
FINANCIAL INVESTMENTS				
Equity interests consolidated by the equity method				
Other equity interests	581,532,866		581,532,866	581,532,866
Receivables on equity interests				
Other non-current securities				
Loans	450,000,000		450,000,000	460,923,505
Other non-current financial assets	7,451,250	836,063	6,615,187	11,399,894
TOTAL FIXED ASSETS	**1,039,144,769**	**866,978**	**1,038,277,791**	**1,053,935,590**
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	30,874		30,874	
RECEIVABLES				
Trade and receivables	1,235,068		1,235,068	4,006,490
Other receivables	68,407,509		68,407,509	52,759,771
Subscribed and called, unpaid capital				
MISC.				
Marketable securities (including treasury shares: 4,858,738	4,858,738)		4,858,736	
Cash at hand	17,373		17,373	15,670
ACCRUAL ACCOUNTS				
Prepayments	1,322		1,322	1,320
TOTAL CURRENT ASSETS	**74,550,884**		**74,550,884**	**56,783,250**
Deferred bond issue costs				
Bond redemption premiums				
Conversion differences - assets	89		89	
TOTAL	**1,113,695,742**	**866,978**	**1,112,828,764**	**1,110,718,840**

Balance sheet - Liabilities and Shareholders' Equity

Headings	12/31/2019	12/31/2018
Individual or share capital (of which 82,222,038	82,222,038	81,913,824
Issue, merger and contribution premiums	951,214,708	951,522,922
Revaluation difference (o.w. equity-method valuation difference:)		
Legal reserve	2,470,276	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	46,935,243	13,301,493
PROFIT/(LOSS) FOR THE FISCAL YEAR	**21,948,309**	**35,403,947**
Investment subsidies		
Regulated provisions		
EQUITY	**1,104,790,574**	**1,082,842,265**
Income from the issue of equity securities		
Contingent advances		
TOTAL OTHER EQUITY		
Provisions for risks	5,091,671	
Provisions for expenses		
PROVISIONS	**5,091,671**	
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	1,083,388	2,764,678
Income tax and social security liabilities	1,863,131	18,400,553
MISCELLANEOUS LIABILITIES		
Payables to fixed asset suppliers		
Other liabilities		6,711,344
ACCRUAL ACCOUNTS		
Prepaid income		
TOTAL LIABILITIES	**2,946,519**	**27,876,576**
Translation adjustment (liabilities)		
TOTAL	**1,112,828,764**	**1,110,718,840**

Income statement

Headings	France	Exports	12/31/2019	12/31/2018
Sales of goods				
Production sold - goods				
Production sold - services	7,601,130	118,291	7,719,421	10,251,163
NET SALES	**7,601,130**	**118,291**	**7,719,421**	**10,251,163**
Production taken to inventories				
Production of own assets				
Operating subsidies				
Reversals of impairments, provisions (and depreciation), expense transfers			45,926	6
Other income			3,530	451
OPERATING INCOME			**7,768 8770**	**10,251,620**
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			1,582,699	1,013,118
Taxes other than on income			341,828	542,541
Wages and salaries			4,139,184	5,356,185
Social security charges			1,656,356	1,929,938
PROVISIONS FOR LIABILITIES				
On fixed assets: depreciation and amortization			11,618	8,905
On fixed assets: impairment				
On current assets: impairment				
Provisions			89	
Other expenses			169,904	242,003
OPERATING EXPENSES			**7,901,677**	**9,092,690**
OPERATING INCOME			**-132,800**	**1,158,930**
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			20,640 965	29,374,921
Other interest and similar income				
Reversals of impairments and provisions, expense transfers				18,748
Foreign exchange gains			3,225	
Gains on sales of investment securities				
FINANCIAL INCOME			**20,644,191**	**29,393,670**
Financial allocation for amortization, depreciation and provisions			342,063	494,000
Interest and similar expenses			164,597	107,175
Foreign exchange losses			3,573	153
Losses on sales of investment securities				
FINANCIAL EXPENSES			**510,232**	**601,328**
FINANCIAL RESULT			**20,133,958**	**28,792,341**
PRE-TAX PROFIT ON ORDINARY ACTIVITIES			**20,001,158**	**29,951,272**

Income statement

Headings	12/31/2019	12/31/2018
Non-recurring income on operating transactions		
Non-recurring income on share capital transactions	1,562,888	
Reversals of impairments and provisions, expense transfers		
NON-RECURRING INCOME	**1,562,888**	
Non-recurring expenses on operating transactions	88,069	1,262,565
Non-recurring expenses on share capital transactions	3,107,592	1,371,151
Non-recurring amortization, depreciation and provisions	5,091,582	
NON-RECURRING EXPENSES	**8,287,243**	**2,633,716**
NON-RECURRING INCOME	**-6,724,355**	**-2,633,716**
Employee profit-sharing	158,178	199,921
Income tax	-8,829,955	-8,286,313
TOTAL INCOME	**29,975,955**	**39,645,290**
TOTAL EXPENSES	**8,027,646**	**4,241,343**
PROFIT OR LOSS	**21,948,309**	**35,403,947**

NOTES TO THE BALANCE SHEET AND INCOME STATEMENT

Accounting rules and methods

Notes to the balance sheet before appropriation of earnings for the year ended 12/31/2019, showing a gross value of €1,113,695,742, impairment of €866,978 and a net value of €1,112,828,764 and notes to the income statement for the fiscal year, presented in list form, and showing income of €21,948,309.

The fiscal year covers a period of 12 months, starting on 1/1/2019 and ending on 12/31/2019. 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 Company's annual financial statements are prepared in accordance with the provisions of the French Commercial Code (Articles L.123-12 to L.123-28), of the ANC regulation No 2018-07 of December 10, 2018, amending regulation No 2014-03 of June 5, 2014 relating to the French general accounting plan (PCG), approved by decree on December 26, 2018.

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.

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 93,765 shares under this contract. An impairment in an amount of €836 thousand was recognized at December 31, 2019 to bring the value of the SMCP share to the closing price at December 31, 2019, i.e., €9.45.

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, 2019, the Company's fully subscribed and paid-up share capital amounted to €82,222,037.70 and broke down as follows:

- 73,550,068 fully-paid up common shares with a nominal value of one euro and ten cents (€1.10),
- 1,197,239 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

On September 5, 2019, SMCP Group, a subsidiary of SMCP S.A., acquired De Fursac Finance (the parent company of the De Fursac group), a French leader in accessible luxury for men, with a strong international potential. With this acquisition, SMCP has strengthened its presence on a high-growth market, that of accessible luxury for men where the Group is already successfully developing the Sandro Men brand. SMCP will capitalize on its expertise on international markets and in online retail and on its development platform to accelerate the growth of the De Fursac group.

At December 31, 2019, the Group operates 1,640 stores (of which 1,578 for Sandro, Maje, Claudie Pierlot and 62 for De Fursac), of which 1,322 directly operated (of which 1,262 for Sandro, Maje, Claudie Pierlot and 60 for De Fursac), and 318 managed through partnerships (of which 316 for Sandro, Maje, Claudie Pierlot and two for De Fursac). Its brands were present in 41 countries worldwide.

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 29

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.

Provisions for contingencies and charges are primarily made up of the amount of free shares and related social security charges for the first payment of plan 1 and 2.

Table of changes in provisions for contingencies and charges

(€k)	12/31/2018	Additions	Restatements for the fiscal year		12/31/2019
			Used	**Unused**	
Provision for foreign-exchange losses		89	-	-	89
Other provisions for risks - non current		5,091,582	-	-	5,091,582
Total		**5,091,493**	**-**	**-**	**5,091,493**

Accrued expenses

€2,451 thousand in accrued expenses include trade payables of €1,075 thousand and income tax and social security liabilities of €1,376 thousand.

Foreign currency transactions

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.

Non-recurring income and expenses

Non-recurring expenses in an amount of €8,287 thousand consist of €8,199 thousand of social security charges on free shares, €92 thousand of fees linked to the new financing.

Non-recurring income in the amount of €1,563 thousand consists of the reversal of provision for social security charges on 2018 free shares.

Additional information

Fees

Details about Statutory Auditors' fees are provided in the notes to the consolidated financial statements.

Sales

Sales for 2019 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, 2019, after taking into account a discount to present value ratio based on the “Eur Ind AA+AA” curve published by Bloomberg at December 31, 2019.

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 €99,974 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 €8,829,685 for 2019.

For the 2019 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.

Free share allocation plans

Plan no. 2

Exercising the authorization granted by the Shareholders’ Meeting on October 5, 2017.

The Board of Directors, at its November 23, 2017 meeting, decided to grant (Second Plan of November 2017) 2,038,324 shares to some executives and managers. This plan includes, for all beneficiaries, a vesting period per third of two, three and four years.

The Board of Directors, at its April 25, 2018 meeting, decided to grant (April 2018 Plan) 25,709 free shares to some executives and managers. This plan includes, for all beneficiaries, a vesting period per third of two, three and four years.

Plan no. 3

Exercising the authorization granted by the Shareholders’ Meeting on June 18, 2018.

The Board of Directors, at its August 30 and 31, 2018 meetings, decided to grant (August 2018 Plan) 98,171 free shares to some executives and managers. This plan includes, for all beneficiaries, a vesting period per half of two and three years.

The Board of Directors, at its November 20, 2018 meeting, decided to grant (November 2018 Plan) of 57,694 free shares to some executives and managers. This plan includes, for all beneficiaries, a vesting period per half of two and three years.

The Board of Directors, at its March 20, 2019 meeting, decided to grant (March 2019 Plan) 132,000 free shares to some executives and managers. This plan includes, for all beneficiaries, a vesting period of two years.

The Board of Directors, at its April 17, 2019 meeting, decided to grant (April 2019 Plan) 30,000 free shares to some executives and managers. This plan includes, for all beneficiaries, a vesting period of two years.

Plan no. 4

Exercising the authorization granted by the Shareholders' Meeting on June 7, 2019.

The Board of Directors, at its November 21, 2019 meeting, decided to grant (December 2019 Plan) 4,064 free shares to some Group employees. This plan includes, for all beneficiaries, a vesting period of one year.

The Board of Directors, at its December 5, 2019 meeting, decided to grant (January 2020 Plan) 870,460 free shares to some executives and managers. This plan includes, for all beneficiaries, a vesting period per half of two and three years.

Free shares allocation plan	Second Plan of November 2017	Plan of April 2018	Plan of August 2018	Plan of November 2018	Plan of March 2019	Plan of April 2019	Plan of December 2019	Plan of January 2020
Initial allocation date	11/23/2017	4/25/2018	8/31/2018	11/20/2018	4/17/2019	4/17/2019	12/31/2019	01/01/2019
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	2 years in a single transaction	2 years in a single transaction	1 year in a single transaction	2 and 3 years per half
Availability date	3/31/2022	3/31/2022	3/31/2022	3/31/2022	4/17/2021	4/17/2021	12/31/2020	3/31/2023
Vesting date	03/31/2020 03/31/2021 03/31/2022	4/25/2020 3/31/2021 3/31/2022	03/31/2021 03/31/2022	03/31/2021 03/31/2022	4/17/2021	4/17/2021	12/31/2020	03/31/2022 03/31/2023
Number of beneficiaries	125	4	36	14	10	17	1,016	106
Number initially granted	2,038,324	25,709	98,171	57,694	132,000	30,000	4,064	870,460
Number outstanding as at 12/31/2018	1,923,337	25,709	98,171	57,694				
Number canceled over the fiscal year	107,101		10,912	16,020				
Number exercised over the fiscal year								
Number of shares transferred					132,000	30,000	4,064	
Number surrendered over the fiscal year								
Number outstanding as of 12/31/2019	1,816,236	25,709	87,259	41,674	132,000	30,000	4,064	
Number that may be exercised over the fiscal year								
Performance conditions	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
Expense for the fiscal year (in €k)	6,536	43	54	-	-	-		

Cash at hand

SMCP SA acquired 400,000 SMCP shares on the market for an amount of €4,859 thousand in order to deliver the shares owed under the free shares allocation plan in 2020.

Post closing significant events

As of January 1, 2020, 143,809 class G preferred shares had been converted into common shares by 25 managers of the company. Consequently, 564,162 new common shares were issued and the Company's bylaws were modified accordingly. On January 2, 2020, it was noted that the conversion of 900 class G preferred shares into 3,530 common shares by one Company manager had been omitted by mistake during the conversion on January 1. Consequently, the Group proceeded to the issue of these additional 3,530 newly-created common shares and the Company's bylaws were amended accordingly. In total, 144,709 class G preferred shares were therefore converted at the beginning of January 2020 leading to the creation of 567,692 common shares. Therefore, the share capital comprises 75,170,290 shares consisting of 74,117,760 common shares and 1,052,530 class G preferred shares.

On February 25, 2020, SMCP indicated that the Covid-19 epidemic in Greater China had significantly impacted Chinese consumption. In this context, the Group's sales and profitability in Greater China were also significantly impacted and to a lesser extent in other regions of the world, due to the decreased number of Chinese tourists.

On the accounts cut-off date on March 24, 2020, SMCP gave a status report on the Covid-19 epidemic. On that date, all stores had re-opened in Greater China, but all stores were closed in the rest of Asia (with the exception of South Korea) and in the EMEA and Americas zones. In the light of the foregoing, SMCP stated that its sales and profitability would be significantly impacted. The Group has therefore taken immediate steps to soften the economic impact and protect its cash position such as reducing its operating expenditures, postponing non-essential investments, adjusting the level of its inventories and collections and maintaining its on-line activity. Furthermore, the Group has decided to immediately draw on the capacities of its Revolving Credit Facility (RCF) to strengthen its cash position.

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	**54,100**		**45,880**			**99,980**	
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			16,150			16,150	
Advances and down payments							
PROPERTY, PLANT AND EQUIPMENT			**16,150**			**16,150**	
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	472,817,399		470,314,203		485,680,351	457,451,250	
FINANCIAL INVESTMENTS	**1,054,350,265**		**470,314,203**		**485,680,351**	**1,038,984,116**	
TOTAL	**1,054,448,888**		**470,376,233**		**485,680,351**	**1,039,144,769**	

Depreciation & amortization

Headings	Beginning of period	Additions	Reversals	End of year
FORMATION AND DEVELOPMENT EXPENSES	**19,297**	**8,903**		**28,201**
OTHER INTANGIBLE ASSETS		**2,714**		**2,714**
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	**19,297**	**11,618**		**30,915**

BREAKDOWN OF FLOWS AFFECTING THE PROVISION FOR SPECIAL DEPRECIATION ALLOWANCES

Headings	Additions			Reversals			Changes in depreciation at end of year
	Duration differential and other	Declining basis	Additional tax allowable depreciation	Duration differential and other	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		89		89
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		**5,091,671**		**5,091,671**
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	494,000	342,063		836,063
Impairment of inventories and work in progress				
Impairment of account receivables				
Other impairments				
IMPAIRMENTS	**494,000**	**342,063**		**836,063**
TOTAL	**494,000**	**5,433 734**		**5,927,734**
Operating expenses and reversals		89		
Financial expenses and reversals		342,063		
Non-recurring expenses and reversals		5,091,582		
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	450,000,000		450,000,000
Other non-current financial assets	7,451,250	2,000,000	5,451,250
Doubtful and disputed trade receivables			
Other trade receivables	1,235,068	1,235,068	
Receivables on securities lent			
Personnel and related expenses	8,760	8,760	
Social security and other social institutions			
State, local authorities: income tax	2,898,533	2,898,533	
State, local authorities: value added tax	232,724	232,724	
State, local authorities: taxes other than on income	47,769	47,769	
State, local authorities: miscellaneous receivables			
Group and associates	59,750,982	59,750,982	
Miscellaneous debtors	5,468,741	5,468,741	
Prepayments	1,322	1,322	
TOTAL	**527,095,149**	**71,643,899**	**455,451,250**
Loans granted during the period	450,000,000		
Repayments received during the period	460,923,505		
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	1,083,388	1,083,388		
Personnel and related expenses	1,171,200	1,171,200		
Social security and other social institutions	376,466	376,466		
State: income tax	6,000	6,000		
State: value added tax	228,302	228,302		
State: guaranteed bonds				
State: taxes other than on income	81,164	81,164		
Payables to fixed asset suppliers Group and associates				
Other liabilities				
Payables representative of borrowed securities				
Prepaid income				
TOTAL LIABILITIES	2,946,519	2,946,519		
Borrowings contracted during the period				
Borrowings repaid during the period				
Borrowings, debt contracted with partners				

Accrued expenses

Account No.	Heading	12/31/2019	12/31/2018	Difference
Trade and other payables		**1,075,547.77**	**-**	**1,075,547.77**
408100	Trade payables, INVOICES PENDING OVERHEADS		2,342,947.45	-2,342,947.45
TOTAL TRADE AND OTHER PAYABLES		**1,075,547.77**	**2,342,947.45**	**-1,267,399.68**
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				
428000	Personnel - Accrued expenses and prod.	55,429.47		55,429.47
428200	Social debt prov. For paid leave	179,575.88	154,900.03	24,675.85
428220	Social debt prov. For compensatory rest	368.06	275.00	93.06
428,240	Other accrued liabilities	587,479.00		587,479.00
428,400	Social debt prov. For employee Profit sharing	194,941.20	205,017.00	-10,075.80
428,600	Other accrued liabilities		1,562,888.00	-1,562 888.00
428,610	Other accrued liabilities NDF	614.61	24,315.08	-23,700.47
428,640	Social debt prov. For bonus	148,339.50	1,586,196.60	-1,437,857.10
428660	Social debt prov. For bonus on fixed-term contracts	4,452.27		4,452.27
438200	Social debt, prov. for paid leave	80,809.17	69,705.04	11,104.13
438220	Social debt, prov. for compensatory rest	165.63	123.75	41.88
438240	Prov. social security charges, bonus	57,205.84	386,706.92	-329,501.08
438,600	Accrued expenses on corp. contrib.	9,085.60	36,820.00	-27,734.40
438,610	Provisions social security charges, bonus	2,003.52		2,003.52
438,630	Prov. for continuous voc. training Training	37,677.88	118,544.99	-80,867.11
438,640	Prov. construction effort	17,656.59	32,394.69	-14,738.10
438,650	Prov. apprenticeship tax		48,951.59	-48,951.59
448,000	Statement - accrued liabilities and income		4,493.00	-4,493.00
Total tax and social security liabilities		**1,375,804.22**	**4,231,331.69**	**-2,855,527.47**
Total accrued liabilities		**2,451 351.99**	**6,578,462.14**	**-4,127 110.15**

Accrued income

Account No.	Heading	12/31/2019	12/31/2018	Difference
Other non-current financial assets				
276800	Accrued interest on loans	5,451,250.00		5,451,250.00
Total Other non-current financial assets		**5,451,250.00**		**5,451,250.00**
Trade and other receivables				
418,900	Trade receivables, Pending invoices Interco France		634,332.43	-634,332.43
Total trade and other receivables			**634,332.43**	**-634,332.43**
Other receivables				
409,800	Red. Disc. Reb. and other credit not yet received	328,800.00	60,000.00	268,800.00
Total trade and other receivables		**328,800.00**	**60,000.00**	**268,800.00**
Total accrued receivables		**5,780 050.00**	**694,332.43**	**5,085 717.57**

Share capital – Changes in equity

	Closing at 12/31/2018	Capital increase	Distribution of dividends	Appropriation of income	Profit (loss) for the fiscal year	Closing at 12/31/2019
Share capital	81,913,824	308.2013				82,222,038
Share premium	135,093,215	-308,213				134,785,001
Merger premium	816,429,707					816,429,707
Legal reserve	700,079			1,770,197		2,470,276
Other reserves	0					0
Retained earnings	13,301,493			33,633,750		46,935,243
Profit (loss) for the fiscal year	35,403,947			-35,403,947	21,948,309	21,948,309
Total	**1,082,842,265**	**0**		**0**	**21,948,309**	**1,104,790,574**

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	3,825,895	1,042,176	4,868,071
Free float	29,095,306	155,063	29,250,369
Treasury shares	493,765		493,765
TOTAL	**73,550,068**	**1,197,239**	**74,747,307**

Financial commitments given and received

Commitments given

		In favor of				
Categories of commitments	**Total**	**Senior management**	**Subsidiaries**	**Equity interests**	**Other related parties**	**Other**
			None			
TOTAL						

Commitments received

		Granted by				
Categories of commitments	**Total**	**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	20,001 158		20,001,158
Short-term non-recurring income	-6,724 355		-6,724,355
Long-term non-recurring income			
Employee profit-sharing	-158,178		-158,178
Tax receivables on prior tax benefits	8,829,685		8,829,685
ACCOUNTING NET INCOME	**21,948,309**		**21,948,309**

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%)						
SMCP GROUP	58,153,391	100%	581,532,866		38,135,902	
	499,631,215	-	581,532,866		(8,317,013)	
EQUITY INTERESTS (10 to 50%)		0.00				
OTHER EQUITY INTERESTS		0.00				

Related-party transactions 2019

TABLE OF RELATED COMPANIES FOR BALANCE SHEET AND INCOME STATEMENT ITEMS

BALANCE SHEET ITEM (*in €k*)	**Closing at 12/31/2019**
Equity loans	
SMCP GROUP	450,000
Total	**450,000**
Accrued interests equity loans	
SCMP GROUP	5,451
Total	**5,451**
Other receivables	
CLAUDIE PIERLOT	14
Total	**14**
Trade and other receivables	
SANDRO ANDY	485
MAJE SAS	321
CLAUDIE PIERLOT	240
SUITE 341	35
SMCP ASIA	5
SMCP HOLDING	150
Total	**1,235**
Current accounts - liabilities	
SMCP HOLDING	-3
SMCP GROUP	55,674
Total	**55,671**
Other current accounts receivable and payable	
SMCP HOLDING	7,644
Total	**7,644**
Tax consolidation	
SANDRO ANDY	9,197
MAJE SAS	11,245
CLAUDIE PIERLOT	333
SUITE 341	701
SMCP HOLDING	-17,396
Total	**4,080**

INCOME STATEMENT *(€)*	Closing at 12/31/2018
Services	
SANDRO ANDY	-3,567
SMCP UK	-28
MAJE SAS	-2,649
MAJE STORES LTD	-9
CLAUDIE PIERLOT	-1,053
SUITE 341	-125
SMCP USA	-109
SMCP ASIA Ltd.	-55
SMCP HOLDING	-125
Total	**-7,719**
Income from loans, interco trade receivables	
SMCP GROUP	-20,641
Total	**-20,641**
Other external expenses	
CLAUDIE PIERLOT	-12
Total	**-12**
Interests on current accounts	
SMCP GROUP	85
Total	**85**

18.2.1.2 Statutory Auditors' report on the Company's consolidated financial statements for the year ended December 31, 2019

"To the SMCP S.A. Annual General Meeting,

OPINION

In compliance with the assignment entrusted to us by the Shareholders' Meeting, we performed an audit of the annual financial statements of SMCP S.A. relating to the fiscal year ended December 31, 2019, as attached to this report. These financial statements were approved by the Board of Directors on March 24, 2020 on the basis of the information available at that date in light of the evolving Covid-19 health crisis.

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 of 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, 2019 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, closed under the aforementioned conditions, 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, 2019 for a net amount of € 581,533 thousand and represent 52.26% 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 four trademarks, we considered that measurement of the equity interests was a key point of the audit.

Audit procedures implemented to address identified risks

To evaluate the reasonable nature of the values in use of investments, based on the information disclosed to us, we performed an audit which mainly consisted of verifying 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 closed on March 24, 2020 and in the documents addressed to shareholders with respect to the financial position and the financial statements. The management has indicated that the events and items relating to the effects of the Covid-19 crisis occurring since the financial statements were closed will be the subject of a communication to the Shareholders' Meeting called to approve 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 paid or allocated 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 S.A. by your Shareholders' Meeting of September 25, 2017 with deferred effect to September 29, 2017. KPMG S.A. was appointed statutory auditor of SMCP S.A. by your Shareholders' Meeting of April 22, 2016.

At December 31, 2019, KPMG S.A. was in the fourth year of its uninterrupted engagement, i.e., the third year since the company's securities were admitted for trading on a regulated market.

At December 31, 2019, Deloitte et Associés was in the third year of its uninterrupted assignment, i.e., the third 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 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 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.

Paris La Défense, on April 29, 2020

The Statutory Auditors

KPMG S.A.	*Deloitte & Associés*
Valéry FOUSSE	*Albert AIDAN*
Partner	*Partner"*

18.3 Date of latest financial information

December 31, 2019.

18.4 Dividend distribution policy

No dividend was distributed by the Company for the fiscal year ended December 31, 2019.

The Company does not expect to pay dividends in the short term. As a priority, the Group's free cash flow will be used to finance its operating activities for the duration of the Covid-19 crisis.

18.5 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	2019 fiscal year
1. Closing share capital			
Share capital	81,870,133	81,913,824	82,222,037.70
Number of shares	87,001,098	74,467,113	74,747,307
- ordinary	(73,170,023)	73,174,015	73,550,068
- Class G preferred shares	13,831,075	1,293,098	1,197,239
2. Operations and profit or loss for the year			
Sales excluding tax	8,011,710	10,251,163	7,719,421
Profit/(loss) before tax, employee profit-sharing, depreciation, amortization and provisions	(14,334,972)	27,801,712	18,563,976
Income tax	28,519,419	8,286,313	8,829,685
Employee profit-sharing due in the fiscal year	(149,634)	(199,921)	(158,178)
Profit/(loss) after tax, employee profit-sharing, depreciation, amortization and provisions	14 005 672	35,403,947	21,948,309
Distributed profits	-	-	-
3. Earnings per share			
Profit/(loss) after tax, employee profit-sharing, but before depreciation, amortization and provisions	0.16	0.48	0.25
Profit/(loss) after tax, employee profit-sharing, depreciation, amortization and provisions	0.16	0.48	0.29
Dividend paid per share	-	-	-
4. Personnel			
Average headcount during the year	9	30	29
Annual payroll	7,171,795	5,356,185	4,139,184
Amount of social security payments and fringe benefits for the year	2,246,200	1,929,938	1,656,356

18.6 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 of the date of this universal 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 of December 31, 2019, the total amount of provisions for disputes involving the Group was €800,000.

18.7 Significant changes in the financial or commercial position

On March 25, 2020, while presenting its annual results, SMCP gave a status report on the Covid-19 epidemic:

"Since SMCP's last communication, the Covid-19 epidemic has continued to spread outside China. As a result, many European countries and more recently North America have taken strict measures in an attempt to contain the spread. SMCP created a global crisis team in January to handle the situation on a daily basis. The team is tasked with focusing on protecting the health and safety of SMCP employees and all its stakeholders worldwide.

Situation on publication date:

- In the **APAC** region, nearly all physical stores have re-opened in Greater China, compared to 70% physical stores temporarily closed at the peak of the epidemic. However, the footfall in malls still remains extremely limited despite some signs of improvement in recent days. Meanwhile, the region's logistics center continued to work normally throughout the outbreak. Furthermore, the Group recorded robust e-commerce results in Q1 2020. Similarly, in countries such as South Korea and Australia where the stores are run by partners, the physical stores remained open, but footfall is extremely low.
- In the **EMEA** region, including in France, all physical stores in most European countries have been closed since mid-March. In countries run by partners in the Middle East, all physical stores are temporarily closed, with the exception of Dubai. In Russia, physical stores remain open for the moment. The European logistics center has stayed open to handle exports and e-commerce.
- Lastly, in the **Americas** region, SMCP has temporarily closed all of its physical stores since mid-March, just like its competitors. However, the Group's logistics center continues to operate normally in order to carry out e-commerce transactions.

Against this backdrop, SMCP's sales and profitability have been significantly impacted. The Group has taken immediate steps to soften the economic impact and protect its cash position such as reducing its operating expenditures, postponing non-essential investments, adjusting the level of its inventories and collections and maintaining its e-commerce business which accounts for roughly 15% of its sales in 2019.

Furthermore, the Group has decided to immediately draw on the capacities of its Revolving Credit Facility (RCF) to strengthen its cash position. As of March 17, the Group had more than €200 million in cash and cash equivalents to cope with the outbreak.

Considering the rapid progression of the epidemic and the uncertainties regarding its duration, the Group is unable, in the present state of things, to communicate any relevant forecasts for 2020, in terms of both sales and profitability. At this stage, SMCP expects its sales to fall by slightly more than 20% in Q1 2020, in published data. The Group will continue to closely monitor the situation and will give an update when the time is right.

The Group continues to trust its business model and the appeal of its brands. The tireless efforts of its devoted teams to keep costs under control will help to mitigate the impact of Covid-19. The Group has the financial strength and the liquidity level required to cope with these extraordinary circumstances.

On April 29, SMCP published its sales figures for the first quarter of 2020:

2020 First quarter

Press release - Paris, April 29th, 2020

Sales performance in line with expectations

- Q1 2020 sales down -16.7% as reported, including -20.4% on an organic-(25) basis
- Following good start to the year, Q1 sales impacted by Covid-19 in all regions from end of January
- China traffic and sales gradually improving since March, showing early signs of recovery
- Closure of 6 DOS(26) in Q1 20, driven by a slowdown of international store openings and the French network optimization plan
- Execution of action plans to mitigate the impact of crisis and protect cash position
- Good performance in e-commerce driven by China; teams mobilized to foster digital sales

Commenting on the report, Daniel Lalonde, SMCP's CEO, stated: *"Following a good start to the year, all regions have progressively been impacted by the lockdown measures due to the Covid-19 epidemic. In this context, SMCP's key priority has been to ensure the safety and health of its employees and stakeholders around the world. I would like to express my gratitude to them, as they have been fully mobilized and done amazing work in the last few weeks. The Group has also taken a large number of measures to mitigate the impact of the pandemic on its activity and balance sheet, reducing capital expenditure to the essential, reducing operating expenses, adjusting inventories and collections, securing liquidity position and fostering operations in e-commerce. Our team are now mobilized to prepare for the post lockdown period. In line with our values and commitments, it was also important to think about others and contribute to the collective effort through solidarity actions from our brands. Looking forward, although the pandemic will have a strong impact on our Q2 performance, the early signs of recovery in China are very encouraging. I am confident that SMCP's strong fundamentals will enable us to emerge from this period in a stronger position".*

Unaudited figures ***Sales in €m except %***	**Q1 2019**	**Q1 2020**	**Organic sales change**	**Reported sales change**
Sales by region				
France	96.0	85.7	*-19.4%*	*-10.7%*
EMEA(27)	79.4	70.9	*-11.9%*	*-10.8%*
Americas	31.7	26.9	*-17.4%*	*-15.1%*
APAC(28)	67.5	45.2	*-33.4%*	*-33.1%*
Sales by Brand				
Sandro	132.5	105.5	*-20.9%*	*-20.4%*
Maje	106.9	85.7	*-20.5%*	*-19.9%*

(25) *All references in this document to the organic sales performance refer to the performance of the Group at constant currency and scope", i.e. excluding the acquisition of De Fursac*

(26) *Including De Fursac*

(27) *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).*

(28) *APAC includes the Group's Asia-Pacific operations (mainly Mainland China, Hong Kong, South Korea, Singapore, Thailand and Australia).*

Other brands[29]	35.2	37.5	*-18.4%*	*+6.6%*
TOTAL	**274.6**	**228.7**	***-20.4%***	***-16.7%***

2020 FIRST QUARTER SALES

In the first quarter of 2020, consolidated sales reached €228.7 million, down -20.4% on an organic basis. Reported sales were down -16.7%, including a positive currency impact of +0.5% and De Fursac's contribution of +3.7%. This performance reflected the impact of the Covid-19 epidemic, which resulted in extensive store closures in Asia from the end of January, and then in Europe and North America from mid-March, as well as the suspension of tourism (especially Chinese tourism). Over the last twelve months, SMCP net openings[30] amounted to +77 directly operated stores (DOS). This includes +29 net openings in APAC, +38 in EMEA and +20 in the Americas. Meanwhile, the Group has pursued the optimization of its network in France with -10 net closings (DOS). In Q1 2020, SMCP closed 6 DOS[31] globally, reflecting 6 store closures in France and a slowdown of international store openings.

Sales breakdown by region and by brand

In France and EMEA, sales were down -19.4% and -11.9% respectively on an organic basis. Following a good start to the year, performance has been impacted by a sharp decline in tourism from February (especially Chinese tourism), followed by a total closure of stores from mid-March. Meanwhile, the Group generated a solid performance in Digital in EMEA. Finally, further progress has been made in the French network optimization, with 6 closures in Q1 2020 vs. Dec 19.

In the Americas, sales were down -17.4% on an organic basis also impacted by the Covid-19 epidemic. Since February, the Group has seen a slowdown in tourism (especially Chinese tourism) and has experienced further deterioration in sales in March following the store closures. The Group's distribution centre continues to operate normally to ensure e-commerce operations. At this stage, digital sales performance remains soft.

In APAC, sales were down -33.4% on an organic basis. Following a strong start to the year, sales were significantly impacted in February by the lockdown in most Asian countries, especially mainland China. Since then, the Group has seen some early signs of recovery in mainland China with a gradual improvement in sales and traffic from March. In parallel, the e-commerce channel which remained open throughout the crisis, recorded strong results in mainland China (+39% of sales growth in Q1 2020). In other regions, traffic remained weak in Hong-Kong and in Singapore where all stores are closed. In parallel, South Korea, Taiwan and New Zealand recorded better resilience in sales.

On an organic basis, **Sandro** (-20.9%), **Maje** (-20.5%) and the **Other Brands** division (-18.4%) recorded a strong decline in sales, impacted by the Covid-19 epidemic. Over the quarter, SMCP's brands showed a dynamic approach on social media, with a change of tone to adapt to the current global environment, and to maintain a close connection with their community and prepare for the post lockdown period.

UPDATE ON COVID-19 OUTBREAK AND 2020 OUTLOOK

Since SMCP's last communication on March 25, 2020, the situation regarding its stores network has slightly evolved. While most of its stores are closed in France, EMEA and Americas, all its stores in Greater China have since reopened.

As of today, 82% of DOS stores are closed:

- In **APAC,** all stores have re-opened in Greater China, while they have been closed in Singapore since April 22. In the meantime, the region's distribution centre continues to operate normally. In countries operated by partners, stores are open in South Korea and partially closed in Australia.
- In **France and EMEA,** most stores are closed in Europe, except for Scandinavia. Germany has just started to gradually reopen from April 23. In countries operated by partners in the Middle East, all stores are closed. In parallel, the European distribution centre remains open to ensure exports and e-Commerce.
- Finally, in **Americas**, all stores have been closed since March 18. The Group's distribution centre continues to operate normally to ensure the e-commerce operations.

Against this backdrop, the Group has taken immediate measures to mitigate the impact of the crisis and protect its cash-flow, including:

[29] Claudie Pierlot and De Fursac brands

[30] Excluding De Fursac

[31] Including De Fursac

- **Selecting essential capital expenditure** (c.-40%) with several infrastructure investments postponed, along with the reduction of 2/3 of its store openings plan (c. 20 DOS net openings expected this year)
- **Reducing operating expenses**:
    - Renegotiation of commercial leases
    - Almost all retail teams in Europe and North America are on temporary unemployment since the end of March, with support from local governments
    - Strong adjustment in Selling, General & Administrative Expense (mainly overheads costs optimization and discretionary spends decrease such as A&P in H1 2020 and travel expenses)
- **Adjusting inventories and collections** with a strong reduction of the FW20 collections buy and some adjustments in the SS20 collections.
- **Fostering operations in e-commerce** alongside brands' initiatives to engage customers on digital, and all teams fully mobilized in distribution Centers

SMCP drew the full capacity of its Revolving Credit Facility (RCF) in March and benefits from a secured liquidity position of more than €200 million at the end of Q1 2020 to face the crisis period. In addition, the Group has initiated discussions with its banking partners to further strengthen its financial flexibility.

In this unprecedented situation, SMCP stands more than ever alongside its employees, partners and all of its stakeholders. The global crisis management team, whose priority is to ensure the safety and health of teams around the world, is currently working to organize and prepare for the coming transition period. In order to ensure their protection when stores and headquarters reopen, the Group has ordered all the necessary protective equipment including surgical masks, hydro-alcoholic gel and gloves.

Considering the uncertainties around the duration and the severity of the epidemic, it is not relevant to provide forecasts for the full-Year 2020 at this stage, both in sales and profitability. The Group will monitor the situation closely and will update the market in due course.

The Group remains confident in its business model and the attractiveness of its brands. The dedication of its teams towards ensuring a strict control of its costs will contribute to mitigating the impact of Covid-19. SMCP's financial structure and level of liquidity put the Group in a solid position to face these exceptional circumstances.

FINANCIAL CALENDAR

- June 4, 2020 - Annual General Meeting of Shareholders
- July 23, 2020 - 2020 H1 sales
- Sept. 4, 2020 - 2020 H1 results

APPENDICES

Breakdown of DOS

Number of DOS	**Q1-19** *(excl DF)*	**2019** *(incl DF)*	**Q1-20** *(incl DF)*	**Var. Q1 20 vs. Dec 19** *(incl DF)*	**Var. Q1 20 vs. Q1 19** *(excl DF)*
By region					
France	476	528	522	*-6*	*-10*
EMEA	372	413	413	*-*	*+38*
Americas	144	162	164	*+2*	*+20*
APAC	188	219	217	*-2*	*+29*
	-	-		-	-
					-
By brand					
Sandro	505	550	554	*+4*	*+49*

Maje	414	444	443	*-1*	*+29*
Claudie Pierlot	214	224	222	*-2*	*+8*
Suite 341	47	44	38	*-6*	*-9*
De Fursac	n.a.	60	59	*-1*	*n.a.*
Total DOS	**1,180**	**1,322**	**1,316**	***-6***	***+77***

Breakdown of POS

Number of POS	**Q1-19** *(excl DF)*	**2019** *(incl DF)*	**Q1-20** *(incl DF)*	**Var. Q1 20 vs. Dec 19** *(incl DF)*	**Var. Q1 20 vs. Q1 19** *(excl DF)*
By region					
France	476	530	522	*-8*	*-10*
EMEA	491	535	531	*-4*	*+37*
Americas	176	189	191	*+2*	*+15*
APAC	342	386	388	*+2*	*+46*
				-	*-3*
By brand				-	
Sandro	653	707	711	*+4*	*+58*
Maje	549	577	576	*-1*	*+27*
Claudie Pierlot	236	250	248	*-2*	*+12*
Suite 341	47	44	38	*-6*	*-9*
De Fursac	n.a.	62	59	*-3*	*n.a.*
Total POS	**1,485**	**1,640**	**1,632**	***-8***	***+88***
o/w Partners POS	***305***	***318***	***316***	***-2***	***+11***

FINANCIAL INDICATORS NOT DEFINED IN IFRS

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

Number of points of sale

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

Like-for-like sales growth

Like-for-like sales growth corresponds to retail sales from directly operated points of sale on a like-for-like basis in a given period compared with the same period in the previous year, expressed as a percentage change between the two periods. Like-for-like points of sale for a given period include all of the Group's points of sale that were open at the beginning of the previous period and exclude points of sale closed during the period, including points of sale closed for renovation for more than one month, as well as points of sale that changed their activity (for example, Sandro points of sale changing from Sandro Femme to Sandro Homme or to a mixed Sandro Femme and Sandro Homme store).

Like-for-like sales growth percentage is presented at constant exchange rates (sales for year N and year N-1 in foreign currencies are converted at the average N-1 rate, as presented in the annexes to the Group's consolidated financial statements as at December 31 for the year N in question).

Organic sales growth

Organic sales growth corresponds to total sales in a given period compared with the same period in the previous year, expressed as a percentage change between the two periods, and presented at constant exchange rates (sales for period N and period N-1 in foreign currencies are converted at the average year N-1 rate) excluding scope effects, i.e. excluding the acquisition of De Fursac

Adjusted EBITDA and adjusted EBITDA margin

Adjusted EBITDA is defined by the Group as operating income before depreciation, amortization, provisions and charges related to share-based long-term incentive plans (LTIP). Consequently, Adjusted EBITDA corresponds to EBITDA before charges related to LTIP.

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.

Adjusted EBITDA margin corresponds to adjusted EBITDA divided by net sales.

***

METHODOLOGY NOTE

Unless otherwise indicated, amounts are expressed in millions of euros and rounded to the nearest million. In general, figures presented in this press release are rounded to the nearest full unit. As a result, the sum of rounded amounts may show non-material differences with the total as reported. Note that ratios and differences are calculated based on underlying amounts and not on the basis of rounded amounts.

19. ADDITIONAL INFORMATION

On the date of registration of this universal registration document, the Company is incorporated as a joint-stock company.

19.1 Share capital

19.1.1 Paid up Share Capital and Authorized but Unissued Share Capital

On the date of this universal registration document, the Company's capital totaled €82,687,319 divided as follows:

- 74,117,760 shares of common stock with a par value of €1.10; and
- 1,052,530 class G preferred shares with a par value of €1.10 (the "**G PS**") (also see Section 18.2.1 "Post closing significant events" of this universal registration document).

The 74,117,760 ordinary shares and the 1,052,530 class G preferred shares are issued and fully paid up.

The Company Shareholders' Meeting held June 7, 2019 approved the following capital increase financial delegations:

Resolution	**Nature of the delegation**	**Maximum maximum**	**Maximum nominal maximum**	**Utilization in fiscal year 2019**
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, 2019, 93,765 SMCP S.A. shares were reported as contract assets.
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	None.
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)	None.
21st 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.
22nd 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 2019
23rd 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.
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)	None.
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)	None.
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)	None.
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)	None.
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)	None.

Resolution	Nature of the delegation	Maximum maximum	Maximum nominal maximum	Utilization in fiscal year 2019
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)	Board of Directors meeting of Noverber 21, 2019 and December 5, 2019
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)	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).*

The table below shows the financial resolutions relating to a capital increase to be recommended for adoption to the Company Shareholders' Meeting scheduled on June 4, 2020:

Resolution	Nature of the delegation	Maximum period	Maximum nominal amount
18th 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)
21st 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)
22nd 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 other than those described in Article L. 411-2 of the French Monetary and Financial Code (6)	26 months	For the capital increases: €8,000,000 (10% of the capital (2)) For issues of debt securities: €500,000,000 (3)
23rd 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, as part of the public offerings 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)

Resolution	Nature of the delegation	Maximum period	Maximum nominal amount
24th Resolution	Authority to the Board of Directors, in the event of an issue with elimination of the preemptive subscription right, through public offerings 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)
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 executive 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 executive 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 executive 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).*

19.1.2 Non-equity securities

As of the date of this universal registration document, the Company has not issued any non-equity securities.

19.1.3 Shares held by the Company or on its behalf

As of December 31, 2019, pursuant to its liquidity contract signed with Exane BNP Paribas, the Company held 93,765 treasury shares (par value of €1.10; for the carrying amount of these shares, see Note 6.10.3 in Section 18.1.1.1 of this universal registration document) in addition to €300,000 in 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.

At its meetings on September 3 and 4, 2019, the Board of Directors approved the implementation of a 400,000-share buyback program to be completed before December 31, 2019. The program was approved on September 6, 2019. Under this program, as of December 31, 2019, SMCP S.A. had repurchased 400,000 shares.

19.1.4 Other securities granting access to the capital

As of the date of this universal 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 16.1 of this universal registration document.

19.1.5 Conditions governing any right of acquisition and/or any obligation attached to the capital subscribed but not paid up

None.

19.1.6 Share capital of any Group company that is subject to an option or an agreement providing for options to be issued

None.

19.1.7 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)*
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
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
January 1, 2019	Capital increase	82,222,037.60	74,747,307 shares divided into: 73,550,068 ordinary shares 1,197,239 Class G preferred shares	75,167,660 shares divided into: 74,114,230 ordinary shares 1,053,430 Class G preferred shares	Ordinary shares: 1.10 Class G preferred shares: 1.10	Ordinary shares: 1.10 Class G preferred shares: 1.10	82,684,426
January 1, 2019	Capital increase	82,684,426	75,167,660 shares divided into: 74,114,230 ordinary shares 1,053,430 Class G preferred shares	75,170,290 shares divided into: 74,114,230 ordinary shares 1,052,530 Class G preferred shares	Ordinary shares: 1.10 Class G preferred shares: 1.10	Ordinary shares: 1.10 Class G preferred shares: 1.10	82,687,319

19.2 Memorandum and Articles of Association

19.2.1 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.

19.2.2 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 14.3 of this universal 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.

19.2.3 Rights, privileges and restrictions attached to shares (Articles 10, 11, 12 and 13 of the articles of association)

19.2.3.1 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 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.

19.2.3.2 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.

As of the date of this universal 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.

19.2.4 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.

19.2.5 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.

19.2.6 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.

19.2.7 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.

19.2.8 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.

19.2.9 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.

20. MAJOR CONTRACTS

See Section 8.2.2 of this universal registration document.

21. DOCUMENTS ACCESSIBLE TO THE PUBLIC

The Articles of Association, minutes of shareholders' meetings and other corporate documents of the Company 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 (www.smcp.com).

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.

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 historical growth of the Group from one year to the next, the performance of the officers must be assessed over the 12-month period preceding the end of their duties.
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.”**	In 2019, the variable compensation of the Company’s executive officers did not include targets linked to the corporate social and environmental responsibility. The compensation policy for the Group's executive officers had been 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. With an awareness of current CSR challenges, starting in 2020, the Group has included a criterion related to attainment of objectives for the Company’s corporate social responsibility 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.”**	In 2019, Mr. Lalonde’s variable compensation depended on whether the single performance objective linked to the Group’s target EBITDA was met. This target is provided in the annual budget. The Group’s target EBITDA objective was chosen by the Group because it included the respective performance of each of the Group’s three historic brands. Starting in 2020, the Group has included an additional criterion related to attainment of objectives for the Company’s corporate social responsibility) in Mr. Lalonde’s compensation.

The Board of Directors will meet in fiscal year 2020 to examine any changes that might be necessary at the company following the update to the Afep-MEDEF Code in January 2020.

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. As of December 31, 2019, the Board of Directors had 13 members.

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 of the Board of Directors

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 marketplace 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 corporate governance 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, 2019, 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 23, 2020, 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 24, 2020.

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 15.2. "Equity interest and stock options held by members of the Board of Directors and executive management" of the universal registration document.

1.2.7 Functioning of the Board of Directors

(a) Composition: members of the Board of Directors at December 31, 2019

The below table shows the members of the Board of Directors at December 31, 2019:

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	62	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	56	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	62	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	55	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	49	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	39	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	44	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
Kelvin Ho	46	M	Chinese	March 20, 2019	June 7, 2019	Shareholders' meeting called to approve the financial statements for the year ended December 31, 2020	No	No	Director
Orla Noonan	50	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	44	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	58	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	52	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	37	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 and biographies of the members of the Board as of April 30, 2020 is indicated in Section 12.1 of the Company's universal registration document for the year ended December 31, 2019 (the "**universal registration document**").

At December 31, 2019, 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, Kelvin Ho, 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).

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 on the date of this universal registration document 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.

Pursuant to Article L.225-27-1 of the French Commercial Code, and insofar as the Board of Directors consists of more than eight directors, the Board of Directors must include at least two directors representing employees, appointed by the Group's works council. Ms. Laura Cohen was appointed as the director representing employees on June 18, 2018. The General Shareholders' Meeting of June 4, 2020 will decide on the amendment of the Company's Articles of Association to allow the appointment of a second director representing employees. If this resolution is approved, the second director representing employees will be appointed within six months of the General Shareholders' Meeting.

(b) Activities of the Board of Directors during the fiscal year ended December 31, 2019.

The Board of Directors met nine (9) times in 2019. The attendance rate at these meetings for all directors was 83%.

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	6	9	67%
Daniel Lalonde	8	9	89%
Evelyne Chétrite	6	9	67%
Judith Milgrom	7	9	78%
Weiying Sun	9	9	100%
Chenran Qiu	9	9	100%
Xiao Su	7	9	78%
Francis Srun(1)	2	2	100%
Kelvin Ho(2)	7	7	100%
Orla Noonan	9	9	100%
Fanny Moizant	7	9	78%
Patrizio di Marco	4	9	44%
Dajun Yang	7	9	78%
Lauren Cohen	9	9	100%

(1) Francis Srun resigned from his position as director on March 13, 2019.

(2) Kelvin Ho was co-opted by the Board of Directors meeting of March 20, 2019.

- on **January 17,** 2019, the Board of Directors held a meeting that was attended by 11 members.
- On **January 25,** 2019, the Board of Directors held a meeting that was attended by ten members. The Board examined in particular the 2018 annual sales;
- on **March 20,** 2019, the Board of Directors held a meeting that was attended by 11 members. The Board examined the following points in particular:
  - 2018 financial results;
  - 2018 bonuses and 2019 salaries;
  - The composition of the Board;
  - Bonus share allocations;
- on **April 17,** 2019, the Board of Directors held a meeting that was attended by 12 members. The Board examined the following points in particular:
  - The 2018 registration document;
  - Report of the Chairman of the Board on corporate governance;
  - The 2019 non-financial performance declaration;
  - Sales for the first quarter 2019;
  - Invitation to the Ordinary Annual General Meeting of Shareholders (June 7, 2019);

- on **June 14,** 2019, the Board of Directors held a meeting that was attended by 10 members. The Board discussed the acquisition of the De Fursac Group;
- on **September 3 and 4,** 2019, the Board of Directors held a meeting that was attended by 11 members. The Board examined the following points in particular:
  - Business Plan;
  - 2019 first half results;
  - Share buyback program;
- on **November 21,** 2019, the Board of Directors held a meeting that was attended by 11 members. The Board examined the following points in particular:
  - 2020 budget;
  - Changes to the variable compensation of executive officers;
  - Bonus share allocation;
- on **December 5**, 2019, the Board of Directors held a meeting that was attended by 12 members. The Board examined in particular the announcement of the revision of its 2019 adjusted EBIDTA margin target.

(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 12.1 of the Company's universal 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, 2019, 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 of the Board of Directors

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 a questionnaire and discussion at the Board of Directors' meetings on March 24 and April 21, 2020. The directors considered these items to be satisfactory and raised some points for 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 criteria for the distribution of directors' compensation are presented in Section 2.1.3 "Components of executive officers' compensation" in this universal registration document.

1.2.9 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, 2019

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, 2019, 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, 2019.

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 four (4) times in 2019.

The attendance rate at these meetings for all directors was 75%.

The following table presents each director's attendance rate at Audit Committee meetings:

Director	Presence at meetings	Total number of meetings	Individual attendance rate
Orla Noonan	4	4	100%
Dajun Yang	2	4	50%
Xiao Su	3	4	75%

- on **March 19,** 2019, the Audit Committee held a meeting attended by two members. The Committee reviewed in particular the following issues:
  - Presentation of the financial statements of fiscal year 2018;
  - Review of the statement of main accounting principles;
- on **June 24,** 2019, the Audit Committee held a meeting attended by two members. The Committee reviewed in particular the status of the audit plan.
- on **September 2,** 2019, the Audit Committee held a meeting attended by two members. The Committee reviewed in particular the following issues:
  - Presentation of 2019 first half results;
  - Statutory auditors' report on the financial statements for the first half of 2019;
- On **November 19**, 2019, the Audit Committee held a meeting attended by three members. The Committee mainly reviewed the audit plan.

1.3.2 Nominating and Compensation Committee

(a) Composition of the Nominations and Compensation Committee as of December 31, 2019

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, 2019, 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, 2019.

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 2019, the Nominations and Compensation Committee held two (2) meetings.

The attendance rate at these meetings for all directors was 87.5%.

The following table presents each director's attendance rate at Nominations and Compensation Committee meetings:

Director	Presence at meetings	Total number of meetings	Individual attendance rate
Patrizio di Marco	1	2	50%
Fanny Moizant	2	2	100%
Chenran Qiu	2	2	100%
Evelyne Chétrite	2	2	100%

- On **March 19**, 2019, the Nominations and Compensation Committee held a meeting attended by four members. The Committee reviewed in particular the following issues:
  - 2019 bonuses and 2020 salaries;
  - Bonus share allocation;
  - Composition and organization of the Board;
- on **November 19**, 2019, the Nominations and Compensation Committee held a meeting attended by three members. The Committee reviewed the integration of a CSR criterion into the 2020 variable compensation of executive officers.

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. Chenran Qiu resigned from her position as Deputy Chief Executive Officer of the Company on December 30, 2019. 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.

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 Executive officer compensation policy

The developments below make up the compensation policy of the Company's executive officers for 2020. They describe the components of fixed and variable compensation and explain the decision-making process used to calculate, revise, and implement it.

Pursuant to Article L. 225-37-2 of the French Commercial Code, compensation policy presented below is subject to the approval of the combined Annual General Meeting of Shareholders on June 4, 2020.

It is recalled that the last annual approval of the compensation policy for the Company's executive officers took place at the combined Annual General Meeting of Shareholders on June 7, 2019.

2.1.1 Principles and decision-making processes followed to determine, revise, and implement the Group's compensation policy

The Group's compensation policy, in accordance with the corporate interest of the Company and market and industry practices, aims to guarantee competitive compensation levels while ensuring that strong ties are kept with the company's performance and maintaining a balance between short-term and medium/long-term performance, to support the Group's commercial strategy and permanence.

The Group's compensation policy, including the compensation 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 and Judith Milgrom as well as 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, the Deputy Chief Executive Officers and the directors 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 in 2019 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). Starting in 2020, a CSR criterion will be added to these operational performance criteria.

The compensation of the Chief Executive Officer and the Deputy Chief Executive Officers in 2019 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).

The Group also aims to fully involve its employees in its development by giving them a stake in the Company's share capital. The employee shareholding policy is a strategic priority for supporting the Group's profitable and sustainable growth that the Group intends to actively pursue. 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, a target for *Total Shareholders Return (TSR)*, and, since the grant decided by the Board of Directors on December 5, 2019, a CSR criterion.

Lastly, as part of say on pay, the Company's executive compensation policy, as well as the components of compensation and benefits granted to executive officers in the year just ended, described in chapter 2, are submitted every year to the Company's Annual General Meeting of Shareholders for approval, as required by the provisions of Articles L.225-37-2 and L.225-100 of the French Commercial Code.

After consulting the Nominations and Compensation Committee, the Board of Directors may temporarily depart from the compensation policy for the Chief Executive Officer and/or the Deputy Chief Executive Officers of the Company in the event of exceptional circumstances and providing that the changes made are in line with the corporate interest and are necessary to guarantee the Group's continuity or viability. The components of compensation that may be altered are annual variable compensation as well as long-term compensation components (in particular bonus share allocations) and the changes may consist of an increase in the compensation concerned or changes in the allocation conditions for long-term compensation components. Events that could result in the use of this option to change the compensation policy are, but are not limited to, a major economic or health crisis impacting the Group's business sector. For the fiscal year ended December 31, 2020, the Compensation and Nominations Committee proposed to the Board meeting of March 24, 2020 to keep the compensation policy unchanged with respect to the one approved by more than 80% of the Annual General Meeting of Shareholders of June 7, 2019 except for the addition of a condition for the achievement of CSR objectives to the variable compensation of executive officers, the implementation of which would be subject to ratification by the Annual General Meeting of Shareholders of June 4, 2020.

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 24 and April 21, 2020, 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;

Yafu Qiu, Chairman of the Board of Directors, receives no compensation for his position.

(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 2020 fiscal year, the Board Meetings of March 24 and April 21, 2020, 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, 2020 as follows:

- Daniel Lalonde, Chief Executive Officer:
  - Daniel Lalonde will receive annual variable compensation, 75% of which will be subject to a performance condition assessed on the basis of the achievement of the Group's target EBITDA specified in the budget, 25% to the achievement of the CSR objectives defined by the Board meeting of November 21, 2019, for a maximum amount of €900,000 (the implementation of this new condition of achieving CSR objectives is subject to ratification by the Annual General Meeting of Shareholders of June 4, 2020).. 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 (the condition of achieving the CSR targets does not apply to this outperformance bonus). 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, 2020 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 25% of the objectives relate to achievement of the EBITDA of Sandro brand, approximately 50% of the objectives relate to achievement of the Group's EBITDA set out in the annual budget and 25% to a condition for the achievement of the CSR objectives defined by the Board of Directors of November 21, 2019 (the implementation of this new condition of achievement of CSR objectives, is subject to ratification by the Shareholders' Meeting of June 4, 2020). In case of significant overachievement, the bonus can be doubled (which is, on the basis of the 2020 compensation, a maximum of €1,990,000 gross). The condition of achieving the CSR targets does not apply to this outperformance bonus. 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, 2020 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, 25% of the targets relate to achievement of the EBITDA of Maje brand, 50% to achievement of the Group's EBITDA planned in the annual budget, and 25% to a condition for the achievement of the CSR objectives defined by the Board of Directors of November 21, 2019 (the implementation of this new condition of achievement of CSR objectives, is subject to ratification by the Shareholders' Meeting of June 4, 2020). In case of significant overachievement, the bonus can be doubled (which is, on the basis of the 2020 compensation, a maximum of €1,990,000 gross). The condition of achieving the CSR objectives does not apply to this outperformance bonus. 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, 2020 and paid, if applicable, after the Shareholders' Meeting has voted on the payment of this compensation.
- 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 (25%), Group EBITDA per the annual budget (50%), and 25% to a condition for the achievement of the CSR objectives defined by the Board of Directors of November 21, 2019 (the implementation of this new condition of achievement of CSR objectives, is subject to ratification by the Shareholders' Meeting of June 4, 2020). In case of significant overachievement, the bonus can be doubled (which is, on the basis of the 2020 compensation, a maximum of €1,300,000 gross). The condition of achieving the CSR objectives does not apply to this outperformance bonus. 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, 2020 and paid, if applicable, after the Shareholders' Meeting has voted on the payment of this compensation.

(c) Bonus share allocation plan

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 bonus shares to executive officers and to managing directors, and to senior executives, expatriates and employees to reward their performance and commitment.

The Shareholders' Meeting of June 18, 2018 authorized, under its 28th resolution, the Board of Directors to carry out, in one or several operations, bonus share allocations to executive officers within the limit of 35,000 shares (Plan No. 3).

The Board of Directors, at its March 20, 2017 meeting, used this authorization to decide on the allocation of bonus shares of the Company to executive officers and to the salaried employees of the Company and its subsidiaries. The Group thus allocated performance shares, for which vesting is subject to the Group's performance criteria, to Daniel Lalonde, Chief Executive Officer and Ylane Chétrite, Deputy Chief Executive Officer.

On June 7, 2019, the Extraordinary Shareholders' Meeting of the Company, under the terms of the 29th resolution, authorized the Board of Directors, under certain conditions, to award new or existing bonus shares to certain employees and executive officers 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 share capital on the date of the Board's decision (Plan No. 4).

At its meeting of December 5, 2019, the Board of Directors used this authorization to decide on the allocation of bonus shares of the Company to executive officers and to the salaried employees of the Company and its subsidiaries. The Group thus awarded performance shares, for which vesting is subject to the Group's performance criteria, to Daniel Lalonde, Chief Executive Officer, and to Evelyne Chétrite, Judith Milgrom and Ylane Chétrite, Deputy Chief Executive Officers.

The number of bonus share allocations by the Shareholders' Meeting to each executive officer is detailed in paragraph 13.1.4 "Bonus share allotments" of the universal registration document.

Description of the March 2019 Plan (Plan no. 3) (performance shares) set up by the Board Meeting of March 20, 2019

At its meeting on March 20, 2019, the Board of Directors, on the basis of the authority granted by the Annual General Meeting of Shareholders on June 18, 2018 (Plan No. 3), established a bonus share allocation plan for executive officers and salaried employees of the Company and its subsidiaries.

Under this program, the Company decided to allocate 132,000 performance shares to certain executive officers and employees 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%) (depending on a target *TSR* compared to the median *TSR* of the companies included in the SBF 120 index).

Performance shares will be fully vested for beneficiaries (subject to compliance with employment and performance conditions) at the end of a two-year vesting period starting from the allocation date and will thus be fully vested and delivered to beneficiaries on April 17, 2021.

Under the March 2019 Plan, 29,000 performance shares were allocated to Daniel Lalonde and 6,000 to Ylane Chétrite.

Description of the January 2020 Plan (Plan no. 4) (performance shares) set up by the Board Meeting of December 5, 2019

At its meeting on December 5, 2019, the Board of Directors, on the basis of the authority granted by the Annual General Meeting of Shareholders on June 7, 2019 (Plan No. 4), established a bonus share allocation plan for executive officers and salaried employees of the Company and its subsidiaries.

Under this program, the Company decided to allocate 870,460 performance shares to certain executive officers and employees 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 (20%) (dependent on a *TSR* target compared to the median *TSR* of the companies included in the CAC Mid and Small index) and CSR objectives (10%).

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

- one half of the allocated shares shall be fully vested and delivered to beneficiaries on March 31, 2022; and
- another half of the allocated shares shall be fully vested and delivered to beneficiaries on March 31, 2023.

Under the January 2020 Plan, 110,040 performance shares were awarded to Daniel Lalonde, 110,773 each to Evelyne Chétrite and Judith Milgrom and 69,962 to Ylane Chétrite.

(d) Fringe benefits

Daniel Lalonde benefits from a company car. In addition, Daniel Lalonde is covered by the executive 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, 2019 and the aforesaid corporate officers have waived these benefits for 2020.

(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, for a gross amount equal to 200% of the fixed and variable compensation received by these parties 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 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 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 16.1 "Shareholding" of the universal registration document.

Table summarizing the fixed, variable and exceptional components of the total compensation and benefits of any kind attributable to the Chief Executive Officer and Deputy Chief Executive Officers

Elements of compensation	Principle	Determination criteria
Fixed compensation	The Chief Executive Officer and the Deputy Chief Executive Officers (excluding Chenran Qiu) receive fixed compensation in twelve monthly payments.	For fiscal year 2020, 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
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 up to 75%) and to the achievement of the CSR objectives (for up to 25%) defined by the Board of Directors of November 21, 2019 (the implementation of this new condition of achievement of CSR objectives, is subject to ratification by the Shareholders' Meeting of June 4, 2020), 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. The condition of achieving the CSR objectives does not apply to this outperformance bonus. In the event of non-achievement of these performance conditions, 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 50%), the target EBITDA of the Sandro brand (up to 25%), and the achievement of the CSR objectives (for up to 25%) defined by the Board of Directors of November 21, 2019 (the implementation of this new condition of achievement of CSR objectives, is subject to ratification by the Shareholders' Meeting of June 4, 2020). 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. The condition of achieving the CSR objectives does not apply to this outperformance bonus. In the event of non-achievement of these performance conditions, 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 50%), the target EBITDA of the Maje brand (up to 25%), and the achievement of the CSR objectives (for up to 25%) defined by the Board of Directors of November 21, 2019 (the implementation of this new condition of achievement of CSR objectives, is subject to ratification by the Shareholders' Meeting of June 4, 2020). 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. The condition of achieving the CSR objectives does not apply to this outperformance bonus. In the event of non-achievement of these performance conditions, 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 50%), the target EBITDA of the Sandro Men brand (up to 25%) and the achievement of the CSR objectives (for up to 25%) defined by the Board of Directors of November 21, 2019 (the implementation of this new condition of achievement of CSR objectives, is subject to ratification by the Shareholders' Meeting of June 4, 2020). If the performance target is exceeded, the supplementary compensation of Ylane Chétrite is raised proportionally, up to an amount of €1,300,000. The condition of achieving the CSR objectives does not apply to this outperformance bonus. In the event of non-achievement of these performance conditions, 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 receive a conditional allocation of the Company's shares.	The number of allocated bonus 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 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 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, 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 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 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 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).

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 4, 2020

“ELEVENTH RESOLUTION

(Approval of the compensation policy for Yafu Qiu for his position as Chairman of the Board of Directors)

The Annual General Meeting, after acknowledging the Board of Directors’ report on corporate governance drawn up in accordance with Article L.225-37 of the French Commercial Code and provided in Appendix I of the Company’s 2019 universal registration document, deliberating under the conditions of quorum and majority required for Ordinary General Shareholders’ Meetings, approves the compensation policy for Yafu Qiu, Chairman of the Board of Directors, as presented in the aforesaid report.

TWELFTH RESOLUTION

(Approval of the compensation policy for Daniel Lalonde for his position as Chief Executive Officer)

The Annual General Meeting, after acknowledging the Board of Directors’ report on corporate governance drawn up in accordance with Article L.225-37 of the French Commercial Code and provided in Appendix I of the Company’s 2019 universal registration document, deliberating under the conditions of quorum and majority required for Ordinary General Shareholders’ Meetings, approves the compensation policy for Daniel Lalonde, Chief Executive Officer, as presented in the aforesaid report

THIRTEENTH RESOLUTION

(*Approval of the compensation policy for Evelyne Chétrite, Deputy Chief Executive Officer*)

The Annual General Meeting, after acknowledging the Board of Directors’ report on corporate governance drawn up in accordance with Article L.225-37 of the French Commercial Code and provided in Appendix I of the Company’s 2019 universal registration document, deliberating under the conditions of quorum and majority required for Ordinary General Shareholders’ Meetings, approves the compensation policy for Evelyne Chétrite, Deputy Chief Executive Officer, as presented in the aforesaid report.

FOURTEENTH RESOLUTION

(Approval of the compensation policy for Judith Milgrom for her position as Deputy Chief Executive Officer)

The Annual General Meeting, after acknowledging the Board of Directors’ report on corporate governance drawn up in accordance with Article L.225-37 of the French Commercial Code and provided in Appendix I of the Company’s 2019 universal registration document, deliberating under the conditions of quorum and majority required for Ordinary General Shareholders’ Meetings, approves the compensation policy of Judith Milgrom, Deputy Chief Executive Officer, as presented in the aforesaid report.

FIFTEENTH RESOLUTION

(Approval of the compensation policy for Ylane Chétrite for his position as Deputy Chief Executive Officer)

The Annual General Meeting, after acknowledging the Board of Directors’ report on corporate governance drawn up in accordance with Article L.225-37 of the French Commercial Code and provided in Appendix I of the Company’s 2019 universal registration document, deliberating under the conditions of quorum and majority required for Ordinary General Shareholders’ Meetings, approves the compensation policy of Ylane Chétrite, Deputy Chief Executive Officer, as presented in the aforesaid report.

2.1.3 Components of directors’ compensation

As recommended by the Nominations and Compensation Committee, the Board of Directors distributes the compensation allocated to the Board by the Annual General Meeting of Shareholders to its members based on their effective participation in Board and Committee procedures. A portion fixed by the Board and taken from the amount of compensation allocated to the Board is paid to the members of the Committees, also taking into consideration the effective participation of those members in said Committees. The non-independent directors have waived their right to receive directors' fees for their term of office for the 2020 financial year.

For their participation on the Board, a fixed annual compensation of €30,000 is allocated to each independent director as compensation for their duties. In addition to this fixed compensation, a variable amount of €2,000 is payable for each Board meeting attended by the independent director concerned.

For their participation in Board Committees, (i) for the Audit Committee, a fixed annual compensation of €6,500 (increased to €10,000 for the Chairman of the Audit Committee) is allocated to each independent director as compensation for their duties, and (ii) for the Nominations and Compensation Committee, a fixed annual fee of €3,000 (increased to €6,000 for the Chairman of the Appointments and Compensation Committee) is allocated to each independent director as compensation for their duties. In addition to this fixed compensation, a variable amount of €1,000 (increased to €2,000 for the Chairman of the Committee) is payable for each Committee meeting attended by the independent director concerned.

Draft resolutions drawn up by the Board of Directors pursuant to Article L.225-100 of the French Commercial Code and submitted to the Combined Annual General Meeting of Shareholders on June 4, 2020:

"SEVENTEENTH RESOLUTION

(Approval of the compensation policy for directors)

The Annual General Meeting, after acknowledging the Board of Directors' report on corporate governance drawn up in accordance with Article L.225-37 of the French Commercial Code and provided in Appendix I of the Company's 2019 universal registration document, deliberating under the conditions of quorum and majority required for Ordinary Annual General Meetings, approves the compensation policy for directors, as presented in the aforesaid report.

2.2 Compensations and benefits granted to executive corporate officers and directors in the fiscal year ended December 31, 2019

In accordance with Article L.225-100 of the French Commercial Code, the Annual General Meeting of Shareholders will vote on a draft resolution concerning the information mentioned in sub-section I of Article L.225-37-3 of the French Commercial Code, which must be included in the corporate governance report and includes the components of compensation paid in respect of the term of office for the fiscal year just ended or allocated in respect of the term of office held for the same year, i.e. the fiscal year ended on December 31, 2019. These components are presented in Sections 2.2.1 and 2.2.2 below for executive officers and directors.

Furthermore, 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. These components are presented in Section 2.2.1 below for the Company's Chief Executive Officer and the Deputy Chief Executive Officers.

As such, the combined Annual General Meeting of Shareholders on June 4, 2020 will be asked to approve, under separate resolutions, the information mentioned in sub-section I of Article L.225-37-3 of the French Commercial Code, including the components presented in Sections 2.2.1 and 2.2.2 below, and the components of compensation paid or awarded under the fiscal year ended December 31, 2019 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 7, 2019, as presented in Section 2.2.1 below.

2.2.1 Chief Executive Officer and Deputy Chief Executive Officers

Components of the compensation paid or awarded under the fiscal year ended December 31, 2019 to Daniel Lalonde, Chief Executive Officer

Fixed compensation	€900,000
Variable compensation	€144,000
Exceptional compensation	€15,000
Directors' fees	None
Free shares - Preferred shares	29,000 free performance shares. Performance conditions tied to a target EBIDTA for the Group (70%) and a target *TSR* (30%).
	110,040 free performance shares. Performance conditions tied to a target EBITDA for the Group (70%), a target *TSR* (20%), and CSR objectives (10%)
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 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	€995,000
Variable compensation	€159,200
Exceptional compensation	None
Directors' fees	None
Free shares - Preferred shares	110,773 free performance shares. Performance conditions tied to a target EBITDA for the Group (70%), a target *TSR* (20%), and CSR objectives (10%)
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 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 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, 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, 2019 to Judith Milgrom, Deputy Chief Executive Officer

Fixed compensation	€995,000
Variable compensation	€323,375
Exceptional compensation	None
Directors' fees	None
Free shares - Preferred shares	110,773 free performance shares. Performance conditions tied to a target EBITDA for the Group (70%), a target *TSR* (20%), and CSR objectives (10%)
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 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 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, 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, 2019 to Ylane Chétrite, Deputy Chief Executive Officer

Fixed compensation	€650,000
Variable compensation	€72,800
Exceptional compensation	None

Directors' fees	None
Free shares - Preferred shares	6,000 free performance shares. Performance conditions tied to a target EBIDTA for the Group (70%) and a target *TSR* (30%). 69,962 free performance shares. Performance conditions tied to a target EBITDA for the Group (70%), a target *TSR* (20%), and CSR objectives (10%)
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 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 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, 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, 2019 to Chenran Qiu, Deputy Chief Executive Officer [(1)]

Fixed compensation	None
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

(1) Chenran Qiu resigned from her position as Deputy Chief Executive Officer of the Company on December 30, 2019.

Table 1 AMF nomenclature

Summary table of compensation and shares and options allocated to each executive officer (in euros):

Summary table of compensation, options and shares allocated to each executive officer

(amounts paid in euros)	**2018 fiscal year**	**2019 fiscal year**
Yafu Qiu, Chairman of the Board of Directors 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	**0**	**0**

Summary table of compensation, options and shares allocated to each executive officer

(amounts paid in euros)	**2018 fiscal year**	**2019 fiscal year**
Daniel Lalonde, Chief Executive Officer Compensation due for the year (*detailed in Table 2*)	€1,568,048	€1,072,854
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	€1,237,501
Total	**€1,568,048**	**€2,310,355**

Summary table of compensation, options and shares allocated to each executive officer

(amounts paid in euros)	**2018 fiscal year**	**2019 fiscal year**
Evelyne Chétrite, Deputy Chief Executive Officer Compensation due for the year (*detailed in Table 2*)	€1,495,692	€1,160,255
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	€935,512
Total	**€1,495,692**	**€2,095,767**

Summary table of compensation, options and shares allocated to each executive officer

(amounts paid in euros)	**2018 fiscal year**	**2019 fiscal year**
Judith Milgrom, Deputy Chief Executive Officer Compensation due for the year (*detailed in Table 2*)	€1,626,825	€1,318,375
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	€935,512
Total	**€1,626,825**	**€2,253,887**

Summary table of compensation, options and shares allocated to each executive officer

(amounts paid in euros)	**2018 fiscal year**	**2019 fiscal year**
Ylane Chétrite, Deputy Chief Executive Officer Compensation due for the year (*detailed in Table 2*)	€973,050	€722,800
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	€654,612
Total	**€973,050**	**€1,377,412**

Summary table of compensation and options allocated to each executive officer

(amounts paid in euros)	**2018 fiscal year**	**2019 fiscal year**
Chenran Qiu, Deputy Chief Executive Officer (1) 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	**0**	**0**

(1) Chenran Qiu resigned from her position as Deputy Chief Executive Officer of the Company on December 30, 2019.

Table 2 AMF nomenclature

Summary table of compensation paid to each executive officer

(amounts paid in euros)	**2018 fiscal year**		**2019 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	**0**	**0**	**0**	**0**

Summary table of compensation paid to each executive officer

(amounts paid in euros)	**2018 fiscal year**		**2019 fiscal year**	
	Amounts due	**Amounts paid**	**Amounts due**	**Amounts paid**
Daniel Lalonde, Chief Executive Officer				
Fixed compensation(1)	€900,000	€900,000	€900,000	€900,000
Annual variable compensation(2)	€639,00	€466,147	€144,000	€639,000
Multi-year variable compensation	None	None	None	None
Exceptional compensation(3)	€15,000	€15,000	€15,000	€15,000
Benefits in kind(4)	€14,048	€14,048	€13,854	€14,048
Total	**€1,568,048**	**€2,395,195**	**€1,072,854**	**€1,567,854**

(1) The fixed annual compensation of Daniel Lalonde was set at €900,000 for 2019, 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. In 2019, the objective was 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 2019 compensation, a maximum of €1,800,000 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 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 years 2018 and 2019, 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 the GSC for 2018 and 2019. The payment of this amount, to be repeated in 2020, 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) This amount includes in particular a company car.

Summary table of compensation paid to each executive officer

(amounts paid in euros)		2018 fiscal year		2019 fiscal year	
		Amounts due	**Amounts paid**	**Amounts due**	**Amounts paid**
Evelyne Chétrite, Deputy Chief Executive Officer					
Fixed compensation[(1)]		€620,000	€620,000	€995,000	€995,000
Annual variable compensation[(2)]	*Corporate office*	€494,515	€296,431	€159,200	€494,515
	Service agreements	€375,000	€375,000	None	None
	Total variable compensation	**€869,515**	**€1,296,431**	**€159,000**	**€494,515**
Multi-year variable compensation		None	None	None	None
Exceptional compensation		None	None	None	None
Benefits in kind[(3)]		€6,177	€6,177	€6,055	€6,055
Total		**€1,495,692**	**€1,922,608**	**€1,160,255**	**€1,495,570**

(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 €995,000 for 2019.

(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 for 2019 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 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 years 2018 and 2019, 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. 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 200% 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)		2018 fiscal year		2019 fiscal year	
		Amounts due	**Amounts paid**	**Amounts due**	**Amounts paid**
Judith Milgrom, Deputy Chief Executive Officer					
Fixed compensation(1)		€620,000	€620,000	€995,000	€995,000
Annual variable compensation(2)	*Corporate office*	€631,825	€1,048,121	€323,375	€631,825
	Service agreements	€375,000	€375,000	None	None
	Total variable compensation	**€1,006,825**	**€1,423,121**	**€323,375**	**€631,825**
Multi-year variable compensation		None	None	None	None
Exceptional compensation		None	None	None	None
Fringe benefits		None	None	None	None
Total		**€1,626,825**	**€2,043,121**	**€1,318,375**	**€1,626,825**

(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 €995,000 for 2019.

(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 the Maje brand and approximately 70% of the targets for 2019 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 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 years 2018 and 2019, 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. 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 200% of fixed compensation as described in (1) above.

Summary table of compensation paid to each executive officer

(amounts paid in euros)	**2018 fiscal year**		**2019 fiscal year**	
	Amounts due	**Amounts paid**	**Amounts due**	**Amounts paid**
Ylane Chétrite, Deputy Chief Executive Officer				
Fixed compensation[(1)]	€650,000	€650,000	€650,000	€650,000
Annual variable compensation[(2)]	€323,050	€690,461	€72,800	€323,050
Multi-year variable compensation	None	None	None	None
Exceptional compensation	None	None	None	None
Fringe benefits	None	None	None	None
Total	**€973,050**	**€1,340,461**	**€722,800**	**€973,050**

(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 for 2019, 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. The objectives for 2019 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. 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 years 2018 and 2019, 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)	**2018 fiscal year**		**2019 fiscal year**	
	Amounts due	**Amounts paid**	**Amounts due**	**Amounts paid**
Chenran Qiu, Deputy Chief Executive Officer[(1)]				
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	**0**	**0**	**0**	**0**

(1) *Chenran Qiu resigned from her position as Deputy Chief Executive Officer of the Company on December 30, 2019.*

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
Kelvin Ho	N/A	None
Orla Noonan	€39,891	€62,000
Fanny Moizant	€32,010	€48,000
Patrizio di Marco	€35,102	€50,000
Dajun Yang	€35,450	€50,500
Lauren Cohen	N/A	None

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 (1)			None			

(1) Chenran Qiu resigned from her position as Deputy Chief Executive Officer of the Company on December 30, 2019.

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 (1)		None	

(1) Chenran Qiu resigned from her position as Deputy Chief Executive Officer of the Company on December 30, 2019.

Table 6 AMF nomenclature

Performance shares allocated to each executive 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. 3 03/20/19	None	None	None	None	None
	Plan no. 4 12/05/19	None	None	None	None	None
	Plan no. 3 03/20/19	29,000	308,179	04/17/21	04/17/21	Performance conditions tied to a target EBITDA for the Group (70%) and a target TSR (30%)
	Plan no. 4 12/05/19	110,040	929,322	03/31/22 03/31/23	03/31/22 03/31/23	Performance conditions tied to a target EBITDA for the Group (70%), a target TSR (20%), and CSR objectives (10%)
	Plan no. 3 03/20/19	None	None	None	None	None
	Plan no. 4 12/05/19	110,773	935,512	03/31/22 03/31/23	03/31/22 03/31/23	Performance conditions tied to a target EBITDA for the Group (70%), a target TSR (20%), and CSR objectives (10%)

	Plan no. 3 03/20/19	None	None	None	None	None
	Plan no. 4 12/05/19	110,773	935,512	03/31/22 03/31/23	03/31/22 03/31/23	Performance conditions tied to a target EBITDA for the Group (70%), a target TSR (20%), and CSR objectives (10%)
	Plan no. 3 03/20/19	6,000	63,761	04/17/2021	04/17/2021	Performance conditions tied to a target EBITDA for the Group (70%) and a target TSR (30%)
	Plan no. 4 12/05/19	69,962	590,851	03/31/22 03/31/23	03/31/22 03/31/23	Performance conditions tied to a target EBITDA for the Group (70%), a target TSR (20%), and CSR objectives (10%)
Chenran Qiu, Deputy Chief Executive Officer (1)	Plan no. 3 03/20/19	None	None	None	None	None
	Plan no. 4 12/05/19	None	None	None	None	None

* *Total shareholder return.*

(1) Chenran Qiu resigned from her position as Deputy Chief Executive Officer of the Company on December 30, 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 (1)		None

(1) Chenran Qiu resigned from her position as Deputy Chief Executive Officer of the Company on December 30, 2019.

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**	**Plan no. 3**	**Plan no. 4**
Date of Shareholders' Meeting	10/10/2016	10/10/2016	10/10/2016	10/5/2017	06/18/18	06/07/19
Date of Chairman's decision	10/10/2016	12/14/2016	2/27/2017	11/23/2017	03/20/19	12/05/19
Total number of bonus shares allotted, including the number allotted to:	12,768,753	1,520,100	393,000	2,038,324	132,000	870,460
Executive Officers:	6,855,000	None	None	1,040,498	35,00	401,548
Yafu Qiu, Chairman of the Board of Directors	None	None	None	None	None	None
Daniel Lalonde, Chief Executive Officer	1,605,000(1)	None	None	242,018	29,000	110,040
Evelyne Chétrite, Deputy Chief Executive Officer	1,750,000(2)	None	None	302,390	None	110,773
Judith Milgrom, Deputy Chief Executive Officer	1,750,000(3)	None	None	302,390	None	110,773
Ylane Chétrite, Deputy Chief Executive Officer	1,750,000(4)	None	None	193,700	6,000	69,962
Chenran Qiu, Deputy Chief Executive Officer (5)	None	None	None	None	None	None
Date of acquisition of shares	10/10/2017	12/14/2017	2/27/2018	03/31/20 03/31/21	04/17/21	03/31/22 03/31/23
Date of end of holding period	10/10/2018	12/14/2018	2/27/2019	03/31/20 03/31/21	04/17/21	03/31/22 03/31/23
Number of shares subscribed	None	None	None	None	None	None
Cumulative number of shares cancelled or expired	307,178	150,600	0	256,047	0	0
Bonus shares remaining at the end of the financial year	12,461,575	1,369,500	393,000	782,277	132,000	870,460

(1) *Following the June 2018 reverse stock-split (see Section 15.2.2), the number of shares held by Daniel Lalonde is 145,909 Class G preferred shares, which may be converted into 572,411 ordinary shares. The next possible conversion date will be January 1, 2021.*

(2) *Following the June 2018 reverse stock-split (see Section 15.2.2), the number of shares held by Evelyne Chétrite is 159,090 Class G preferred shares, which may be converted into 624,121 ordinary shares. The next possible conversion date will be January 1, 2021.*

(3) *Following the June 2018 reverse stock-split (see Section 15.2.2), the number of shares held by Judith Milgrom is 159,090 Class G preferred shares, which may be converted into 624,121 ordinary shares. The next possible conversion date will be January 1, 2021.*

(4) *Following the June 2018 reverse stock-split (see Section 15.2.2), the number of shares held by Ylane Chétrite is 159,090 Class G preferred shares, which may be converted into 624,297 ordinary shares. The next possible conversion date will be January 1, 2021.*

(5) *Chenran Qiu resigned as Deputy Chief Executive Officer of the Company on December 30, 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 (1)		X		X		X		X

(1) Chenran Qiu resigned from her position as Deputy Chief Executive Officer of the Company on December 30, 2019.

Draft resolutions drawn up by the Board of Directors pursuant to Article L.225-100 III of the French Commercial Code subject to a Combined Annual General Meeting of June 4, 2020

"FIFTH RESOLUTION

(Approval of the fixed, variable and exceptional components comprising the total compensation and benefits of any kind paid during the fiscal year ended December 31, 2019 or awarded for the same fiscal year to Yafu Qiu, for his position as Chairman of the Board of Directors)

The Annual General Meeting, after acknowledging the Board of Directors' report on corporate governance drawn up in accordance with Article L.225-37 of the French Commercial Code and provided in Appendix I of the Company's 2019 universal registration document, 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 of the total compensation and benefits of any kind paid or awarded for the fiscal year ended December 31, 2019 to Yafu Qiu, Chairman of the Board of Directors, as detailed in the aforesaid report.

SIXTH RESOLUTION

(Approval of the fixed, variable and exceptional components comprising the total compensation and benefits of any kind n paid during the fiscal year ended December 31, 2018 or awarded for the same fiscal year to Daniel Lalonde, for his position as Chief Executive Officer)

The Annual General Meeting, after acknowledging the Board of Directors' report on corporate governance drawn up in accordance with Article L.225-37 of the French Commercial Code and provided in Appendix I of the Company's 2019 universal registration document, 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, 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, 2019 to Daniel Lalonde, Chief Executive Officer, as detailed in the aforementioned report.

SEVENTH RESOLUTION

(Approval of the fixed, variable and exceptional components comprising the compensation paid during the fiscal year ended December 31, 2019, or awarded for the same fiscal year to Evelyne Chétrite, for her position as Deputy Chief Executive Officer)

The Annual General Meeting, after acknowledging the Board of Directors' report on corporate governance drawn up in accordance with Article L.225-37 of the French Commercial Code and provided in Appendix I of the Company's 2019 universal registration document, 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, 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, 2019 to Evelyne Chétrite, Deputy Chief Executive Officer, as detailed in the aforesaid report.

EIGHTH RESOLUTION

(Approval of the fixed, variable and exceptional components comprising the compensation paid during the fiscal year ended December 31, 2019 or awarded for the same fiscal year to Judith Milgrom, for her position as Deputy Chief Executive Officer)

The Annual General Meeting, after acknowledging the Board of Directors' report on corporate governance drawn up in accordance with Article L.225-37 of the French Commercial Code and provided in Appendix I of the Company's 2019 universal registration document, 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, 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, 2019 to Judith Milgrom, Deputy Chief Executive Officer, as detailed in the aforementioned report.

NINTH RESOLUTION

(Approval of the fixed, variable and exceptional components comprising the compensation paid during the fiscal year ended December 31, 2019 or awarded for the same fiscal year to Ylane Chétrite, for his position as Deputy Chief Executive Officer)

The Annual General Meeting, after acknowledging the Board of Directors' report on corporate governance drawn up in accordance with Article L.225-37 of the French Commercial Code and provided in Appendix I of the Company's 2019 universal registration document, 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, 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, 2019 to Ylane Chétrite, Deputy Chief Executive Officer, as detailed in the aforementioned report.

TENTH RESOLUTION

(Approval of the fixed, variable and exceptional components comprising the compensation paid during the fiscal year ended December 31, 2019 or awarded for the same fiscal year to Chenran Qiu, for her position as Deputy Chief Executive Officer)

The Annual General Meeting, after acknowledging the Board of Directors' report on corporate governance drawn up in accordance with Article L.225-37 of the French Commercial Code and provided in Appendix I of the Company's 2019 Universal registration document, 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, 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, 2019 to Chenran Qiu, Deputy Chief Executive Officer, as detailed in the aforementioned report."

2.2.2 Directors

The table below shows the director's fees and other compensations received by members of the Board of Directors for fiscal years 2018 and 2019:

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 2018 fiscal year	Amounts paid during the 2019 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
Kelvin Ho	N/A	None
Orla Noonan	€39,891	€62,000
Fanny Moizant	€32,010	€48,000
Patrizio di Marco	€35,102	€50,000
Dajun Yang	€35,450	€50,500
Lauren Cohen	N/A	None
Total	€142,453	€210,500

2.2.3 Ratio between the compensation level of the Chief Executive Officer and Deputy Chief Executive Officers and the average and median compensation of the Group's employees

To calculate the ratios presented below in accordance with Article L.225-37-3 I para. 6 of the French Commercial Code, the Company referred to the guidelines of the Afep-MEDEF Code dated December 19, 2019.

In particular:

- The ratios below were calculated on the basis of the fixed and variable compensation paid during the fiscal years mentioned as well as the performance shares allocated during the same periods and valued at their carrying amount at the time they were allocated;
- For employees, the compensation used in the calculation is the full-time equivalent compensation (FTE);
- The Company and all of its direct and indirect subsidiaries located in France were included in the calculation of the equity ratios, as this scope covers 100% of the payroll in France;
- Adjusted EBITDA is a performance indicator regularly monitored by the Group to analyze and evaluate its businesses and their trends, measure their performance, prepare earnings forecasts and make strategic decisions.

Comparison of the level of compensation of executive officers in relation to the Group's employees

Executive officer	2019 fiscal year		2018 fiscal year	
	Ratio of average compensation	Ratio of average compensation	**Ratio of median compensation**	**Ratio of median compensation**
Yafu Qiu	N/A	N/A	N/A	N/A
Daniel Lalonde44	44	64	64	92
Evelyne Chétrite	39	57	52	74
Judith Milgrom	43	62	55	78
Ylan Chétrite	26	38	36	51
Chenran Qiu	N/A	N/A	N/A	N/A

Annual changes in the compensation of executive officers and employees in relation to the Company's performance

	2019 fiscal year	2018 fiscal year
Compensation for Yafu Qiu, Chairman of the Board of Directors (in thousands of euros)	None	None
Compensation for Daniel Lalonde, Chief Executive Officer (in thousands of euros)	1,677.19	2,395.20
Compensation for Evelyne Chétrite, Deputy Chief Executive Officer (in thousands of euros)	1,495.57	1,922.61
Compensation for Judith Milgrom, Deputy Chief Executive Officer (in thousands of euros)	1,626.83	2,043.12
Compensation for Ylan Chétrite, Deputy Chief Executive Officer (in thousands of euros)	995.67	1,340.46
Compensation for Chenran Qiu, Deputy Chief Executive Officer (in thousands of euros)	None	None
Adjusted EBITDA (excluding IFRS, in thousands of euros)	174,163	171,463
Average compensation of employees on an FTE basis (in thousands of euros)	38.05	37.27

2.2.4 Draft resolutions drawn up by the Board of Directors pursuant to Article L.225-100 II of the French Commercial Code and submitted to the Combined Annual General Meeting of Shareholders on June 4, 2020

“**SIXTEENTH RESOLUTION**

(Approval of the information mentioned in Article L. 225-37-3 of the French Commercial Code)

The Annual General Meeting, after acknowledging the Board of Directors’ report on corporate governance drawn up in accordance with Article L.225-37 of the French Commercial Code and provided in Appendix I of the Company’s 2019 universal registration document,, deliberating under the conditions of quorum and majority required for Ordinary Annual General Meetings, approves, pursuant to Article L. 225-100 of the French Commercial Code, Code de commerce, the information mentioned in Article L. 225-37-3 I. of the French Commercial Code as presented in the aforesaid report.”

3. OTHER INFORMATION

The Group’s related parties include the shareholders of the Company, companies with a controlling interest in the Group and the main members of the Group’s management and supervisory bodies (and their immediate family members).

Quantified data detailing relationships with these related parties is provided in note 8.3 to the consolidated financial statements for the fiscal year ended December 31, 2019, presented in Section 18.1.1 of this universal registration document.

In fiscal year 2020, the Board of Directors will meet as required by the provisions of paragraph 2 of Article L.225-39 of the French Commercial Code to set up a procedure for the annual assessment of agreements concerning current arm's length transactions. As part of this assessment, the Board of Directors, which meets to review the annual financial statements, will review the criteria for determining whether current agreements have been entered into at arm's length to ensure that they are still suitable and comply with market practices and will analyze more particularly whether the financial conditions of the agreements included in its assessment are normal. The agreements that no longer meet said criteria will be subsequently reclassified as regulated agreements and will then be subject to the authorization of the Board of Directors.

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 7, 2019 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. Up until 2019, the objectives concerned the EBITDA of the Sandro brand (30%) and Group EBITDA per the annual budget (70%). For 2020, the annual variable compensation of Evelyne Chétrite is subject to the achievement of the EBITDA of the Sandro brand (25%), the objectives related to the achievement of the Group's EBITDA set out in the annual budget (50%), and to a condition for the achievement of the CSR objectives (25%) defined by the Board of Directors meeting on November 21, 2019 (the implementation of this new condition of achievement of CSR objectives is subject to ratification by the Annual General Meeting of Shareholders on June 4, 2020). In case of significant overachievement, the bonus can be doubled (the condition of achieving the CSR targets does not apply to this outperformance bonus).

Mrs. Evelyne Chétrite received total compensation of €287,389 during the period ended December 31, 2019.

The said commitment will be submitted to the Annual General Meeting of Shareholders of June 4, 2020 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. Up until 2019, the objectives concerned the EBITDA of the Maje brand (30%) and Group EBITDA per the annual budget (70%). For 2020, the annual variable compensation of Judith Milgrom is subject to the achievement of the EBITDA of the Maje brand (25%), the objectives related to the achievement of the Group's EBITDA set out in the annual budget (50%), and to a condition for the achievement of the CSR objectives (25%) defined by the Board of Directors meeting on November 21, 2019 (the implementation of this new condition of achievement of CSR objectives is subject to ratification by the Annual General Meeting of Shareholders on June 4, 2020). In case of significant overachievement, the bonus can be doubled (the condition of achieving the CSR targets does not apply to this outperformance bonus).

Mrs. Judith Milgrom received total compensation of €315,995 during the period ended December 31, 2019.

The said commitment will be submitted to the Annual General Meeting of Shareholders of June 4, 2020 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. Up until 2019, the objective was 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. For 2020, the annual variable compensation of Daniel Lalonde is subject to a performance condition assessed according to the achievement of the target EBITDA of the Group set out in the annual budget (75%) and to a condition for the achievement of the CSR objectives (25%) defined by the Board of Directors meeting on November 21, 2019 (the implementation of this new condition of achievement of CSR objectives, is subject to ratification by the Annual General Meeting of Shareholders on June 4, 2020). In case of significant overachievement, the bonus can be doubled (the condition of achieving the CSR targets does not apply to this outperformance bonus).

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Mr. Daniel Lalonde received total compensation of €1,567,854 during the fiscal year ended December 31, 2019.

The said commitment will be submitted to the Annual General Meeting of Shareholders of June 4, 2020 for approval.

Compensation of Mr. Ylane Chétrite, member of the Board of Directors

Mr. Ylane 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. Up until 2019, the objectives concerned the EBITDA of the Sandro Men brand (30%) and Group EBITDA per the annual budget (70%). For 2020, the annual variable compensation of Ylane Chétrite is subject to the achievement of the EBITDA of the Sandro Men brand (25%), the objectives related to the achievement of the Group's EBITDA set out in the annual budget (50%), and to a condition for the achievement of the CSR objectives (25%) defined by the Board of Directors meeting on November 21, 2019 (the implementation of this new condition of achievement of CSR objectives is subject to ratification by the Annual General Meeting of Shareholders on June 4, 2020). In case of significant overachievement, the bonus can be doubled (the condition of achieving the CSR targets does not apply to this outperformance bonus).

Mr. Ylane Chétrite received total compensation of €950,550 during the period ended December 31, 2019.

The said commitment will be submitted to the Annual General Meeting of Shareholders of June 4, 2020 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 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 2019
18th 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, 2019, and may be renewed tacitly for one-year periods. At December 31, 2019, 93,765 SMCP S.A. shares were reported as contract assets.
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	None.
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)	None.
21st 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.
22nd 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
23rd 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 2019
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)	None.
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)	None.
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)	None.
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)	None.
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 executive officers of the Company and affiliated companies)	18 months	3% of capital (1) (4)	None.
29th Resolution	Authority given to the Board of Directors to allot existing or new bonus shares to the employees and executive officers of the Company and affiliated companies	38 months	3% of capital (1) (4)	Board of Directors meetings of November 21 and December 5, 2019: Allocation of 4,064 and 870,460 bonus shares respectively to employees and officers of the Company.
30th Resolution	Authority given to the Board of Directors to award stock options to the eligible employees and executive 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 4, 2020:

Resolution	Nature of the delegation	Maximum period	Maximum nominal amount
18th 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)
21st 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)
22nd 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 other than those described in Article L. 411-2 of the French Commercial Code(6)	26 months	For the capital increases: €8,000,000 (10% of the capital (2)) For issues of debt securities: €500,000,000 (3)
23rd 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, as part of the public offerings 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, 2019, the Company's share capital amounted to €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 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, 2019:

Shareholders	Number of ordinary shares	Number of Class G preferred shares[(4)]	Total number of shares and voting rights	% of share capital	% of voting rights
European TopSoho Sàrl[(1)]	40,135,102	0	80,270,204	53.69%	67.38%
Founders: Sivan [(2)] Judor [(3)] Ylane Chétrite	3,025,392	477,315	7,005,414	4.68%	5.88%
Managers					
Daniel Lalonde:	119,225	145,909	530,268	0.35%	0.45%
Other managers:	681,278	418,952	1,922,490	1.47%	1.61%
Free float	29,095,306	155,063	29,396,286	39.13%	24.67%
Treasury shares	493,765	0	0	0.66%	0
TOTAL	**73,550,068**	**1,197.239**	**119,124,662**	100%	**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 18.2.3.2 of this universal registration document.

The number of registered shareholders totaled 1,113 natural or legal persons.

At December 31, 2019, the number of shares held by members of the Board of Directors amounted to 3,770,186 shares representing 7,540,072 votes.

At the end of the fiscal year ended December 31, 2019, the participation of employees as defined in Article L. 225-102 of the French Commercial Code represented 1.47% 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, 2020:

Shareholders	Number of ordinary shares	Number of Class G preferred shares[(4)]	Total number of voting rights	% of share capital	% of voting rights
European TopSoho Sàrl[(1)]	40,135,102	0	80,270,204	53.39%	67.21%
Founders: Sivan [(2)] Judor [(3)] Ylane Chétrite	3,025,392	477,315	7,005,414	4.66%	5.87%
Managers					
Daniel Lalonde:	119,225	145,909	530,268	0.35%	0.44%
Other managers:	986,776	303,428	2,050,804	1.72%	1.72%
Free float	29,325,296	125,878	29,577,052	39.18%	24.76%
Treasury shares	525,969	0	0	0.70%	0
TOTAL	**74,117,760**	**1,052,530**	**119,433,742**	**100%**	**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 18.2.3.2 of this universal registration document.

The Company has no knowledge of significant changes in the composition of its shareholding since March 31, 2020.

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 2019.

As of the date of this report, the Company had not been notified of any threshold crossing as stipulated by the legal provisions since the end of fiscal year 2019.

Change in distribution of the Company's capital over the last two financial years

Shareholders	2018 Number of ordinary shares	2018 Number of Class G preferred shares(4)	2018 Total number of shares	2019 Number of ordinary shares	2019 Number of Class G preferred shares(4)	2019 Total number of shares
European TopSoho Sàrl(1)	40,135,102	0	40,135,102	40,135,102	0	40,135,102
Founders: Sivan (2) Judor (3)	3,025,392	477,315	3,502,707	3,025,392	477,315	3,502,707
Managers						
Daniel Lalonde:	119,225	145,909	265,134	119,225	145,909	265,134
Other managers:	205,409	567,689	773,098	681,278	418,952	1,100,230
Free float	29,609,635	102,185	29,711,820	29,095,360	155,063	29,250,369
Treasury shares	79,252	0	79,252	493,765	0	493,765
TOTAL	**73,174,015**	**1,293,098**	**74,476,113**	**73,550,058**	**1,197,239**	**74,747,307**

(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 18.2.3.2 of this universal registration document.

Change in distribution of the Company's capital over the last two financial years:

Shareholders	2018 Total number of voting rights	2018 % of voting rights	2019 Total number of voting rights	2019 % of voting rights
European TopSoho Sàrl(1)	40,135,102	53.90%	80,270,204	67.38%
Founders: Sivan (2) Judor (3)	3,502,707	4.70%	7,005,414	5.88%
Managers				
Daniel Lalonde:	265,134	0.36%	530,268	0.45%
Other managers:	773,098	1.04%	1,922,490	1.61%
Free float	29,711.820	39.90%	29,393,842	24.67%
Treasury shares	79,252	0	493,765	0
TOTAL	**74,4767,113**	**100.0%**	**119,124,662**	**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 18.2.3.2 of this universal 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 15.2 "Declaration on control of the Company", 2171.2.3 "Right, privileges and restrictions attached to shares", and 17.2.7 "Thresholds and identification of shareholders" in the universal 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 15.4 and 17.2.6 respectively of the universal 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 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.

At its meetings on September 3 and 4, 2019, the Board of Directors approved the implementation of a 400,000-share buyback program to be completed before December 31, 2019. The program was approved on September 6, 2019. Under this program, as of December 31, 2019, SMCP S.A. had repurchased 400,000 shares.

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, 2019, and may be renewed tacitly for one-year periods.

As of December 31, 2019, pursuant to its liquidity contract, the Company held 93,765 treasury shares in addition to €300,000 in 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 Section 8.2 of the universal 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 13.1 of the universal 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 2019

No transaction mentioned in Article L.621-18-2 of the French Monetary and Financial Code was made during fiscal year 2019.

Board of Directors

Appendix II

2019 Statement of Non-Financial Performance (*Déclaration de performance extra-financière* - DPEF)

Cultivate our present with care in order to ensure our development in the future. SMCP is certain that Parisian chic is only elegant if it's sustainable.

1. Introduction

Building on 2018, where we implemented a clear and sustainable CSR policy, 2019 was rich in lessons, experiences and progress. Making sustainable collections while reducing our impact on the planet, our strength lies in sharing the same high values of elegance and respect. We continue to build with Sandro, Maje, Claudie Pierlot and now, De Fursac, the sustainable future of Parisian chic worldwide as we strive for more transparency and dialog with all stakeholders.

1.1. 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 and 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. De Fursac joined the Group in 2019. Founded in 1973, the iconic French fashion house aims to elevate Parisian style. Our four brands have the same purpose.

Driven by this desire to inspire Parisian chic around the world with a certain taste for a challenge, SMCP is an international leader in ready-to-wear and accessories, with 1,640 points of sale[32] in 41 countries, reaching €1,131.9 million[33] in annual sales in 2019.

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 four 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.

1.2. Business model[(34)]

The information disclosed in this section must be read in the light of Section 5 "Overview of the Group's activities" in the universal registration document.

[(32)] Excluding De Fursac
[(33)] Including De Fursac
[(34)] Including De Fursac

A PROVEN MODEL AS INTERNATIONAL RETAIL PURE PLAYER
COMBINING THE CODES
OF *LUXURY* & *FAST-FASHION*

Create high-quality Parisian collections while capitalizing on the historic DNA of each of our four brands: internalized creation processes with dedicated Artistic Directors, backed by talented designers and creative teams.

Maintain global appeal by leveraging our leading presence in fashion capitals: Paris, Los Angeles, London, New York, Shanghai, Dubai, Milan, etc.

Offer a high-end bespoke International Customer Service in our Stores, No. 1 retail channel: a single model on display, cutting-edge training for our multilingual Sales personnel through the SMCP School and points of sale models per brand.

Roll out a prestigious communication: advertising campaigns created with renowned photographers and models on multiple media, with a strong online and social media presence.

+

Propose high-quality latest trend fashion collections at more accessible prices than those practiced by luxury brands thanks to rapid from design to store product cycles.

Rely on a flexible supply and diversified supplier base committed to following the specifications of the Group and our Brands.

Take advantage of an integrated logistics platform and an optimized global supply chain to enhance efficiency and reduce our environmental impacts.

Offer an ultra responsive omnichannel, shopping experience with in addition to our Stores, e-commerce websites and marketplaces, amplified by social media and renowned influencers.

=

SPREADING TIMELESS TRENDY PARISIAN CHIC AT ATTRACTICE PRICES
THROUOUT THE WORLD

1.3. CSR-related risks & opportunities

The developments below present the risks and opportunities related to CSR which must be read as a supplement to the information in Section 3 “Risk Factors” of the universal registration document.

1.3.1. Methodology

The 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 General Counsel, the Group Director of Strategy, Digital and Development, and by the Group Director for Internal Audits.

Risks	Policies and projects that have been implemented Results and performance indicators	Section concerned	Indicators
Diversity and inclusion *Development and human capital*	See “Promote diversity and inclusion”	3.1 3.2.2 3.2.3 3.2.4 3.4	Section “Employees” and “Training” in “Development of employees”
Working conditions	See "Promote well-being at work”	3.3	Section “Employees”, “Turnover”, “Compensation”, “Workplace accidents” in “Development of employees”
Supplier relations *Human Rights* *Information and labeling of our products* *Quality and safety of our collections*	See “Create responsible collections on the entire value chain”	1.1 1.2	Section “Responsible sourcing”
Raw materials *Animal welfare*	See “Create responsible collections on the entire value chain”	1.1	Section “Responsible sourcing”
Real estate and fixed assets *Freight transport*	See “Limit our environmental impact at all levels”	2.1	Section “Electricity consumptions”, “Transport”, “GHG emissions” in “Environmental footprint”
Data protection *Corruption and tax evasion*	See” Make anti-corruption and anti-tax evasion measures a priority”	3.2.6	-

1.3.2. 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.
- *The 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 welfare, 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.

1.3.3. 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.
- *Fixed and movable assets:* the Group is conscious of the impact of its 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 use 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.

1.3.4. 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.

1.3.5. Risks related to corruption & tax evasion

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:* To minimize these potential risks due to our international activities, 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 2020.
- 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.

1.4. Internal organization

CSR is now an integral part of our Group and has been improving thanks to our collective intelligence.

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. CSR is an integral part of our Group and an inspiration for all our services.

In 2019, our CSR policy was strengthened within Management with the arrival of a Human Resources and CSR Director who is also a member of the Executive Committee, a CSR Manager who reports directly to the Director, and a Group CSR committee coordinated by the CSR Manager and sponsored by the Chief Executive Officer of SMCP and the Human Resources & CSR Director.

This Committee consists of a CSR ambassador from each Group department in charge of writing the CSR strategy for 2025, developing it and distributing it at all levels so that each department can adopt it.

Within the SMCP Group, we continue to uphold our sustainability values and encourage our employees to create new ones.

Our multidisciplinary teams representative of our Brands are eco-responsible actors in each field. Our collaborative tools rolled out throughout the Group in 2018, such as the creation of a group on our internal social network where employees can share their thoughts and discuss topical issues in sustainable fashion, have been highly successful and show promising signs of progress for the future.

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.

1.5. Our three strategic pillars

SMCP upholds our three sustainable commitments for the future of Parisian chic worldwide driven by passion and conviction.

Identified in 2018, our three high added value strategic pillars have been carefully designed to ensure the Group's sustainable development where luxury and ethics are two sides of the same coin and where elegance is only attractive if it embodies respect.

In 2019, these three pillars guided us in successfully completing our mission while continuing our pro-active approach to protect the planet and people. All our brands have pledged to comply with them and to work together to ensure that we can cope with the challenges of tomorrow.

Create responsible collections on the entire value chain

SMCP has pledged to create and design sustainable collections by increasing the share of responsible materials, ensuring strictly traceable and transparent sourcing from suppliers with impeccable ethics.

Limit our environmental impact at all levels

The Group is energetically focused on reducing our environmental footprint on a daily basis at our head offices, in our workshops, our plants, our warehouses, stores and throughout our logistics chain.

Make our employees the central players of sustainable growth

SMCP is driven by the need to develop attentive and responsible managerial practices to cultivate respect, diversity and kindness and reveal the potential of each of our employees, wherever they are in the world.

2. Create responsible collections on the entire value chain

2.1. Prioritize responsible raw materials[35]

The ready-to-wear sector has made significant progress in the area of CSR as it strives to make fashion meaningful and responsible while continuing to be desirable. As the Group and our customers are concerned about respect for the planet and people, we aspire to increasingly use responsible sourcing, by prioritizing certified materials in all our new collections.

In 2019, our first full-scope carbon balance highlighted the fact that raw materials accounted for more than half of our carbon footprint. SMCP therefore strengthened its procurement policy by implementing measures aimed at reducing greenhouse gas emissions, using natural resources sparingly and ensuring that the materials used are traceable.

- **Assisting our suppliers for more responsible sourcing**: we have chosen to work in close collaboration with our existing suppliers to strive as much as possible towards eco-certified labels. We forge relationships that are built on trust, which allows us to guide our suppliers towards respect for nature and human rights.

- **The introduction of a Sustainable Sourcing training for all our Style & Production teams**: we are committed to training 100% of the employees of our four brands involved in the creation of our collections on the substantial CSR challenges of fabrics and leather. Employees will take part in a one-day training to understand and integrate all environmental and social issues and existing certifications on each of these materials.

- **The Fur Free pledge of our four Brands**: After Sandro and De Fursac, which stopped using fur in all their collections in 2018, Maje and Claudie Pierlot pledged in November 2019 to stop using animal fur.

Each of our four brands is profoundly involved in our CSR policy and intent on developing a more sustainable CSR procurement chain with concrete commitments that have had a positive impact on nature and people.

- **Maje launched its 1st Stone program** and has pledged to manufacture all its jeans in an environmentally responsible process where the use of energy, chemical products and water is considerably reduced. The brand has also incorporated recycled wool into its collections;

- In 2019, Claudie Pierlot introduced Claudie Cares: an action program for a more planet-friendly fashion, which prioritizes as much as possible organic and recycled materials in all its collections: organically farmed cotton, lyocell fiber, recycled wool and responsible jeans.

[35] Including De Fursac

2.2. Offer greater transparency

2.2.1. Developing healthy, sustainable relations with our suppliers to help them comply with our requirements and our sustainable ambitions

Our Group aspires to sustainable growth where elegance and respect are two sides of the same coin. Respect for the environment, biodiversity and human rights - our CSR policy regarding sourcing is clear and we ensure that our suppliers comply with this policy.

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.

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.

In 2019, we also began setting up environmental audits performed by an independent international firm. The audits in the production sites of our suppliers reviewed the following topics:

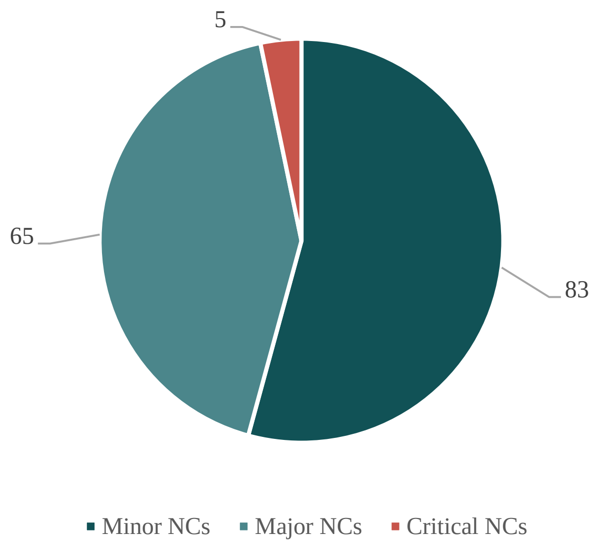
- Environmental management system
- Energy management
- Water management
- Air emissions
- Waste management
- Pollution prevention
- Soil management
- Biodiversity management

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.

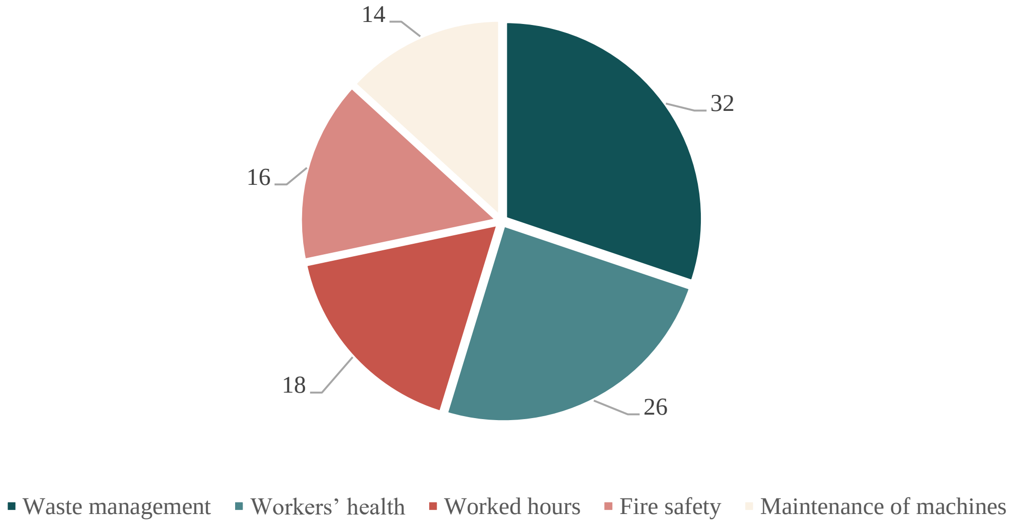
For the 2019 summer and 2019 winter seasons (S19W19), 32 audits were carried out (28 initial audits and four follow-up audits) on 22 suppliers (finished products, cut-and-sew products, fabrics). 46% of our references proposed in 2019 are thus covered by a social and/or environmental audit performed either in 2018 (retroactivity of results over 1 year) or in 2019.

The social and environmental audits conducted from January 2019 to January 2020 revealed 153 non-conformities, which break down as follows:

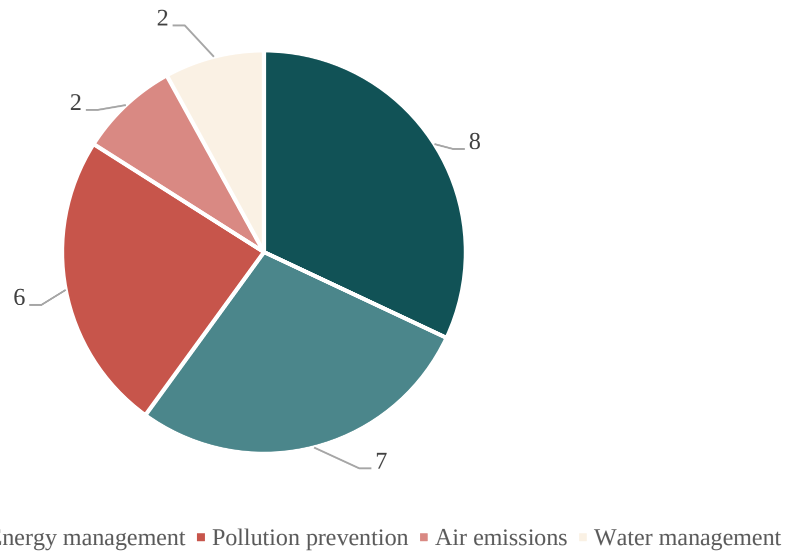
Breakdown by severity of the non-compliances observed during the 2019 social and environmental audits



Breakdown by topic of the top five non-conformities observed during the 2019 social audits



Breakdown by topic of the top five non-conformities observed during the 2020 environmental audits



Thanks to our close relations with our suppliers, loyal to our values, season after season, the SMCP Group obtained an overall score above the average for customers in the same sector in the portfolio of the audit firm we work with for the third year in a row. And we are persuaded that we can still improve this score, by working together.

2.2.2. Guaranteeing the traceability of our clothes and accessories

Communicate clearly about the origin of the components and materials of all our articles sold worldwide. The Group strives to be transparent to all our customers, without exception.

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.

2.2.3. Guaranteeing the quality and safety of our items

All our articles and accessories are designed to last and remain attractive for as long as possible. Concerning Maje, Sandro, Claudie Pierlot and De Fursac, each of our Brands carefully tests each raw material and product to guarantee their high quality and ensure that they are totally safe.

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.
- Demand strict quality controls by suppliers and arrange for inspection of the final quality of our items by independent service providers prior to their shipping and/or reception.

3. Limit our environmental impact at all levels

SMCP aspires to sustainable global growth that is safe for the Planet and for biodiversity. To do so, we energetically strive to reduce our environmental footprint, in all the countries were we are based, and throughout our logistics chain.

3.1. Reducing our carbon footprint

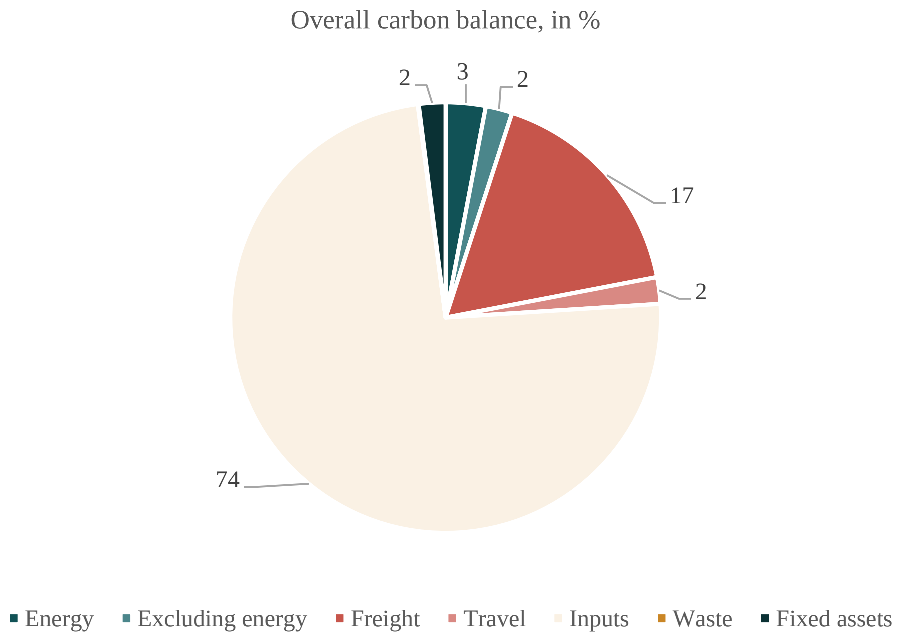
3.1.1. Analyzing the results of our carbon balance

As part of our drive to continuously improve our environmental performance, we decided to conduct our first full-scope carbon balance (excluding De Fursac because it was in the process of being acquired when the carbon balance was being completed) in 2019 based on data from 2018 with a specialized company. In order to successfully carry out this project inside SMCP, we created a task force involving all our job functions: architects, procurement, accounting, management control, facilities management, indirect purchases, production, supply chain, etc.

During 2019, we obtained the results in 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), which enabled us to:

- Identify and rank our sources of emissions,
- Have management and updating tools and guidance
- Transparently disclose reliable and quantified information to our stakeholders.

In concrete terms, greenhouse gas emissions for all of our head offices, points of sale and our activities linked to procurement for 2018 were 181,183 tons of CO2 equivalent (tCO2), which breaks down as follows:

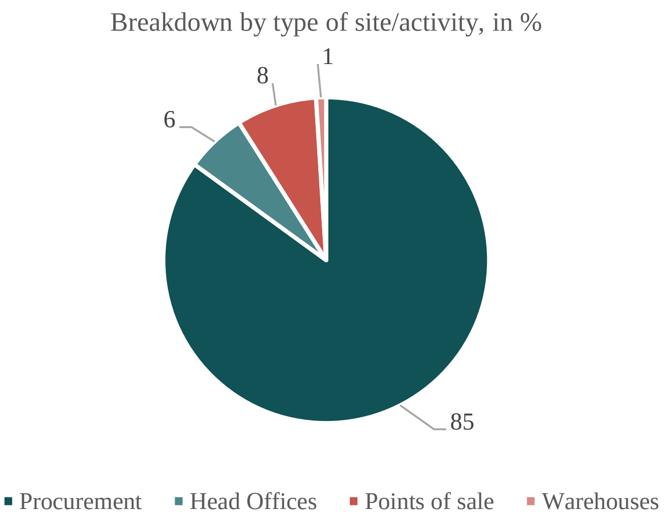


Like the ready-to-wear sector, our two high-emitting cost items are inputs and freight.

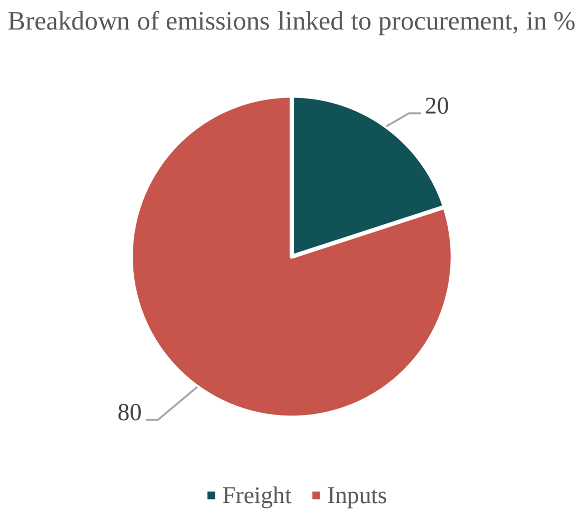
- Item no. 1: inputs. Consisting of all of the Group's purchases, they account for 74% of our total emissions. They include:
  - The components, finished and cut-and-sew products and packaging for our warehouses and points of sale;
  - IT consumables, purchases of services, supplies and stationary for the activities of our head offices and our points of sale.
- Item no. 2: freight Comprising our logistics chain with the upstream and downstream freight of the products of our three Brands, it represents 17% of our total emissions.

The other emissions items account for a smaller share of our Carbon Balance®. In order of importance:

- The energy used by all our head offices, points of sale and warehouses corresponds to 3% of our total emissions.
- Travel by our employees (commuting and business trips) and our visitors within our head offices account for 2%.
- The fixed assets represented by our vehicles, our IT equipment and our movable assets correspond to 2% of the total emissions of our carbon balance while taking into account many years of use or amortization.
- The item (excluding energy) corresponding to refrigerated fluid leaks from air-conditioners for all our sites amounts to 2%.
- Lastly, waste accounts for less than 1% of our total emissions.



The SMCP Group's activity with the highest GHG emissions is procurement, which represents 85% of our carbon balance. It spans our entire production chain: from the manufacturing of our products, including the purchase and transportation of raw materials and finished products, to our stores.



Inputs represent the largest item in procurement with 80% of emissions. This corresponds to purchases of components, finished products and cut-and-sew products in 2018.

Freight accounts for around 20%. The item includes upstream freight (from the supplier to the warehouse) and downstream freight (from the warehouse to the final destination).

Following the specific results of our Carbon Balance®, SMCP is actively preparing a three to five-year roadmap to limit the environmental impacts of our activities as much as possible. We focus on preparing relevant and sustainable measures to reduce our greenhouse gas emissions, in France and abroad and thus fight against global climate warming.

3.1.2. Reduce our electricity consumption everyday

In 2019, we also performed an electricity consumption study. Lighting for the sales premises of our directly managed stores represents annual consumption of 4,413,132 kWh. Our head offices report electricity consumption of 834,527 kWh and our warehouses 888,968 kWh.

Conscious of the impact of our energy consumption on the climate, we are already working actively to reduce these figures:

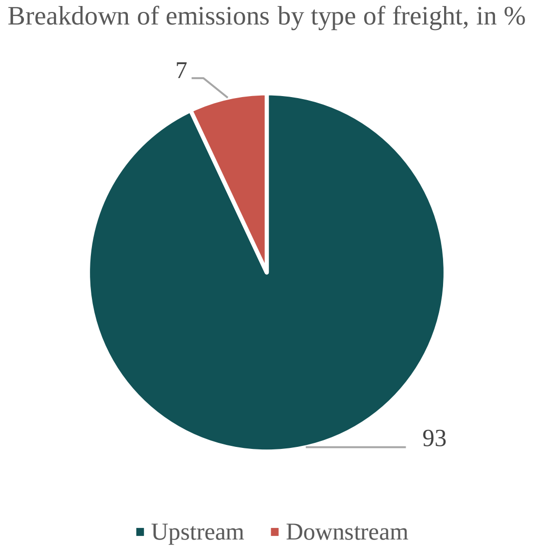
- Since 2015, we have made the use of LED lights systematic on all openings and when renovating lighting in our stores. At the end of 2019, 70% of our free-standing stores and outlets worldwide had full LED lighting.
- 100% of our directly managed network in France has subscribed to ENGIE green power contracts. 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.

3.1.3. Preferring more ecological forms of freight transport

Our exceptional international growth requires the use of multiple shipments of our goods worldwide. We know that the percentage of freight in our Carbon Balance is considerable because it represents 17% of our emissions. In addition, it is our duty to implement our best efforts to reduce the impacts of our logistics flows on the planet and global warming.

With regard to our imports from Asia, the Group has been experimenting with rail freight since 2017.

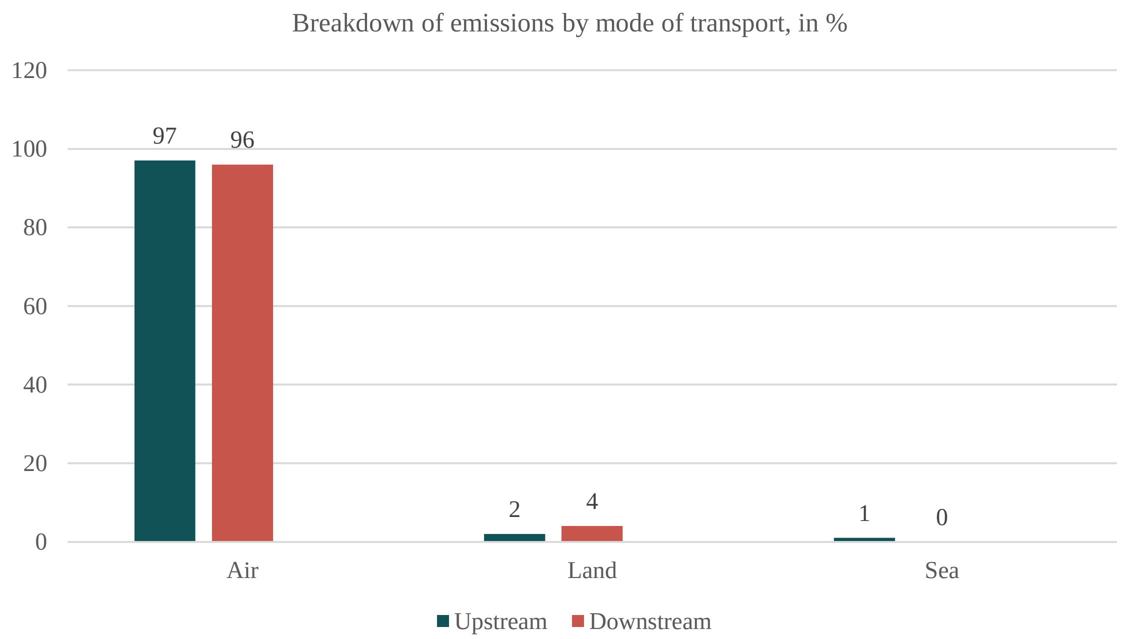
For all our imports, we are already determined to continue increasing the percentage of freight by river, rail and road, which are more protective of the environment than air freight.



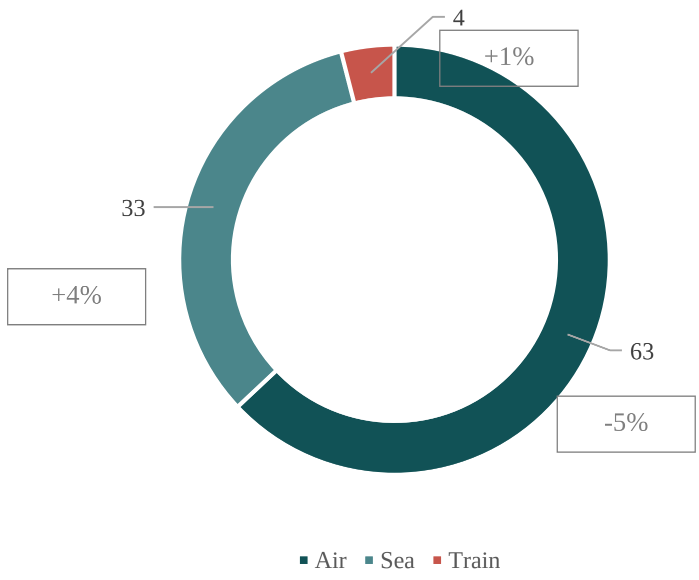
Our emissions linked to incoming freight are considerably higher than those linked to outgoing freight. This can be explained by several reasons:

- Most of our imports are transported by air because of the long distances between our suppliers and our warehouses.
- Conversely and downstream, our finished ready-to-wear items are mainly transported over the road from our warehouses to our stores, located in the same geographic region.

The optimization of our logistics chain, of upstream freight in particular, is a genuine environmental challenge and we are fully conscious of this fact. More than ever SMCP aspires to reduce its footprint by seeking to prioritize proximity between the warehouses where our items are manufactured and our stores where they are sold.



Split of Asia to France upstream transport modes, in %, *vs 2018*



3.1.4. Create sustainable store concepts everywhere in the world

Our stores are our showcase to the outside world and should embody our desire for change and eco-responsibility.

We intend to design our store concepts with the highest ethical standards possible and seek to improve the following:

- 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 and for the coming years, we decided to intensify our efforts on:

- The introduction of ecological or reusable materials, such as hardwood floors from FSC-certified forest, glue-free stone or wall plaster. We have been conducting numerous tests to identify sustainable materials and are introducing them in our stores, as soon as possible.
- The extension of sustainable lighting, such as LEDs, in all our buildings. We are also working to optimize the lighting of our shop windows throughout the world.

The systematic development of waste sorting on all our construction sites.

3.2. Develop a responsible management of unsold items

Conscious of the considerable environmental challenges linked to waste in the textile industry, SMCP strives to manage its unsold items responsibly.

Each of our Brands has multiple possibilities for giving a new lease on life to these items. Private sales, outlets or donations to charities, our unsold items always find a new destination.

In 2019, we initiated a new eco-responsible policy concerning our stocks of unused fabric by donating them to fashion schools. In 2020, we would like to extend this practice in all our brands.

We give a new lease on life to our defective items by organizing a sale for our employees and their families. In 2020 and for future years, we would like to explore partnerships to upcycle and downcycle our defective items.

3.3. Reduce and recycle 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.

In order to reduce our paper consumption, the Group has embraced dematerialization: dematerialized employment contracts and employee administrative documents, lunch vouchers, invoices in our accounting department.

In 2019, we distributed mugs and water bottles to all our employees at our head offices to limit the use of single-use plastic as much as possible.

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.

4. Make our employees the central players of sustainable growth

4.1. The main employee indicators for 2019 *(vs 2018)*

A growing number of employees

Permanent contracts & fixed-term contracts (vs. 2018)

6,426 +9.4%

A stable recruitment momentum

Permanent contracts (vs. 2018)

3,417 -1.6%

Employees with long-term contracts

Permanent contracts (vs. 2018)

86.2% -0.8%

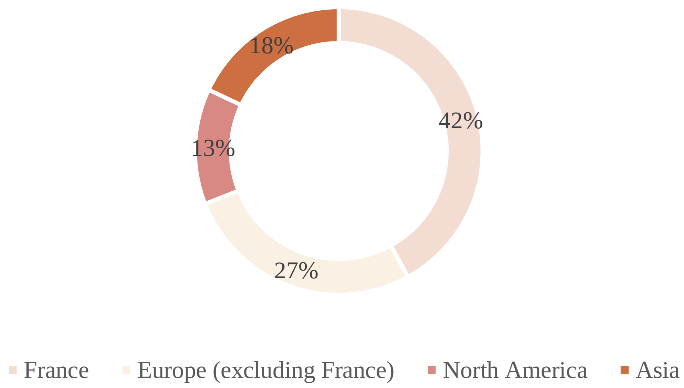
Attractive compensation

Payroll in millions of euros (vs. 2018)

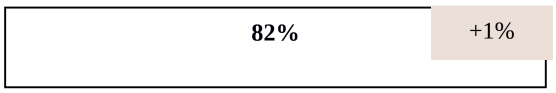
237.2 +11.7%

A Group with increasing international presence

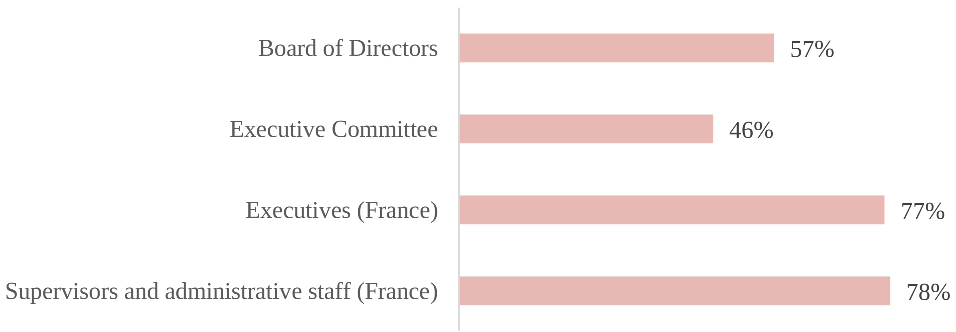
% of total workforce on permanent & fixed-term contracts at 12/31/2019



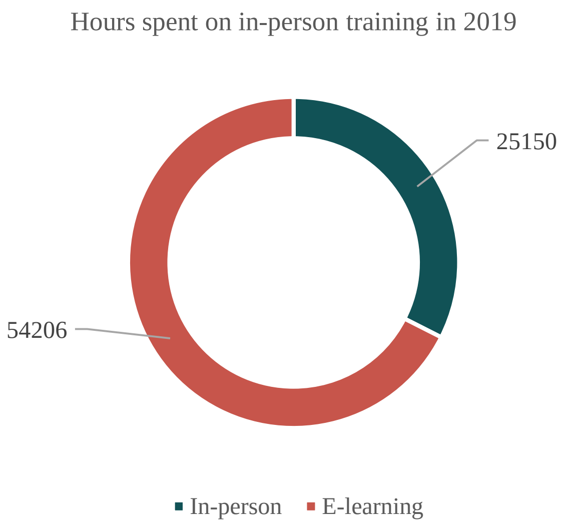
A Group with increasing female presence...

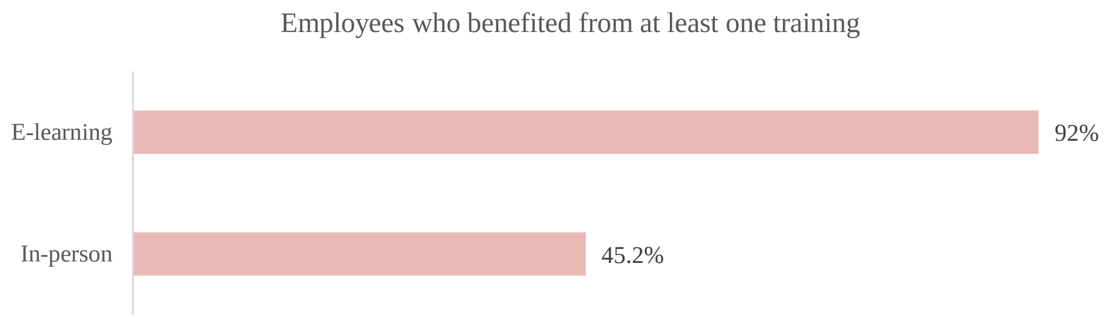


... even in executive positions



A substantial training policy




Employees who benefited from at least one training
E-learning
92%
In-person
45.2%

4.2. Promote an authentic corporate culture

4.2.1. Developing internal communication to unite us around our values

Within the SMCP Group, we take utmost pride in managing our growth in a responsible manner and ensuring that all our employees are passionately, respectfully and elegantly engaged in the pursuit of such growth.

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 Chief Executive Officer 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

4.2.2. 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. Onboarding of our new staff at SMCP head offices consists of several key moments:

- Once a month, a full morning is dedicated to welcoming new recruits and providing them with a comprehensive view of the Group: presentation of the organization of the SMCP Group, its Brands and how the various business lines work together.
- Our new employees are then given a guided tour of the Vémars and Marly-la-Ville warehouses to discover and understand the logistics business lines.
- All newcomers attend the briefing entitled SMCP VISION. The briefing provides information about the Group's history and its values
- All newcomers have access to the MyLearning online platform as soon as they join the group.
- They also receive specific training courses:
    - The "Finance for non-financial people" session which is an introduction to the specific financial vocabulary of the Retail universe;
    - The special session for managers "Rights and duties of managers", presented by our Director of Social Affairs and Pay France/Europe.
    - The training on using "Basware", our financial management software.
- Lastly, to allow the new head office recruits to gain in-depth knowledge of the activity of SMCP's brands, at the request of their immediate superior, they may have the opportunity to visit a pilot store of one of the Group's brands for a day. This allows them to discover and experience the daily life of the store's sales team and manager.

Retail OnBoarding. The onboarding experience of our strategic employees dedicated to our Brands vary according to their function (Regional Director (RD), Store Manager (SM)/ Deputy Store Manager (DSM)/ etc.)

Regional Directors receive three weeks of onboarding, where they discover the SMCP head office and get to know their different key contacts (e.g., pay manager, archi/maintenance, accounting, etc.), a pilot point of sale from a sector other than their own and a tour with a pilot RD. This three-week training ends with a sector hands-on experience alongside their manager.

Store managers receive three months of onboarding, including one week at the pilot point of sale alongside an Expert SM, who will visit them at their own point of sale for a whole day and will continue to provide close support, just as their Regional Director during the new recruits first three months of onboarding.

Onboarding for Deputy Managers lasts three to five days at the pilot point of sale alongside an Expert SM.

The onboarding experience of our sales staff is organized by the point of sale Manager, and generally lasts two to three weeks, which gives them ample time to discover their job: Brand (brand history and values/DNA of the House), Sale (steps of the SMCP Selling Ceremony and sales techniques), Product (respect for the product, knowledge of collections and trends, enhancement via the merchandising visual policy), Management (Winstore, validating payments, stock).

4.2.3. Create Email4All for all our employees worldwide

SMCP has given each employee a business email address to ensure that they feel like full-fledged members of the Group involved in all its actions.

Last year, 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, on the Europe scope.

This year, we continued to roll out Email4All in North America and Asia.

Beyond access to our e-learning platform, there are numerous virtues in our Email4all for all SMCP Group employees:

- Develop a feeling of belonging to our Group and Team spirit.
- Establish smooth communication and exchange with Management and employees and circulating information and internal surveys.
- Participating in equal opportunities with access to mandatory trainings and catalog courses.

4.2.4. 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, 2019, they represent 82% 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.

Inclusion also means 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.

We are proud to have organized for the first time in the Group, the European Disability Employment Week in 2019 across our entire France scope. The week was a resounding success and all the events were unanimously appreciated by all our French employees: All our Head Office, Retail and Logistics employees in France received daily emails through Email4all providing information on Disability issues. Each one was able to participate in online events & challenges to learn more about disabilities and test their knowledge. Our Head Office employees also participated in physical workshops to better understand and improve the Disability experience at the workplace.

4.2.5. Multiplying our philanthropy actions throughout the world

With SMCP and our four Brands, we share elegance of the heart with all our employees worldwide.

In 2019, we all worked tirelessly, with sincerity and humanity, at our scale, to bring about a fairer and more beautiful world.

- Sandro’s charitable initiatives include:
    - 16,000 items from our old collections were donated to charities including 8,000 to Aides, an AIDS charity, and 5,000 to OHR Hanna which works with the French Jewish Community.
    - A collection of Christmas toys was also organized with Sandro employees for the underprivileged children of the FXB, a charity that seeks to alleviate extreme poverty.
    - We also collected clothes for the Pièce Solidaire charity which helps struggling citizens and sick and disabled people.
    - Our fabric scraps were redistributed to charities and styling schools.
    - We delegate the watering and maintenance of our plants and green areas to an ESAT (assistance and service centers helping disabled people into work).
- The Maje heart collection: for Christmas, Maje employees collected numerous presents for hospitalized sick children of the “Un cadeau pour la vie” association.
- The sincere commitments of Claudie Pierlot:
    - In January 2019, we rallied together at the Claudie Pierlot Head Office in partnership with the Lunettes sans Frontières charity to collect glasses (prescription glasses and/or sunshades) for the most underprivileged populations in France, Africa, Asia, South America and Europe.
    - In March 2019: during the #RiseUpWithClaudie operation, we worked alongside UNESCO’s nature reserves to enable the Keystone Foundation to continue its work to empower women and protect the environment in India. For each T-Shirt purchased from the #RiseUpWithClaudie capsule, €5 is donated to the Keystone Foundation, plus €1 per photo posted with the hashtag #RiseUpWithClaudie. A first donation has been made, a second one will be made after the 2019-2020 outlet season.

- In September 2019, numerous Claudie Pierlot employees participated in the “La Parisienne” race to support breast cancer medical research.
- In December 2019, we organized a collection of food and small toys at the Head Office, which we then gave to the Restos de Coeur food kitchen.
- Like our other Brands, unsold Claudie Pierlot items are donated to charities to support their outreach actions, such as OHR Hanna, Odyssea, and Aides.

- The charity works of SMCP Global Services:
  - SMCP Global Services is also galvanized to collect presents for seriously deprived children and mothers through the FXB charity.
  - We also participated in the Odysséa anti-breast cancer race, in partnership with the Maje teams.
- The philanthropy initiatives of SMCP Asia:
  - In Hong-Kong, our employees came together to clean two beaches.
  - We also distributed presents in a Chinese school at Christmas.
- SMCP North America is working to protect the Planet and Humanity:
  - A “Beach cleanup” was organized at Rockaway Beach in New York.
  - Our employees participated in the “Climate Change March 2019”.
  - Our Head Office has been planting trees to support the initiatives of Reforest’ Action.
  - Our unsold items in this region are also donated to charities.

4.2.6. 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 on transparency, the fight against corruption and modernization of economic life, known as the “Sapin II Act” (of December 9, 2016) which 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.

4.3. Improving well-being at work

4.3.1. Forging quality social dialog

Because we are convinced that projects aimed at improving our employees’ quality of life at work must be built through collective effort, we aspire to maintain responsible and virtuous social dialog with all our partners.

This entailed four years of close collaboration and precious exchanges with our partners which have yielded success and social progress. After having worked together on a final subject and historical dossier for the Group, – the acquisition of De Fursac, SMCP Management thanked the elected members of the Single Body.

Our Group will therefore remember 2019 as the year of major social advances for all our employees:

- Allocation of budgets for individual pay raises every year
- Maintaining 100% net salary in case of maternity leave
- Maintaining salary over more “sick child” days
- Appreciation of seniority by allocating bonuses
- Deployment of home offices
- New policy to regulate travel time
- Revaluating the value of lunch vouchers
- Dematerialization of lunch vouchers - continuation of the 0 paper approach
- Revaluation of hiring salaries
- Allocation of free shares to our employees

Highlights in 2019 also included the preparation and election of the new Company works council. Elected in October, it comprises 35 employees from the Retail, logistics and head office activities. Management and elected members took advantage of the end of the year to get their bearings, learn to work together and set their roadmap for the coming months

4.3.2. Offering competitive compensation and genuine fringe benefits to our employees.

Within SMCP, we advocate for the professional development of all our employees because they are the heart and engine of our sustainable growth.

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 2.4% of merit-based compensation, improvement of the personal protection scheme for Europe-based 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 2019 and following several exchanges with employee representatives, Management also decided to allow again, approximately 1,000 keen entrepreneurial employees to invest in the Group by granting them four SMCP shares.

From 2020, 25% of the variable compensation paid to the Company's executive officers will include a condition of attaining CSR objectives defined by the Board of Directors on November 21, 2019. The performance shares allocated free of charge to the Group's employees and executive officers since the Board of Directors' meeting of December 5, 2019 also include a 10% portion that is subject to a condition of attaining CSR objectives. Implementation of these new conditions for attaining CSR objectives is subject to ratification by the Shareholders' Meeting of June 4, 2020. The Board of Directors will set qualitative CSR goals on a yearly basis. They will relate to three pillars that drive our planet and people-centered approach: (i) make sustainable collections while reducing our impact on the value chain; (ii) limit our environmental impact at all levels; and (iii) make our employees the central players of sustainable growth.

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.

4.3.3. Guarantee superior quality of work life for our employees

To guarantee a fulfilling professional experience for all our employees on a daily basis, wherever they may be in the World, we eagerly and conscientiously provide them with the necessary support.

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.

In 2019, persuaded of the soundness of these social commitments, we carried on with discussions and exchanges to continue to improve the working conditions of all our employees. Thanks to its global presence and entrepreneurial culture, the Group drew inspiration from the European legislation of countries in which it is based to enhance and improve its hygiene and safety policy and to set up a minimum base of common rules for the whole of Europe. A "hygiene and safety kit"exists in each European country where SMCP operates, which defines the responsibilities of each one with respect to safety, the tools placed at their disposal and the right gestures and reflexes to be adopted.

Similarly, a code of conduct containing in particular, a revised anti-corruption policy and a whistleblowing procedure was rolled out for all employees.

4.4. Nurturing our internal talents

4.4.1. 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.

At the end of 2018, our ambitious online training program "MyLearning Project" was launched in Europe. In 2019, we enhanced it with access available in nine languages and we were able to propose it to all employees worldwide. As such, 100% of our employees have access, without exception.

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 designed 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.

4.4.2. 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.

4.4.3. 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.

5. Conclusion[36]

2019 was a pivotal year in the structuring of our actions in terms of social, societal and environmental responsibility. With the support and backing of our four Brands and all our employees, we sincerely and wholeheartedly rallied around the three high value added strategic pillars that we have defined to protect the planet and people and have already consolidated some of these responsible measures.

In 2020, our Group would like to go even further and intensify its efforts to build a sustainable future for Parisian chic worldwide.

More than ever, we believe in sustainable growth where luxury and ethics are two sides of the same coin and we pledge to:

- Develop a responsible strategy by 2025 to raise tomorrow's challenges;
- Continue to involve our stakeholders by communicating about our CSR policy clearly and transparently;
- Assist and encourage our four Brands in the deployment of their own sustainable development strategy;
- Fully integrate our new De Fursac brand into our entire CSR policy.

6. 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.

6.1. Reporting period

The 2019 CSR report covers the period from January 1 to December 31, 2019.

6.2. 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.

All the data and indicators present in this Statement of Non-Financial Performance exclude the scope represented by De Fursac, acquired in 2019 and whose data is now consolidated at group level.

6.3. 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 replacing 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.

[36] Including De Fursac

6.4. Report verification

SMCP has entrusted the verification of the data presented in its CSR report to the independent third party, Deloitte.

6.5. Methodology used to analyze non-financial risks

The 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 General Counsel, the Group Director of Strategy, Digital and Development, and by the Group Director for Internal Audits.

6.6. 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.

The "Use of raw materials" indicator present in fiscal year 2018 has not been included in this reporting due to the internal transition to a new production tool (Product Lifecycle Management). The data will be presented in detail in the next fiscal year, after completing the transition.

6.7. Environmental data

Environmental data for the 2019 DEPF pertains to the Group's electricity consumption for the lighting of stores under direct management, headquarters and warehouses.

GHG emissions calculated and disclosed in this Statement of Non-Financial Performance concern scopes 1, 2 and 3 taken into account in the Carbon Balance that the Group performed with a specialized firm in 2019 on 2018 data.

6.7.1. 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. 562 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 includes the two SMCP headquarters (Etienne Marcel and Réaumur), the Sandro headquarters, the two SMCP North America headquarters (Crosby and Wall Street) and the SMCP Asia headquarters (Hong Kong and Shanghai). The Maje and Claudie Pierlot headquarters was excluded from the scope since invoices from 2019 are missing and no assumption has been made for the previous year's consumption

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 (excluding De Fursac). It does not include subcontracted warehouses in Asia or the USA, since SMCP has no influence over the energy supplied to those particular warehouses.

6.7.2. GHG emissions

All the GHG emissions data in the 2019 Statement of Non-Financial Performance was obtained from the Carbon Balance Report produced by the Group in partnership with a firm specialized in this kind of activity. The Carbon Balance was finalized in 2019 and concerns 2018 consolidated data.

6.8. Employee-related data

Employee-related data concerns indefinite-term and temporary contracts except the data relating to manager/non-manager breakdown and to hirings, departures and layoffs, which exclusively relate to permanent contracts. This is because managers are recruited on indefinite-term contracts and the Group considers that to have a reliable interpretation of the hirings, departures and layoffs trend, these indicators must be studied on the population benefiting from indefinite-term contracts, namely the company's permanent population who, under optimal conditions, are unlikely to leave the Group. The recognition of indefinite-term contracts alone also provides a fairer view of net jobs created thanks to the Group.

For the other social data, the excluded data concerns temporary employees, interns and apprentices. This can be explained by the fact that the Group wishes to enhance the reliability of its monthly social reporting to all of its business units and that this can be done by using a reporting scope based only on permanent contracts and fixed-term contracts, with an identification definition 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.

The "number of workplace accidents" indicator covers only workplace and commuting accidents that resulted in lost days, and not the total number of workplace and commuting accidents.

The "Hours of face-to-face training" and "Number of employees who benefited from at least one face-to-face training session" only concern training courses of at least three hours.

7. Indicator

Indicator	Sub-indicator	Unit	2018	2019	Definition	Data excluded	Scope
Responsible sourcing							
Results of employee and environmental audits	Audits carried out	No.	30	32	Employee and environmental audits (initial and follow-up) conducted for the reference year	-	World
	Coverage	%	37	46	Number of items for which at least one of the components is sourced from an audited plant (employee and/or environmental audit) or for which the assembly or production plant was audited in 2018 (retroactive to one year for the results) or 2019.	-	
	Breakdown of employees by type of seriousness	No.	-	83	Number of minor non-conformities	-	
		No.	-	65	Number of major non-conformities	-	
		No.	-	5	Number of critical non-conformities	-	
Production areas for our finished products and cut-and-sew products	EMEA	%	59.1	62	In terms of items produced Countries included: Albania, Belarus, Bosnia, Bulgaria, Spain, United Arab Emirates, France, Great Britain, Italy, Macedonia, Morocco, Poland, Portugal, Romania, Serbia, Slovakia, Tunisia, Turkey, Ukraine	-	World
	Asia	%	40.5	37	In terms of items produced Countries included: China, India	-	
	Other	%	0.3	1	In terms of items produced Countries included: Mauritius,	-	

Indicator	Sub-indicator	Unit	2018	2019	Definition	Data excluded	Scope
					Madagascar, Uruguay, Venezuela		
Production areas for our components	EMEA	%	54	62	In terms of expenses in € Countries included: Germany, Austria, Belgium, Bulgaria, Czech Republic, Egypt, Finland, France, Great Britain, Greece, Italy, Lithuania, Morocco, Netherlands, Poland, Portugal, Romania, Slovakia, Spain, Switzerland, Turkey	Consumables	World
	Asia	%	37	33	In terms of expenses in € Countries included: China, Hong Kong, India, Indonesia, Japan, South Korea, Taiwan, Thailand.		
	Other	%	9	5	In terms of expenses in € Countries included: South Africa, Madagascar, New Zealand, Venezuela		
				Environmental footprint			
Electrical consumption	Number of points of sale	No.	510	562	Number of stores at 12/31/2019	Affiliates, concessions, wholesale	World
	Point of sale average	kW/m²	0.026	0.026	Average electrical consumption of points of sale linked to lighting	Points of sale managed as corners, affiliates, wholesale Consumptions linked to the heating/air conditioning system Consumption of reserves	World
	Points of sale energy consumption	kWh	4,174,061	4,413,132	Electrical consumption linked to the lighting of the network of stores	Points of sale managed as corners, affiliates, wholesale Consumptions linked to the heating/air conditioning system Consumption of reserves	World
	Head office consumption	kWh	1,034,552	1,567,558	Head office electrical consumption	-	World

Indicator	Sub-indicator	Unit	2018	2019	Definition	Data excluded	Scope
	Consumption of warehouses	kWh	948,044	888,968	Electricity consumption in our directly managed warehouses	-	World
	LED coverage of our points of sale	%	56	70	Percentage of points of sale with full LED lighting	Affiliates, concessions, wholesale	World
Transport	Breakdown of means of transport for upstream freight Asia-France		68	63	% use of aircraft for upstream transport Asia-France	-	World
			29	33	% use of vessel for upstream transport Asia-France		
			3	4	% use of rail for upstream transport Asia-France		
GHG emissions	Full scope GHG emissions	tCO_2	181,183	-	Number of tons of CO2 emitted by the SMCP Group	-	World
				Development of employees			
Employees	Total employees	No.	5,873	6,426	Number of men and women employed by SMCP at December 31, 2019	Temporary staff	World
	Total women	No.	4,782	5,258	Number of women employed by SMCP at December 31, 2019		World
	Total Men	No.	1,091	1,168	Number of men employed by SMCP at December 31, 2019		World
	Female members of the Executive Committee	No.	5	6	-	-	World
	Male members of the Executive Committee	No.	7	7	-	-	World
	Female managers	No.	368	368	Number of female managers	Temporary staff	France
	Male managers	No.	112	116	Number of male managers	Temporary staff	France
	Non executive women	No.	1,534	1,525	Number of female supervisors and female employees	Temporary staff	France
	Non executive men	No.	443	457	Number of male supervisors and employees	Temporary staff	France
	Breakdown of employees by type of sites	No.	866	920	Number of employees at head offices	Temporary staff	World

Indicator	Sub-indicator	Unit	2018	2019	Definition	Data excluded	Scope
		No.	153	148	Number of employees at warehouses	Temporary staff	World
		No.	4,854	5,358	Number of employees inside the network	Temporary staff	World
	Employee breakdown by age	No.	130	171	Employees under 20 years of age	Temporary staff	World
		No.	3,040	3,194	Employees between 20 and 29 years old	Temporary staff	World
		No.	2,017	2,267	Employees between 30 and 39 years old	Temporary staff	World
		No.	510	582	Employees between 40 and 49 years old	Temporary staff	World
		No.	176	212	Employees over 50 years of age	Temporary staff	World
	Employee breakdown by geographic region	No.	2,457	2,466	France employees	Temporary staff	World
		No.	1,580	1,771	Europe employees (excluding France)	Temporary staff	World
		No.	786	865	North America Employees	Temporary staff	World
		No.	1,050	1,324	Asia Employees	Temporary staff	World
Turn-over	New hires	No.	3,471	3,417	Number of new hires in 2019	Fixed-term contracts, interns, apprentices, temporary workers	World
	Departures	No.	3,068	3,212	Number of departures, for any reason, in 2019	Fixed-term contracts, interns, apprentices, temporary workers	World
	Layoffs	No.	192	190	Number of departures due exclusively to layoff by the employer	Fixed-term contracts, interns, apprentices, temporary workers	France
Compensation	Payroll	Millions of euros	212.3	237.2	Sum of all gross salaries and employer social security charges, as well as profit-sharing and incentive plans	-	World
Training	Hours spent on in-person training	No.	15,365	25,150	Number of hours spent on face-to-face training	-	World
	Hours spent on e-learning	No.	2,570	54,206	Number of hours spent on e-learning	-	World
	Employees who have received at	No.	1,982	2,907	Number of employees who have	-	World

Indicator	Sub-indicator	Unit	2018	2019	Definition	Data excluded	Scope
	least one face-to-face training				received at least one face-to-face training		
	Employees who have received at least one e-learning training	No.	2,348	5,931	Number of employees who have received at least one e-learning training	-	World
Workplace accidents	Workplace accidents	No.	88	107	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 S.A., 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, 2019 (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:

- *Neither the entity's observance of other applicable legal and regulatory provisions, or of anti-corruption and anti-tax evasion measures;*
- *Nor, the 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 risks.*
- *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 presents the disclosures described under section II of Article R. 225-105 when relevant with respect to the main risks and includes, where appropriate, 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 referred to documentary sources and conducted interviews to;*
    - *Assess the selection process and the validation of the main risks as well as the consistency of the results including the key performance indicators adopted with respect to the main risks and policies presented and*

- *Corroborate the qualitative information (actions and results) that we considered to be the most important[37] - for those concerning certain risks (Supplier relations, product information and labeling, use of responsible raw materials), our works were carried out at the level of the consolidating entity, for others, at the level of the consolidating entity and in a selection of entities.*

- *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 reviewed the internal control and risk management procedures set up by the entity and 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[38] 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[39] and covered between 66% and 97% of the consolidated data of key performance indicators and results selected for these tests;*
- *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 five persons between January and April 2020.

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

The disclosures published in the declaration of non-financial performance on the Group's environmental performance are limited: the carbon balance relates to 2018 and the published energy consumptions only cover a portion of electricity consumption

Based on our work, except for the items described above, we detected no material misstatement likely to call into question the fact that the Declaration is compliant with the applicable regulatory provisions and that the Disclosures, taken as a whole, are presented fairly in accordance with the Guidelines.

Paris-La Défense, April 29, 2020

One of the Statutory Auditors

Deloitte & Associés

Albert Aidan	*Julien Rivals*
Partner, Audit	*Partner, Sustainability Services"*

[37] Develop healthy, sustainable relations with our suppliers to help them comply with our requirements and our sustainable ambitions. Guarantee the traceability of our clothes and accessories, prioritize responsible raw materials.

[38] Total number of employees; Total number of women; Total number of female managers; Number of new hires; Number of layoffs; Number of departures, 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; Number of social and environmental audits carried out, Coverage of social and environmental audits carried out, Electricity consumption (head office buildings, warehouses, points of sale);

[39] Group activity in France and in Europe

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	5 and 7
The results of the Company and its subsidiaries during the fiscal year just ended (especially debt position)	7 and 8
Financial key performance indicators	7 and 8
Principal risks and uncertainties	3
Information on market risks and financial risk management	3.4 (and 18.1.1 Note 6.17.1)
Acquisitions of equity interests	7 and 25
Research and development, patents and licenses	5.11
Foreseeable changes and future outlook	10 and 11
Subsequent events	18.1.1.1 Note 8.5 and 18.7
Share capital and shareholding	
Composition and changes to the shareholding and share capital	16.1 and 19.1.7
Table summarizing current delegations of authority for capital increase and implementation of such delegations during the fiscal year	18.1.1.1
Acquisitions and disposals of treasury shares by the Company	19.1.3
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	16.5
Names of controlled companies and % of capital held by the Company	6
Share divestments to adjust cross shareholdings	N/A
Governance	
Method of Executive Management	12.1.2
Composition of the Board of Directors	12.1.1 and AppendixI
Compensations of corporate officers and executives	
Compensations of corporate officers and executives	13
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	6.2, 17 and Appendix II
Non-financial, especially environmental and social key performance indicators	6.2, 17 and Appendix II
Information on facilities listed in "upper threshold" SEVESO category	N/A
Other legal and tax information	
Dividends paid	18.4
Information on supplier terms of payment	7.1.2.4
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	18.5

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