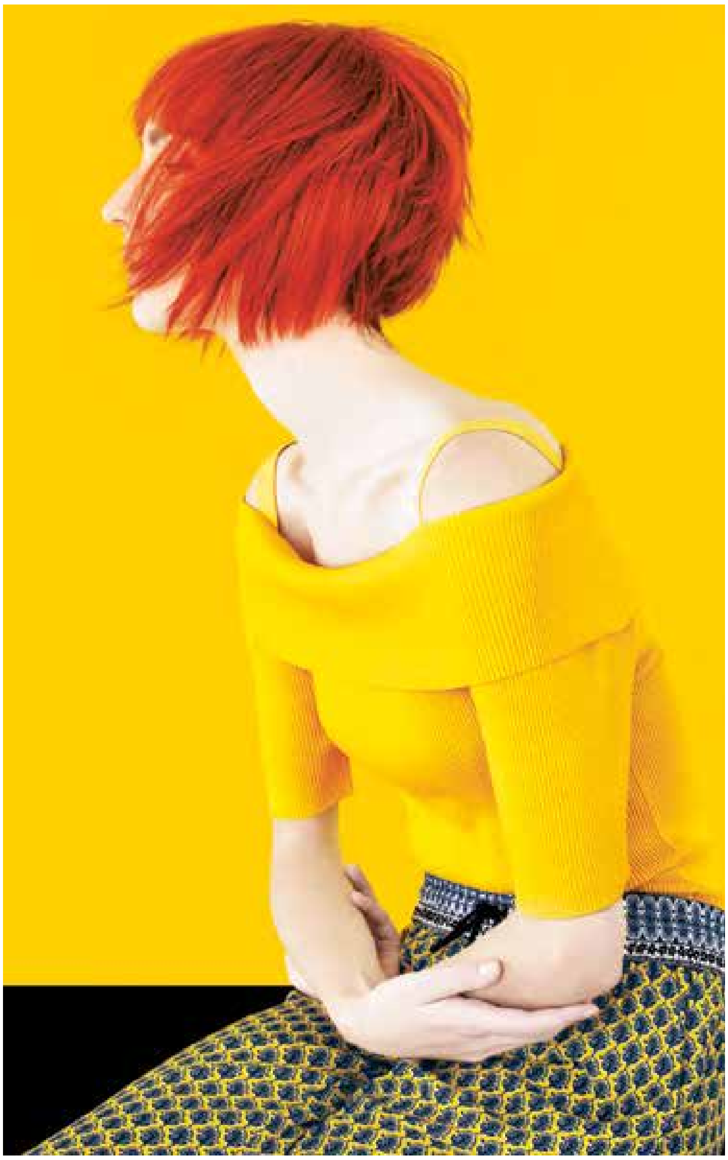

ANNUAL REPORT 2016

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ANNUAL REPORT 2016

MESSAGE FROM THE CEO & FNG FOUNDERS

2016 was a year with major achievements for FNG N.V. ("FNG") in the Benelux fashion, apparel and shoe market. FNG acquired a strong brands portfolio with Miss Etam, FNG Group's brands and Brantano.

FNG's buy-and-build strategy focuses on realizing synergies and economies of scale through the integration and optimization of business processes and the innovation of brands and store concepts, clicks & bricks. A strategy that pays off.

EMOTIONAL PRODUCTS, RATIONALLY MANAGED

FNG wants to offer shrewd answers to the challenges that the fashion retail market brings each day. Key for every premium fashion retailer is to offer consumers the right product, at the right moment, in the right location. A sleek organization that realizes this, produces best-in-class results: higher sales volumes, better margins and stronger operating cash flows.

MANAGING THE FULL VALUE CHAIN SUCCESSFULLY

One dress passes through more than 200 pairs of hands before it reaches the wardrobe of the end consumer. This journey starts from a mood board to a design sheet, and passes through the model makers for patronage and sizing, via the purchasing team to the production sites throughout the world, and ultimately via a logistics network until it reaches the (web)shop. Ordered today, delivered tomorrow. A complex process.

This is why FNG is a fully vertically integrated company. Development of premium brands requires room for creativity that forms an integral part of a tightly steered process. FNG has offices in Belgium and the Netherlands that rise to the challenge of being a well-oiled machine each and every day, and this at the service of the diverse shop formulas that it puts onto the market. Integrated sourcing and design leads to attractive margins, which is why FNG has such strong styling teams for each brand and a direct link with the production sites via purchasing offices in Turkey, India and Hong Kong.

BRAND PORTFOLIO MANAGEMENT CREATES OPPORTUNITIES

FNG consciously builds a brand portfolio of fashion and retail brands. FNG markets a complementary portfolio of brands such as Brantano, Miss Etam, Claudia Sträter, CKS, Fred & Ginger, Expresso, Steps, etc. FNG has more than 500 concept stores in the Benelux across these brands.

The fact that not every item can be top-selling is offset by rotation: FNG brings more than 10 collections per brand onto the market each year. Also not every store location is 'top' for every brand. FNG's answer: "Active portfolio management", where it is possible to quickly and flexibly switch between store formulas, so that talented people can remain employed and rental liabilities are optimally managed – that is the key to success.

ACT OMNI-CHANNEL TO SERVE OUR CUSTOMERS BEST

Consumer behaviour is changing faster than ever before. Consumers are embracing new technology ever faster, and are becoming better and better informed.

FNG's answer is an omni-channel focus. This is more than focus on e-commerce.
The youngest generation of consumers doesn't even know the difference between online and offline shopping. Brands profit from the opportunities resulting from the increased number of contact moments with the consumer that purchases from you, whether it be online or offline. Every moment of contact is an opportunity for upselling.

"Nothing sells like service" - FNG does this by investing substantially in contemporary store concepts, and by coaching our sales people in our stores to become our ambassadors.
This calls for continued attention for training, guidance and inspiration.

Finally, there is the macro-economic context of a Western European fashion, apparel and shoe market that is undergoing such a big wave of consolidation. FNG wants to play an important role as consolidator in the Benelux and to reap the benefits of rapid integration of the acquired brands/companies.

In the next few years, FNG aims to continue to play an important role as consolidator in the Benelux market with an important focus on achieving synergy between the acquired brands.

Dieter Penninckx | CEO
Anja Maes | Creative Director
Manu Bracke | Operations Director

FAST FACTS

Company name:
FNG N.V.

Legal Form:
public limited liability company

Registered Office:
Amsterdam

Address:
Oostweg 2, 2723 RH Zoetermeer, The Netherlands

Trade Register Number:
16014685 (Chamber of Commerce, Netherlands)

Date of incorporation:
29/12/1953

Country of incorporation:
The Netherlands

Financial Year:
January 1 – December 31

Quotation Market:
Euronext Amsterdam (“FNG”)

Authorized Share Capital:
EUR 2,152,843.12

Issued Share Capital:
EUR 643,391.36

Shares outstanding:
8,042,392 shares (6,041,766 ordinary listed shares, 2,000,625 unlisted class A shares and 1 priority share)

Shares ISIN Code:
NL0012047849 – Euronext Symbol: FNG

FNG Management / Founders:
D. Penninckx
A. Maes
E. Bracke

Directors:
D. Penninckx
L. H. van de Schoor

Members of the Supervisory Board:
E. Verbaere
G. van Ossel
E. Lathouwers

FNG'S BRAND PORTFOLIO

REPORT OF EXECUTIVE BOARD

The performance in 2016 reflects the successful execution of the FNG-strategy, as well as the growth plans.

KEY FIGURES

> 500
own concept stores

> 3,000
employees

≈ 460,000,000
turnover

> 10
brands

> 1,500
multi-brand stores

≈ 5,000,000
Benelux customers

Pro forma figures (local GAAP) as if the different groups of FNG, i.e. Miss Etam Group, Brantano Group and the Original FNG Group, were part of FNG during the entirety of financial year 2016:

	2016 (EUR)
Revenue	459,833
Ebitda	37,620
Total assets as of year-end	560,442
Equity attributable to equity holders of the company	234,988
Number of shares as of year-end	8,042,392

MAJOR EVENTS 2016

ACQUISITION OF THE MISS ETAM GROUP

On 5 January 2016, FNG N.V. (at the time named "N.V. Dico International") acquired all of the shares in the capital of R&S Finance B.V. through a so-called reverse listing transaction. On that same day, it changed its name to "R&S Retail Group N.V." In 2015, R&S Finance B.V. acquired the exploitation of the brands Miss Etam and Promiss, after the bankruptcy of the Etam Group. On 18 January 2017, R&S Retail Group N.V. changed its name to FNG N.V.

ACQUISITION OF THE ORIGINAL FNG GROUP

On 24 March 2016, FNG N.V. (at the time named "R&S Retail Group N.V.") has announced its intention to launch a voluntary conditional public take-over bid on all shares and warrants issued by FNG Group NV. The Exchange Offer was settled on 9 September 2016. On 29 August 2016 FNG N.V. initiated the squeeze-out procedure. As a result of the Exchange Offer and subsequent squeeze-out, FNG Group NV became a 100% subsidiary of FNG N.V.

ACQUISITION OF THE BRANTANO GROUP

On 14 September 2016, the Brantano Group became part of FNG. Brantano is one of Belgium's largest and most famous shoes retail chains under the brand name "Brantano".

PRIVATE PLACEMENT

On November 24, 2016, FNG acquired new capital of EUR 32 million under a private placement of 1,000,000 unlisted Class A shares, bringing the total number of outstanding shares to 8,042,392.

FNG = Miss Etam + FNG group + brantano

Ginger

CKS

GENERAL STRATEGY

The strategy of FNG is focused on:

i. creating value by managing a complementary brand portfolio via buy and build,

ii. optimizing corporate processes and using synergies,

iii. a heavy emphasis on the omnichannel approach, and

iv. a lean result-focused organization with a unique corporate culture.

In a time when some traditional (mostly monobrand) fashion retailers are struggling, due to increased international competition, pressure on the margins and strong online sales growth, FNG is able to create value.

BUY & BUILD: BRAND VALUE & BRAND PORTFOLIO MANAGEMENT

Every brand has a unique and strong identity aligned to its target consumer group. Value is created by investing wisely in building strong brands by marketing and retail concept development.

FNG's brand portfolio is very diversified in terms of style groups, sizing and price points. Some brands are primarily retail brands (Brantano, Miss Etam), other are more product brands (e.g. Fred & Ginger, CKS, Expresso, Claudia Sträter).

FNG optimises its brands and retail formulas to serve the customer best. Brands also cross-sell internally and can for instance be sold in another brand's store.

Brand portfolio management is key in FNG's risk management. Fashion cannot be approached as pure science. Therefore, to minimize collection risk, FNG's fashion brands release 10 up to 15 collections a year. Moreover, the complementary brand portfolio gives FNG the advantage to manage its "store liabilities" (lease, social & other contractual liabilities). Running 2, 3 or more different brand stores in one single city, its brand portfolio gives FNG the flexibility to change smoothly from one concept to another if necessary.

BUSINESS PROCESS OPTIMIZATION, SYNERGIES AND KNOW-HOW SHARING

FNG's founders have a Master in Engineering, and process optimization has always been a key point of attention during the development of the company.

FNG focuses on efficiency with regards to the back office. Inventory accuracy, intelligent allocation of the products, and cost efficient logistics supported by excellent ICT are key. FNG's ICT platform is developed so that it can support future acquired retail chains.

FNG realizes hard synergies by sharing services such as Finance, HR, Logistics and IT across brands. HQ (headquarter) and DC (the state-of-the-art Distribution Centre in Zoetermeer) resources are shared. A lean staff at the headquarters, servicing the stores in an efficient and well-organized manner, enables higher profitability for the group. Moreover, the purchase of services and non-trading goods in the area of IT, HR, administration and "other costs" (utilities, licenses, rent, maintenance, etc…) are grouped and optimised. This leads to benefits of scale, creating purchase benefits and hence lower costs.

More hard synergies are realized in buying and sales. FNG has a buying platform with own offices in Turkey, India and Hong Kong, supporting the brands to source their products in an efficient way. FNG's buying platform purchases goods directly from the production sites. Higher combined volumes lead to a stronger negotiation position towards suppliers and to a substantial improvement of the gross margin.

Sales management for larger accounts is coordinated at group level and creates a unique position towards these accounts, i.e. Wehkamp, Zalando, Bol.com, Inno, Bijenkorf, … In retail sales, the focus on instore productivity enables a maximum impact of the sales force at minimal cost. And as store rents are under pressure in a lot of Benelux cities, FNG has a focus on negotiating the optimal rents, ensuring that each store will contribute at a healthy level to the group.

F.R.E.D. Concept Store

Important soft synergies between brands can be identified such as sharing know-how and best practises, human resource management & talent pooling, etc…

From a corporate finance point of view, FNG centralizes the group financing, from classic bank financing, to bond emissions and equity funding. The listing of the shares of FNG N.V. provides opportunities to attract external capital to finance the growth of the group. In addition, acquisitions can be fully paid by shares, or new emissions can be placed to finance acquisitions.

OMNICHANNEL, DATA AND DIGITAL

The digital revolution is happening at an incredible pace. FNG keeps up by investing in its sales and marketing digital platforms as well as in a flexible and integrated supply chain. These investments help the brands to market and sell their products in a way that is adapted to the consumer's behaviour and preference.

Knowing your customer is critical in being successful as a fashion retailer. FNG puts a lot of energy and effort in knowing its customer and managing 'big data', which results in dedicated marketing communication based on this consumer behaviour.

Examples of these include capabilities such as segmented marketing campaigns (up to one-on-one segmentation), individual web page merchandising, individual styling services, virtual stock that can be sold via different channels, individual delivery options for online sales, etc… Through investing in online and omni-channel sales, FNG currently makes a significant amount of its revenue online, i.e. up to 25% of total revenues for Miss Etam.

Since a couple of years, retail and product brands blend more and more. The strategy used by FNG focuses on a seamless shopper experience, regardless of the channel of sales. Shoppers experience the same branding ("look and feel") online as well as in the stores.

PEOPLE & ENVIRONMENT

FNG's experienced management has a strong focus on people and environment. FNG focuses on corporate & social responsibility. The signing of the Covenant of Sustainable Clothing and Textile is one of the examples, but in particular by centralizing production and having about 50 own employees in the production countries, FNG wants to ensure compliance.

Fred & Ginger

Ginger Gent

MARKET DEVELOPMENTS

CKS Antwerpen

GLOBAL FASHION AND FOOTWEAR MARKET

The global apparel and footwear market continues to provide steady growth despite weakening performances in Brazil and Russia and softer growth in China. A sustained recovery in Western Europe remains elusive, while the Middle East and Africa further illustrates its strong growth potential providing a significant boost to global apparel and footwear sales.

Outlook for Western Europe showing tentative signs of improvement

The Western European apparel & shoe market is a consumer-driven cyclical market has been under pressure over the past decade. Western Europe experienced negligible growth again in 2015, however, with the exception of Greece and Italy, there are signs of a turnaround as momentum builds in markets such as Turkey, Norway and Spain. As performance within the region varies, future growth appears fragile.

Proliferation of sportswear and comfort dressing continues

Wellness lifestyle trends, combined with dynamic growth of performance and sports-inspired apparel and footwear has led to an inexorable shift towards comfort dressing on a day-to-day basis. Noticeably, sports footwear continues to drive growth as consumers demand functionality and comfort in their everyday shoes.

Childrenswear dominates growth in apparel

Growth in childrenswear surpasses both men and womenswear in 2015 for the third consecutive year, driven by fashion's infiltration into the category alongside favourable demographics and aspirational consumption in emerging markets.

MAIN MARKETS OF FNG: BENELUX

This Section describes the markets in which FNG operates. The main geographies are the Netherlands (53% of sales) and Belgium (42% of sales). FNG is also active on the business to business market in Spain, France and Germany. The most important banners are Miss Etam (women outerwear in the Netherlands) and Brantano (footwear complemented with outerwear for the whole family in Belgium). They both are omni-channel retailers, operating stores as well as a webshop.

Hereafter an overview is given of the most important trends first in the overall retail trade, followed by developments in the clothing industry, a description of the consequences of omni channel, and finally an overview of trends specific to women's fashion.

THE NETHERLANDS

Retail trade

FNG is active in the retail trade. This sector comprises companies offering products to consumers.

The overall economic climate is very important for the retail trade. In the Netherlands, the economic recovery started in 2014 and the outlook continues to be positive. In March 2017 the consumer confidence has reached the highest level since June 2007. In 2015 and 2016 consumer spending grew with 1.8 and 1.7% respectively, with a forecasted growth of 2.1% in 2017 and 1.6% in 2018.

As a result, the Dutch retail trade has seen its volume grow by 2.3% in 2015 and 1.4% in 2016. For 2017 and 2018 the forecasted volume growth amounts to 1.5% and 1.3% respectively.

This is a very positive evolution as the retail trade experienced several bad years in a row. Since the crisis in 2009, consumers held off on spending and the low confidence in the economy translated into declining revenue for the entire sector. In 2015, consumer spending remained 2.7% below the pre-crisis levels, while sales volumes were 10% lower than 8 years ago. Not only purchasing power has declined significantly, the contraction of the housing market has also affected consumer spending.

CKS Maastricht

In addition, the growth of the internet has had a major impact on the retail sector. Year after year online sales increased and in Q4 2016, according Thuiswinkel.org, 16% of consumer product purchases are done online. The trend towards an increasing proportion of online sales within the retail market is expected to continue.

A few companies were able to benefit from this, but for most of the traditional retail companies the changes came too fast. Many offline-only companies were struggling or went bankrupt. However, there are quite some success stories and companies that grow against the trend and realize healthy profit margins. These are mostly players that excel in the area of multichannel, or omni channel. Consumers nowadays are 'channel agnostic', and expect a brand experience to be consistent at all times, irrespective of the way in which that experience is created. Whether a customer is introduced to a brand on his mobile phone, tablet or laptop, the experience should be the same or at least compare to a physical store visit.

Fashion & footwear

The Dutch fashion industry is clearly benefiting from the economic recovery. In 2016 sales volume grew for the second year in a row. The whopping fourth quarter volume growth of 9.6% resulted in a volume growth of 3% for the year 2016 overall, more than double the 1.3% growth in 2015. In 2017 and 2018 the forecasted volume growth amounts to 1.7 and 1.5% respectively.

These figures illustrate that retail fashion has recovered later than the retail trade overall. Whereas basic necessities continued to be purchased even in the crisis years, the fashion industry suffered heavier blows.

Even once the purchasing power had started to increase, people have not immediately started to spend more on fashion; paying off debt, saving or buying a home still took priority over luxury spending. But after modest growth in 2015, in 2016 fashion retail grew faster than the overall retail trade.

Unfortunately this positive news needs to be placed in perspective: fierce competition and a rising dollar are putting pressure on the margins. Profit margins have declined from 5.5% in the pre-crisis years to -0.8% in 2016.

The good news is that in 2016 fashion retailers managed to increase their prices, after price decreases in 2014 and 2015. *(Source: ABN AMRO: Retail sector forecast 23rd March 2017)*

According to Euromonitor, e-commerce is now accounting for 14.9% of all Dutch clothing sales, just below the 16% share of overall product sales.

Women's fashion

Over the past years, women's fashion has performed worse or in the best case the same as the overall fashion industry. When comparing women's fashion to other segments of the fashion sector (and the sector as a whole), it did not perform better in any year, and in many years, women's fashion experienced the greatest loss in revenue year on year. Revenue trends were quite negative for a few years in a row.

Women's fashion is slightly more vulnerable to seasonal changes than men's and children's fashion, and the peaks are therefore slightly higher in the best-performing months. The outliers in sales are in March and October, when the summer collection and winter collection are released, respectively.

Revenue growth (in % relative to previous year/period)

	2010	2011	2012	2013	2014	2015	2016
Women's fashion	0.0	-7.9	-6.0	-4.5	-1.7	-4.3	-2.0
Men's fashion	0.7	-3.7	-6.8	-2.9	-0.4	1.6	2.1
Baby and children's fashion	-1.4	-5.3	-3.6	-3.2	0.4	-0.7	6.4
Body fashion	-8.8	-5.6	-4.2	-3.2	0.7	3.6	6.9
Total fashion industry	**-0.1**	**-6.2**	**-6.0**	**-3.7**	**-1.4**	**-1.2**	**1.9**

Source: INretail/GfK FashionScan

Brantano Mechelen

BELGIUM

Retail trade

While the Belgian economy was hit far less hard by the financial crisis than the Dutch one, the current economic recovery in the Netherlands is outperforming the Belgian one on all dimensions.

For instance, the Belgian 2015 and 2016 economic growth of 1.5% and 1.2% respectively were below the Dutch growth rates of 2.0% and 2.2%. In 2016 Belgium also had one of the highest inflation rates within the Eurozone: 1.8% vs. 0.2%.

The forecasted economic growth remains modest: 1.4% in 2016 and 1.5-1.6% in 2018 and 2019.

As a result, the Belgian retail trade is also underperforming the Dutch. In 2016, Belgian non-food retail saw its sales shrink by 0.7% *(source: GfK Retailscan)*.

The shift to online is also slower in Belgium than in the Netherlands. In 2016, 8% of product retail sales was online, compared to 12% in the Netherlands *(sources: GfK for BeCommerce and Thuiswinkel.org)*. But the current growth rate of Belgian e-commerce is among the highest in Europe, so that Belgium is expected to reduce the gap with the Netherlands.

Fashion & footwear

The Belgian fashion and footwear market is performing even worse than non-food retail overall. In 2016 the euro sales declined by 3.2%.

The biggest losses were reported for outerwear women (-2.7%) and kids (-3.8%). Sport shoes (+4.5%) was the best performing segment in 2016. *(Source: GfK)*

The footwear market accounts for just under 22% of the total Belgian fashion market *(Source: Euromonitor)*.

Consolidation in the retail landscape

A final prominent trend of the past few years is the consolidation that is currently happening in the retail landscape. Independent retailers are experiencing increasing pressure now that large, international chains are expanding. Joint purchasing, distribution and marketing led to significant financial benefits for chains, and the average independent entrepreneur cannot compete against this. By joining forces, better bargaining positions are created against suppliers, in turn leading to improved purchasing conditions. Consolidation also leads to economies of scale, for example in terms of logistics, IT and Human Resources. Experience teaches us that employees stay longer and have more development opportunities in larger retail organization. As a result, talent remains with the companies longer, who benefit from this in many different ways. Finally, cooperation allows for the sharing of knowledge, experience and best practices. All this underpins the consolidation trend in the retail industry, which is expected to only develop further. Unless a small business is significantly distinctive and knows how to profile himself well locally, he will in many cases lose to the chains. This is one of the factors that will play a role in the changing retail landscape over the next years.

REVIEW OF BUSINESS

FINANCIALS

FNG closed the 2016 financial year with strong results. As a result of the successful acquisitions of the Miss Etam Group, the Original FNG Group and the Brantano Group, FNG realised a significant revenue growth, EBITDA and free cash flows.

LTM PRO FORMA CONSOLIDATED RESULTS

The LTM ("Last Twelve Months") pro forma consolidated results of FNG, assuming that the aforementioned acquisitions had been made at the beginning of the year 2016, show a revenue of EUR 459.8 million and a REBITDA of EUR 37.6 million.

More than 50% of the total revenues on a yearly basis were realized by the Original FNG Group. The Miss Etam Group realized a turnover of EUR 99 million (21.5% of total revenues) and the Brantano Group EUR 123 million (26.7% of total revenues). The FNG-strategy works for the Miss Etam Group and Brantano Group. After a thorough reorganization, both companies realized a successful turnaround, resulting in EBITDA-levels on yearly basis of respectively EUR 2.9 million and EUR 4.4 million.

ACTUAL CONSOLIDATED FINANCIALS

Consolidated Figures (IFRS): The Original FNG Group was consolidated for 6 months and the Brantano Group for 4 months, since both entities were only acquired in July 2016, respectively September 2016.

Revenue increased with EUR 169 million compared to 2015, up to an amount of EUR 242 million. EBITDA amounts to EUR 20.8 million, which is an increase of EUR 19.0 million compared to prior year (2015: EUR 1.8 million).

The net result shows an improvement as the loss of EUR 3.0 million in 2015 decreased to EUR 2.2 million for 2016. Moreover, the loss for 2016 contains significant costs made for the acquisitions and restructuring programs performed. The solvability ratio, defined as equity versus total equity and liabilities increased from -/-11% at 31 December 2015 to 42% at 31 December 2016.

The current ratio, defined as current assets including cash divided by current liabilities, also increased from 124% at 31 December 2015 to 153% at 31 December 2016.

Statement of comprehensive income

(in thousands of euros)	**2016***	**2015****	**pro forma LTM 2016*****
Revenue	242.298	73.029	459.833
Cost of merchandise	(102.137)	(32.548)	(213.541)
Gross profit	**140.162**	**40.481**	**246.292**
Employee benefit expense	(47.702)	(14.694)	(82.419)
Other operating expenses	(71.618)	(23.995)	(126.253)
Recurring operating profit/(loss) before amortisation and depreciation expense (REBITDA)	**20.841**	**1.792**	**37.620**
Amortisation and depreciation expenses	(9.468)	(882)	(28.702)
Recurring operating profit/(loss) (REBIT)	**11.374**	**910**	**8.917**
Non-recurring items	(7.688)	(4.090)	(3.832)
Operating profit/(loss) (EBIT)	**3.686**	**(3.179)**	**5.085**
Financial expenses	(6.319)	(770)	(9.390)
Profit/(loss) before taxes	**(2.634)**	**(3.950)**	**(4.305)**
Income taxes	429	977	2.915
PROFIT/(LOSS) FOR THE PERIOD	**(2.205)**	**(2.972)**	**(1.390)**

(1) Consolidated figures (IFRS): The Original FNG Group was consolidated for 6 months and Brantano for 4 months, since both groups were only acquired in July 2016, respectively September 2016.
(2) Published annual 2015 figures of R&S Finance B.V. (Miss Etam).
(3) Pro forma (non-audited) figures (local GAAP) as if the different groups of the Group FNG, i.e. Miss Etam Group, Brantano Group and the Original FNG Group, were part of the Group FNG during the entirety of financial year 2016.

F.R.E.D. Concept Store

FINANCING

Per 31 December 2016, the total financial debt, including bond and bank debts amounts to EUR 178 million. This is excluding other loans of EUR 18.3 million (including the real estate leasing of FNG headquarter offices in Belgium). The average effective interest rate percentage on the loans outstanding in 2016, including the financial instruments linked to these monetary loans, amounts to 4.90%.

The primary financing ratios, as stated in the standing bank credit facilities, are:

- For the Miss Etam Group a 30% solvability ratio
- For the Brantano Group a 25% solvability ratio
- For the Original FNG Group a minimal equity of EUR 60 million and a maximal leverage ratio (Net senior debt versus EBITDA) of 2.75. This will be 3.0 in 2017.

There has been significant headroom at the end of the year 2016.

TAXATION

As FNG is present in multiple countries, the company is confronted with different tax regimes. FNG organises its tax affairs in a conservative manner, taking into account what is fiscally permitted based on local and international legislation and legal precedents.

TAX ON PROFITS

The effective tax burden on current year result is 16% which is more or less in line with the group's (weighted) average tax rate.

TAX LOSES CARRIED FORWARD

FNG has a significant amount of tax losses carried forward available for future compensation and it is expected that these will be realized in the coming years. The total amount of tax losses carried forward as of 31 December 2016, for which a tax asset is recognized, amounts to EUR 18.0 million.

RESEARCH AND DEVELOPMENT

Technology is changing the retail market faster as initially expected. FNG is therefore also investing heavily in its online platform and efficient solutions for the retail market, such as the automated logistic platform which gives FNG an advantage in the market. Besides, FNG is continuously investing in innovation, design of clothes, branding and new concepts for their stores.

UNEQUAL DISTRIBUTION OF SEATS

During the financial period 2016 as well as on the date of this Annual Report the number of seats in the Executive Board are not equally divided between both genders. For the fulfilment of any future vacancies, several factors will be taken into consideration, amongst others the intention for an at least 30 percent representation of each gender in the Executive Board.

FNG headquarters Mechelen © Luca Beel

EMPLOYEES AND ORGANIZATION

Ginger Gent

FNG believes in inspiring the more than 3,000 people that work for them. Corporate DNA include key values as respect, can do mentality, no-nonsense management and out-of-the-box thinking.

The company is organised in business units. Each business unit focuses on the core value chain of one brand, including styling, buying, merchandising, sales and marketing. These are the profit centres. Every business units goal is to deliver a profit & loss contribution for its brand, while the shared services units are there to serve the profit centres.

The majority (approx. 2,550) of the employees are sales people in the different brand stores. More than 500 employees work in the headquarters of FNG in Belgium and the Netherlands, and about 50 people are employed in the local buying offices in Turkey, India and Hong Kong.

HEADCOUNT

	The Netherlands	Belgium	Other	Total
In number				
31-12-2016	1,800	1,255	72	**3,127**

CONCEPT STORES (including shop in shop)

	The Netherlands	Belgium	Other	Total
31-12-2016	301	211	12	**524**

CSR – CORPORATE SOCIAL RESPONSIBILITY

VISION

FNG is aware of the potential impact of their products and production processes on society and the environment. FNG wants its articles to be produced in a fair and honest manner, with respect for the people who work hard and commit their time and effort to creating them. FNG in Belgium and the Netherlands is working together with the Fair Wear Foundation and BSCI to offer support and monitor workforces throughout the entire production chain. The Dutch brands have also signed the ‘Convenant Duurzame Kleding en Textiel’, an agreement for sustainable practices in the clothing and textile industry.

PEOPLE

FNG Code of Conduct

FNG has drafted a Code of Conduct that new suppliers are informed of and obliged to follow at all times in their collaborations with FNG. The primary points in the FNG Code of Conduct focus on:

1. Following all legal requirements
2. No forced labour
3. Legal work contracts
4. Freedom to join a union
5. No child labour
6. No discrimination
7. Treatment of employees
8. A safe and healthy workplace
9. Remuneration policy
10. Environmental and product safety
11. Animal welfare

Monitoring and audit systems in production countries/local offices

The production of FNG brands outside the Benelux region is supported through local offices in India, China and Turkey.

The purchasers and CSR coordinators in the Benelux region work together with their colleagues from these local offices, leading to smoother communication with suppliers and frequent visits to the production locations. Furthermore, in India, China and Turkey, a local CSR office will begin working to implement CSR projects pursued by FNG in the production locations. This will enable FNG to build stronger and more reliable relationships with suppliers.

Charities

By providing clothing, footwear and financial donations, FNG helps various social initiatives and in doing so, FNG contributes to fighting poverty and to scientific research into health. In Belgium, FNG supports Wereld Missie Hulp (a worldwide help organization), Stichting tegen Kanker (fighting cancer), Kinderkankerfonds (fighting childhood cancer), School zonder Pesten (stopping bullying in schools), Innocenti (working to eliminate hunger in the poorest countries in the world) and other charities. In the Netherlands, these charities include Dress for Success (providing women with professional attire, support and career guidance), Voedselbank and Hoop voor Morgen (both of which provide food for those who cannot afford it), KWF (fighting cancer) and Look Good … Feel Better (which helps cancer patients with their appearance).

Ginger Gent

PLANET

RSL

The products that FNG releases to the market need to fulfil the requirements of REACH legislation; these laws forbid the use of damaging chemicals in products that are sold in Europe. All applicable chemicals are specified in the FNG Restricted Substances List (RSL). This list is continuously adjusted and updated to meet the stipulations of the latest legislation. Suppliers working with FNG are required to follow these rules. FNG performs random tests on the products as part of the commitment to the REACH legislation.

Corporate Product Policy

As well as being committed to avoiding negative effects as a result of its business activities, FNG goes a step further, focusing on making a positive social and ecological impact. As such, FNG has developed a Materials Policy in which guidelines, demands and preferences for the ethical purchase of materials are described.

Operations

Both the production and sending of articles and the lighting of shops and offices demand significant amounts of energy. Furthermore, production requires enormous water usage and there is unavoidable waste created in the production process. FNG therefore focuses on Energy & Climate, Water, and Waste through a number of measures in their head offices as well as shops and stores (where cardboards, glass, plastics, metals and textile materials are separated for recycling and clothing hangers, boxes, etc. are reused,...)

FUTURE OUTLOOK AND SUBSEQUENT EVENTS

GENERAL

Although a number of economic indicators are on an upward trend, the shoe and fashion retail market still has it challenges. FNG's efforts will be focused on improving the operational and financial performance of the group, by executing the transformation programmes, optimizing the business processes and realizing synergies, as well as implementing the purchasing platforms for all brands.

FNG will continue to strive for increases in turnover and the company results, with a focus on the current portfolio of brands. More concretely, FNG expects growth in turnover both online and in stores, and growth in their figures as a result of reorganizations implemented in 2015 and 2016 at Miss Etam, Steps and Brantano, a result of which non-return store turnover was avoided.

In mid-2016, the new concept for Brantano was presented. The new concept is more feminine, modern and provides approximately 200m² of clothing. The range of shoes remains just as large, with more clothing being made available. The new concept adds experience to Brantano's core values. Today, the new Brantano concept has been introduced in more than 40 stores and has proven to be successful. Following the positive evaluations of the test stores in 2016, at the beginning of 2017, an investment programme began to implement the concept at the remaining stores. The aim is to have at least 100 stores with the new concept within three years. Most stores will remain in their current locations, but FNG shall also look at moving stores to better locations or to larger buildings in the neighbourhood. This programme will result in an investment of more than EUR 50 million.

For the coming period, FNG will continue to focus on creating value to optimize company processes and realizing synergies, through which the level of return will significantly rise.

The historical track record at FNG shows a company cash flow (EBITDA) equal to 10–15% of the turnover. This level is a long-term goal for the group. As such, the FNG purchase platform, with offices in Turkey, India and Hong Kong, is being invested in to a greater degree for all brands.

In the coming years, the quasi-fully automatic logistics platform for Miss Etam will be used for all clothing brands for the group.

FNG shall, of course, stay committed to its buy-and-sell strategy and will also continue to play its role as a consolidator in the fashion retail landscape over the coming years.

SUBSEQUENT EVENTS

Name Change and appointment of Supervisory Board Members

On 18 January 2017, R&S Retail Group N.V. announced its name change to FNG N.V. and the appointment of Mr Dieter Penninckx as director and CEO of FNG N.V., and Mr Emiel Lathouwers and Mr Gino Van Ossel as members of the Supervisory Board of FNG N.V.

Notes issue

FNG Benelux Holding NV, an indirect subsidiary of FNG N.V., has successfully placed an additional € 25,000 thousands notes issue through a private placement. The € 25,000 thousands 5.5% notes due 7 July 2023 issued on 7 July 2016, shall be issued by FNG Benelux Holding NV on 7 July 2017, and shall be listed on Alternext Brussels.

Acquisitions in process

FNG is acquiring two new fashion companies:

Suitcase

Suitcase is an online curated personal style advice and wardrobing service for men. By acquiring Suitcase, FNG would enter the men's fashion segment and would enlarge its online presence.

Concept Fashion

Concept Fashion owns 15 multi-brand stores located in out-of-town locations in Flanders. Concept Fashion sells women and men's fashion and offers a wide range of designer clothes.

FNG has the intention to structure Suitcase and Concept Fashion as a new pillar in the structure chart of FNG (next to the Miss Etam Group, the Original FNG Group, the Brantano Group and the Buying Platform).

Miss Etam

Steps

RISKS AND RISK MANAGEMENT

A business must take some risks to create value. Having a risk management policy allows FNG to take risks in a managed and controlled manner. FNG makes strategic, operational, financial, and reputational risks controllable by carefully weighing risks and returns against each other.

Effective risk management is integrated into FNG's daily operations. FNG deploys a top-down risk management policy in which strategic risk management is executed at corporate level and operational risk management by the operational units. Responsibility for operational risk management lies primarily with brand and functional management. The Executive Board however bears the ultimate responsibility for managing the risks the company faces.

RISK MANAGEMENT AND INTERNAL CONTROL

Ongoing identification and assessment of risks is part of FNG's governance and periodic business review. The Executive Board and the Audit Committee periodically review these risks and the related mitigation controls and procedures. These bodies provide complementary insights into existing and emerging risks that are subsequently included in the policies. FNG's policies influences the formation of controls and procedures, and the focus of business planning and performance process.

RISK APPETITE

Factors which determine FNG's risk appetite include the international spread of its business, the robustness of its balance sheet, strength of cash flows, and a commitment to conservative financial management. FNG's risk appetite varies per objective and risk category:

- Strategic: Taking strategic risks is an inherent part of how FNG does business. In pursuing growth as a strategic ambition, FNG is prepared to take risks in a responsible way taking account of the stakeholders' interests.
- Operational: Depending on the type of operational risk, FNG takes a cautious to averse approach. FNG gives the highest priority to ensuring the safety of its employees and customers, delivering the highest level of service and protecting the company's reputation.
- Financial: FNG pursues a conservative financial strategy, including a balanced combination of self-insurance and commercial insurance coverage.
- Compliance: FNG is averse to the risk of non-compliance with relevant laws or regulations, or non-compliance with own codes, contractual agreements, and covenants.
- Fraudulent and unethical behaviour: FNG and all associates are committed to acting with honesty, integrity, and respect. FNG is fully averse to risks relating to fraudulent behaviour and applies a zero-tolerance policy.

MAIN RISKS

The following risk overview highlights the main risks which might prevent FNG achieving its strategic, operational, and financial objectives. The risks described are not an exhaustive list of the risks FNG faces. There may be additional risks which do not constitute a direct threat in the short-term, or risks which management deems immaterial or otherwise common to most companies, but which could at some time have a material adverse effect on FNG's financial position, results, operations, or liquidity.

CKS Wall of style

STRATEGIC

Risk description	Risk management
Competitive environment and economic conditions The environment and economic conditions in the fashion retail market are characterised by intense competition between existing players. Moreover, competition from online retailing companies are also disrupting the current retail market.	• Invest extensively in online retail platforms • Ensure geographic and brand diversification • Buy-and-build strategy to obtain synergies and lower the base costs
Political environment The majority of the fabrication and purchases are done in foreign countries, such as Bulgari, Turkey, China, India and Bangladesh. Changes in the political environment of these countries could impact the business of FNG.	• Ensure geographic and brand diversification • The use of own purchasing platforms in Turkey, India and Hong Kong

OPERATIONAL

Risk description	Risk management
Safety and liability Safety of FNG's clients and employees are one of the top priorities of FNG. The risk exists that an employee or a client of FNG get harmed during the performance of his work or with visiting one of FNG's stores.	• Adhere to health and safety procedures relating to employees and customers • Invest in maintenance to ensure clean and secured stores • Training and development to focus on personal safety and safety measures
Obsolete stock The products of FNG are highly depending on trends in the market resulting in a risk of a high level of inventory which can't be sold anymore.	• Ensure geographic and brand diversification • FNG wide exchange system of inventory • Own purchasing platforms in Turkey, India and Hong Kong • Stock take procedures and value assessments • Customer oriented marketing and discount campaigns
Interruptions & business continuity Given the increasing use of mobile communication and the professionalism of cybercriminals, the company must focus constantly on continuity of ICT systems and on ensuring the security of crucial information and sensitive customer data (e.g. payment card details, passwords). The theft of crucial or sensitive data could result in reputation damage, information leakage to competitors, as well as claims against the company.	• Comply with PCI DSS (Payment Card Industry Data Security Standard) • Invest in ICT platform and related security policy • Centralise ICT systems allowing central enforcement of security measures • Take multiple measures to secure confidentiality and integrity of data

F.R.E.D. Concept Store

Risk description	Risk management
Fraud & Integrity Ethics and integrity are important conditions for confidence. The risk exist that unethical behaviour will result in loss of money and moreover in the loss of reputation.	• Implement code of ethics and whistle-blower policy • Ensure Executive Board and senior management demonstrate 'tone at the top' • Implement a zero-tolerance strategy • Encourage non-cash payments

FINANCIAL

Risk description	Risk management
Financing Access to external financing is crucial for continuity. A liquidity risk could arise if external financing is not available to FNG when refinancing is required.	• Agree long-term loans • Enable early refinancing and a spread with different expiration dates for external loans • Consult regularly with external debt providers to discuss the ongoing business, results, and strategy
Interest rate risks FNG has a significant external debt subject to variable interest rates, thereby exposing the company to fluctuations in interest rates. A significant increase in variable interest rates would have a negative impact on results.	• Seek a mix of fixed and variable interest rates for financing operations, combined with the use of interest rate instruments • Adopt an interest rate policy in which at least half of the bank debt is covered by interest rate derivatives with a maximum volatility per annum

COMPLIANCE AND REPORTING

Risk description	Risk management
Financial statement does not give a true and fair view If misstatements are made such that the financial statements do not give a true and fair view of the company's financial position, financial performance, and cash flows, users of the financial statements would be incorrectly informed.	• Maintaining common accounting policies, reporting processes, and standard chart of accounts • Monitor critical access and segregation of duties
Non-compliance with European and national laws Changes in the legal and regulatory environment tend to increase the risk of non-compliance with local, national, and international laws and regulations, as well as tax legislation. Failure to comply with applicable regulations could lead to fines, claims, and reputational damage.	• Involve local external specialists where necessary (e.g. tax)

GOVERNANCE AND RESPONSIBILITY STATEMENT

GOVERNANCE

FNG stands for good corporate governance with proper supervision and transparent reporting. The Managing Board and the Supervisory Board take responsibility for corporate governance at FNG. Any major changes to its structure and to compliance with the Dutch Corporate Governance Code will be submitted for discussion to the General Meeting of Shareholders as separate agenda items. FNG's corporate governance structure, including the performance of the General Meeting of Shareholders and its principal powers, the rules for appointing and replacing members of the Managing Board and Supervisory Board, the rules for amending the Articles of Association and the powers granted in the event of the issue or repurchase of shares, as well as a description of how FNG complies with the Corporate Governance Code, are set out in detail on the website www.fng.eu. FNG does not have any protection constructions in place, except for the priority share as further explained below.

ARTICLE 10 OF THE EU TAKE-OVER DIRECTIVE DECREE

Shares

The issued share capital of FNG N.V. amounts to EUR 643,391.36, consisting of 8,042,392 shares (6,041,766 ordinary listed shares, 2,000,625 unlisted Class A shares and 1 priority share). Each share carries one vote. The shares are listed on Euronext Amsterdam ("FNG").

Unlisted Class A Shares

The unlisted Class A shares are not listed on Euronext Amsterdam. The unlisted Class A shares carry equal rights as the ordinary shares.

Priority share

The priority share is owned by Greenway District BVBA. This priority share grants Greenway District BVBA (controlled by Mr Dieter Penninckx, Ms Anja Maes and Mr Manu Bracke) special rights in respect of FNG N.V., including a binding nomination for the appointment of directors and officers.

DUTCH CORPORATE GOVERNANCE CODE

FNG complies fully with the Code on the basis of the "comply or explain" principle. The General Meeting of Shareholders held in 2016 discussed the way in which FNG complies with the Dutch Corporate Governance Code. FNG interprets the following differently:

Best practice provisions II.2.13 and II.2.14

The overview of the remuneration report is not in line with the named best practice provisions. The Management Board solely receives a fixed management fee. The same applies to the only member of the Supervisory Board.

Best practice provision II.3.3

Noting the current size of the Supervisory Board no formal introduction plan is implemented for its members. The Company though takes care that new members of the Supervisory Board will have sufficient understanding of the Company. In January 2017, FNG appointed two new Supervisory Board members.

Best practice provision II.4.3

Noting the current size of the Company it has no "secretary of the company".

Best practice provision II.5.1

Noting the current size of the Company it has no separate core committees within the Supervisory Board.

Best practice provisions II.3.3-3.4

The Management Board member has a potential conflict of interest, being the indirect director and indirect shareholder of NLB Fashion B.V. with whom a cooperation exists in the field of webshop photography. Nevertheless the Management Board member takes part in discussions and decisions regarding transactions between the Company and NLB Fashion B.V. Significant transactions will be approved by the Supervisory Board. Next to that all transactions qualifying under 2:107a BW will be submitted to the General Meeting.

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Best practice provisions II.6.1-6.2
As there is only one member of the Supervisory board during 2016 the named best practice provisions of the Dutch Corporate Governance Code are not applied by the Company.

Best practice provisions IV.1.1
In the Articles of Association is deviated from the principle that the General Meeting of a non two-tier status company may pass a resolution to cancel the binding nature of a nomination for the appointment of a member of the management board or of the supervisory board and/or a resolution to dismiss a member of the management board or of the supervisory board by an absolute majority of the votes cast. It may be provided that this majority should represent a given.

Best practice provisions IV.3.1
Noting the current size of the Company not for all meetings with analysts, presentations to analysts, presentations to investors and institutional investors and press conferences a provision is made for all shareholders to follow these meetings and presentations in real time via webcast.

Best practice provisions IV.3.13
The Company has not yet formulated an outline policy on bilateral contracts with the shareholder.

Best practice provisions IV.3.3
The Company has no internal audit department as defined in named best practice provision.

RESPONSIBILITY STATEMENT

The Managing Board hereby states that, to the best of its knowledge: The financial statements for the financial year 2016 give a true and fair view of the assets, liabilities, financial position and earnings of FNG N.V. and the consolidated group companies. The Report of the Managing Board gives a true and fair view of the position of FNG N.V. at the reporting date and of the development and performance during the financial year 2016 of the group and its affiliated companies whose financial information is set out in the financial statements.

1. The Report of the Managing Board sets out the main features of the management and control systems, as well as the essential risks facing the company in 2016. The Managing Board declares that it accepts responsibility for the design and effectiveness of the internal risk management and control systems tailored to FNG. The Managing Board declares that, to the best of its knowledge:
    1. no major failings in the risk management and control system have been discovered in the financial year under review;
    2. no significant changes or major improvements to the risk management and control system are planned;
    3. the internal financial reporting control system provides reasonable assurance that the financial reports are free of material misstatement; and
    4. it also concludes that the internal risk management and control systems operated effectively in the year under review.

The risk management and control systems in place, significantly reduce the risk of incorrect decisions being made, control processes being deliberately circumvented, and laws and regulations not being complied with. However, it is virtually impossible to identify, or fully document and manage, all risks at all times. As a consequence, the existing systems will never provide an absolute level of assurance against the failure to achieve targets, nor will they be able to prevent all instances of material misstatement, including loss, fraud or violations of laws and regulations.

2. In 2016, no transactions were conducted between FNG and natural persons or legal entities holding at least 10% of the shares in FNG N.V., other than disclosed in note 8.2 of the financial statements.
3. There were no significant transactions in 2016 involving conflicting interests between the members of the Supervisory Board and/or the members of the Managing Board of FNG.

SUPERVISORY BOARD REPORT

In accordance with legislation and the Articles of Association of the company, it is the task of the Supervisory Board to supervise the policy of the Managing Board, the governance structure and the activities of the company, as well as to offer advice.

In performing its tasks, the Supervisory Board weighs the interests of all stakeholders, within and outside the organisation, against each other, including the aspects of corporate social responsibility and long-term value creation relevant to the organisation.

In this report, the Supervisory Board reports on its work in 2016. The Supervisory Board recommends the General Meeting of Shareholders to adopt the 2016 Annual Accounts.

SUPERVISORY BOARD MEMBERS

The sole member of the Supervisory Board at year-end 2016 was Mr Verbaere.

E.M.M.L.C. Verbaere (59) is appointed as member of the Supervisory Board in 2016 and will retire or be nominated for re-appointment at the 2020 annual general meeting.
Nationality: Belgium
Gender: Male
Function: Expert on the level of corporate finance and Co-founder of VD&P Corporate Finance
Other functions and companies in which Mr Verbaere is currently active are:

Company	Function
Finimax BVBA	Manager
Gande NV	Director
VD&P Corporate Finance NV	Director
Quest for Partners BVBA	Manager
Reserved BVBA	Manager
Solar Energy Conversion Power Corporation NV	Director

In the year under review, Mr Verbaere was a member of the board of directors of FNG Group NV, in which capacity he did not receive any compensation.

The sole member of the Supervisory Board in the year under review is independent in accordance with the guidelines of the Dutch Corporate Governance Code.

Appointment and Retirement schedule
The retirement schedule for the Supervisory Board is as follows:

- E.M.M.L.C. Verbaere will retire or be nominated for re-appointment at the 2020 annual general meeting
- G. van Ossel (appointed in January 2017) will retire or be nominated for re-appointment at the 2021 annual general meeting
- E. Lathouwers (appointed in January 2017) will retire or be nominated for re-appointment at the 2021 annual general meeting

MEETINGS

In 2016, the Supervisory Board held regular meetings with the Managing Board. During these meetings, the sole Supervisory Board member was fully informed of the financial, operational and strategic developments, and objectives. As usual, discussions were held on many topics including the budget for 2017, corporate governance, the Managing Board remuneration structure and important investment decisions.

In 2016, special consideration was given to:

- The acquisition and integration of Miss Etam and Brantano
- The acquisition of FNG Group NV
- The company financing
- The business plans future years

In addition to these meetings the sole Supervisory Board member had regular interactions with the Managing Board on general developments within the company, such as the corporate strategy and the main risks of the business and the result of the assessment by the management board of the design and effectiveness of the internal risk management and control systems.The Supervisory Board determined that FNG's external auditor Mazars is independent. During this meeting the Supervisory Board discussed the method of working and the general policy of the Managing Board.

EVALUATION MANAGING BOARD AND SELF-EVALUATION SUPERVISORY BOARD

The Supervisory Board has concluded that the conditions in which the Managing Board had to work in 2016 were turbulent. Moreover, the Managing Board devoted a great deal of time and energy to the strategic evaluation, financing operation, business acquisitions and integration. Attention was paid to the operational management of the business activities and the integration of the acquired brands into FNG as well implementing each other processes and platforms. Moreover further integration and achieving synergies are still possible and necessary. The Supervisory Board believes that the Managing Board made sufficiently good progress towards achieving structural improvements in results and in branding the various concepts.

Notwithstanding, for next year further improvements need to be made on the execution of the best practices of the Dutch Corporate Governance Code on the level of the Managing Board, as well as the Supervisory Board. In addition, the Supervisory Board recommends to implement a formal internal audit function.

Moreover, the Supervisory Board concludes that it is good G. van Ossel and E. Lathouwers are added to the Supervisory Board. This will further improve the performance and the tasks of the supervisory board.

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GENERAL MEETING OF SHAREHOLDERS

In 2016, 3 General Meetings of Shareholders were held. During these meetings, the 2015 Annual Accounts were adopted, and the remuneration structure for the Managing Board and Supervisory Board was approved.

CORPORATE GOVERNANCE

FNG complies with the Dutch Corporate Governance Code on the basis of the "comply or explain" principle. A description of the corporate governance structure and the way in which FNG complies with the code is further explained in the Governance paragraph of the annual report.

PROPOSAL TO THE SHAREHOLDERS

We are pleased to present the company's Annual Accounts for 2016. Mazars has issued an unqualified auditor's opinion for the annual accounts. The annual accounts have been drawn up in accordance with the reporting requirements and have been discussed in the presence of the external auditor. Based on this, the Supervisory Board proposes to the General Meeting of Shareholders to approve the 2016 Annual Accounts, to grant discharge to the Managing Board members for liability for their management in 2016, and to grant discharge to the Supervisory Board for liability for their supervision in 2016.

ACKNOWLEDGEMENTS

The Board would like to thank the Executive Board, the management and all FNG employees for their dedication, creativity, and constructive collaboration in FNG's challenging circumstances in 2016.

FINANCIAL STATEMENTS

For the year ended 31 December 2016

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS (in thousands of euros)	Note	31/12/16	31/12/15
Non-current assets		**379.187**	**8.540**
Goodwill	5.1.	59.831	0
Intangible assets	5.2.	244.256	1.174
Property, plant and equipment	5.3.	57.099	6.389
Deferred tax assets	5.8.	18.000	977
Current assets		**182.176**	**19.145**
Inventories	5.4.	86.941	6.958
Trade and other receivables	5.5.	24.975	7.027
Income tax receivables		226	0
Other financial assets	5.16.	14	0
Other current assets	5.6.	3.113	3.801
Cash and cash equivalents	5.7.	66.907	1.358
TOTAL ASSETS		**561.362**	**27.685**

EQUITY AND LIABILITIES (in thousands of euros)	Note	31/12/16	31/12/15
Equity attributable to owners of the parent		**234.988**	**(2.972)**
Share capital	5.9.	643	**0,005**
Share premium		235.595	0
Other reserves		3.927	0
Retained earnings		(5.178)	(2.972)
Total equity		**234.988**	**(2.972)**
Non-current liabilities		**206.912**	**15.175**
Provisions	5.10.	175	0
Post-employment benefit obligations	5.11.	312	0
Borrowings	5.12.	142.414	0
Other financial liabilities	5.13.	18.328	15.175
Deferred tax liabilities	5.8.	45.682	0
Current liabilities		**119.463**	**15.482**
Provisions	5.10.	2.096	1.252
Borrowings	5.12.	35.363	1.968
Trade and other payables	5.14.	75.241	11.642
Other financial liabilities	5.13.	23	0
Other current liabilities	5.15.	6.740	621
Total liabilities		**326.374**	**30.657**
TOTAL EQUITY AND LIABILITIES		**561.362**	**27.685**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euros)	Note	2016	2015
Revenue	3.1./6.1.	242.298	73.029
Cost of merchandise		(102.137)	(32.548)
Gross profit		**140.162**	**40.481**
Employee benefit expense	6.2.	(47.702)	(14.694)
Other operating expenses	6.3.	(71.618)	(23.995)
Recurring operating profit/(loss) before amortisation and depreciation expense (REBITDA)		**20.841**	**1.792**
Amortisation and depreciation expenses	6.4.	(9.468)	(882)
Recurring operating profit/(loss) (REBIT)		**11.374**	**910**
Non-recurring items[1]	6.5.	(7.688)	(4.090)
Operating profit/(loss) (EBIT)		**3.686**	**(3.179)**
Financial income	6.6.	1.179	38
Financial expenses	6.6.	(7.498)	(809)
Profit/(loss) before taxes		**(2.634)**	**(3.950)**
Income taxes	6.7.	429	977
PROFIT/(LOSS) FOR THE PERIOD		**(2.205)**	**(2.972)**
Other comprehensive income		**0**	**0**
TOTAL COMPREHENSIVE INCOME OF THE PERIOD		**(2.205)**	**(2.972)**
Basic and diluted earnings/(loss) per share (in €)	6.8.	(0,84)	(5,94)
Profit/(loss) for the period attributable to the owners of the Company		(2.205)	(2.972)
Profit/(loss) for the period attributable to the non-controlling interests		0	0
Total comprehensive income for the period attributable to the owners of the Company		(2.205)	(2.972)
Total comprehensive income for the period attributable to the non-controlling interests		0	0

1 Non-recurring items are either income or expenses which do not occur regularly as part of the normal activities of the company. They are presented separately because they are important for the understanding of the underlying sustainable performance of the company due to their size or nature.

CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF CASH FLOWS (in thousands of euros)	**Note**	**2016**	**2015**
CASH FLOW FROM OPERATING ACTIVITIES			
Operating result		3.686	(3.179)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortisation expenses	6.4	9.468	882
Provisions		(812)	1.252
Gain on a bargain purchase	4	(1.377)	0
Changes in working capital:			
Inventories		12.539	6.042
Trade and other receivables		31.640	(8.528)
Other current assets		4.391	0
Trade and other payables		(48.626)	12.437
Other current liabilities		1.680	1.197
Cash generated from operations		**12.589**	**10.103**
Taxes paid		**0**	**0**
Net cash generated from operating activities		**12.589**	**10.103**
CASH FLOW FROM INVESTING ACTIVITIES			
Interest received		2.739	0
Purchases of PP&E		(17.863)	(1.445)
Purchases of Intangible assets		(3.335)	0
Proceeds from disposal of PPE		672	0
Proceeds from disposal of intangible assets		145	0
Loans granted		0	(2.300)
Acquisition of subsidiaries, net of cash acquired	4	36.915	(20.000)
Net cash provided by/(used in) investing activities		**19.273**	**(23.745)**
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of equity instruments of the Company (net of issue costs)	5.9	30.854	0
Proceeds from borrowings		18.800	20.000
Reimbursements of borrowings		(8.469)	(5.000)
Interest paid		(7.498)	0
Net cash provided by/(used in) financing activities		33.687	15.000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**65.549**	**1.358**
CASH AND CASH EQUIVALENTS at beginning of year		**1.358**	**0**
Net effect of currency translation on cash and cash equivalents		0	0
CASH AND CASH EQUIVALENTS at end of year		**66.907**	**1.358**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands of euros)	Attributable to owners of the parent				TOTAL EQUITY
	Share capital	Share premium	Other reserves	Retained earnings	
Balance at 1 May 2015	**0,005**	**0**	**0**	**0**	0,005
Total comprehensive income of the period	0	0	0	(2.972)	(2.972)
Balance at 31 December 2015	**0,005**	**0**	**0**	**(2.972)**	**(2.972)**
Total comprehensive income of the period	0	0	0	(2.205)	(2.205)
Reverse listing 05-01-2016	1.069	(800)	5.073	0	5.342
Issue of share capital	10.279	225.691	0	0	235.969
Transaction costs for equity issue	0	0	(1.146)	0	(1.146)
Reverse share split	(10.705)	10.705	0	0	0
Balance at 31 December 2016	**643**	**235.595**	**3.927**	**(5.178)**	**234.988**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

FNG N.V. (the "Company") is a public limited liability company (naamloze vennootschap) governed by Dutch Law, with registered office at Oostweg 2, 2723 RH Zoetermeer, The Netherlands. The registered office is also the principal place of business. The Company's shares are listed on Euronext Amsterdam and the Group has more than 3,000 employees (in headcounts).

FNG N.V. is the new name of R&S Retail Group N.V., as a result of the decision approved by the General Meeting of Shareholders of 18 January 2017. R&S Retail Group was the name of the new group resulting from the acquisition of R&S Finance B.V. by Dico International in 2015. As Dico International was a non-operating company, the comparative figures per 31 December 2015 as published in these consolidated financial statements are those of R&S Finance B.V.
(see also paragraph 2.2.1.2 below).

The Company's consolidated financial statements include:

- the accounts of companies directly or indirectly controlled by the Company, which are fully consolidated; and
- its investments in associates, which are accounted for under the equity method.

All these economic entities are collectively referred to as the "Group".

The Group is a strong growing Benelux-fashion group with activities all over Europe. The Group designs and distributes clothing and shoes for women, children and men through own concept-stores at top locations in Belgium and the Netherlands and through a network of multi-trademark stores in domestic and foreign countries.

The Group's consolidated financial statements at 31 December 2016 were prepared under the responsibility of the Management Board and Supervisory Board and authorised for issue by the Management Board and the Supervisory Board on 29 June 2017.

2. GROUP ACCOUNTING POLICIES

2.1. Statement of compliance and basis for preparation

The Group's consolidated financial statements for the year ended 31 December 2016 have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union ("IFRS").

The financial statements have been prepared on the basis of the historical cost method. Any exceptions to the historical cost method are disclosed in the accounting policies described hereafter.

The Group's consolidated financial statements are presented in thousands of Euros, unless stated otherwise. Euro is also the functional currency of the company and all other entities of the Group.

These consolidated financial statements do not include any information or disclosures that, not requiring presentation due to their qualitative significance, have been determined as immaterial or of no relevance pursuant to the concepts of materiality or relevance defined in the IFRS conceptual framework, insofar as the Group's consolidated financial statements, taken as a whole, are concerned.

Furthermore, the consolidated financial statements include "Alternative Performance Measures" (APM) which are not defined as such under IFRS. The Group uses the EBITDA measure in its decision-making, because it provides information useful to assess the Group's performance, solvency and liquidity. This measure should not be viewed in isolation or as an alternative to the measures presented according to the IFRS.

EBITDA (earnings before interest and depreciation and amortisation) is calculated by excluding from the profit/loss for the year before taxes the financial results (detailed in note 6.6) and the depreciation and amortisation expenses and impairment losses on assets.

2.1.1. Standards and amendments issued and applicable for the year ended 31 December 2016

The following IFRS standards, interpretations and amendments that became effective for the first time for the year ended 31 December 2016, did not have a significant impact on the consolidated financial statements for the year ended 31 December 2016:

- Improvements to IFRS (2010-2012)
- Improvements to IFRS (2012-2014)
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception
- Amendments to IFRS 11 Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IAS 1 Presentation of Financial Statements – Disclosure Initiative
- Amendments to IAS 16 and IAS 38 Property, Plant and Equipment and Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 16 and IAS 41 Agriculture – Bearer Plants
- Amendments to IAS 19 Employee Benefits – Employee Contributions
- Amendments to IAS 27 Separate Financial Statements – Equity Method

2.1.2. Standards and amendments issued but not yet effective

The following IFRS standards, interpretations and amendments that have been issued but that are not yet effective, have not been applied to the consolidated IFRS financial statements for the year ended 31 December 2016:

- IFRS 9 Financial Instruments and subsequent amendments (applicable for annual periods beginning on or after 1 January 2018)
- IFRS 14 Regulatory Deferral Accounts (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in the EU)
- IFRS 15 Revenue from Contracts with Customers (applicable for annual periods beginning on or after 1 January 2018)
- IFRS 16 Leases (applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed in the EU)
- Improvements to IFRS (2014-2016) (applicable for annual periods beginning on or after 1 January 2017 or 2018, but not yet endorsed in the EU)
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (applicable for annual periods beginning on or after 1 January 2018, but not yet endorsed in the EU)
- Amendments to IFRS 4 Insurance Contracts - Applying IFRS 9 Financial Instruments with IFRS 4 (applicable for annual periods beginning on or after 1 January 2018, but not yet endorsed in the EU)
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (the effective date has been deferred indefinitely, and therefore the endorsement in the EU has been postponed)
- Amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative (applicable for annual periods beginning on or after 1 January 2017, but not yet endorsed in the EU)
- Amendments to IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses (applicable for annual periods beginning on or after 1 January 2017, but not yet endorsed in the EU)
- Amendments to IAS 40 Transfers of Investment Property (applicable for annual periods beginning on or after 1 January 2018, but not yet endorsed in the EU)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (applicable for annual periods beginning on or after 1 January 2018, but not yet endorsed in the EU)

The standards, amendments and interpretations listed above are expected not to have an impact on the consolidated financial statements of the Group, except for the standards mentioned below.

IFRS 9 *Financial Instruments* is to be applied to annual periods beginning on or after 1 January 2018, when it will replace IAS 39 *Financial Instruments: Recognition and Measurement.* The new standard has been comprehensively revised in various parts, including in respect of the recognition and measurement of financial assets and financial liabilities. The standard is divided into three parts: classification and measurement, hedge accounting and impairment.

IFRS 9 requires financial assets to be classified in three different measurement categories: amortised cost, fair value through other comprehensive income or fair value through profit or loss. The classification is made at the time the asset is initially recognised based on the characteristics of the asset and the company's business model.

In the case of financial liabilities, there are no significant changes compared to IAS 39. The main change is for liabilities measured at fair value. In this case the part of the change in fair value attributable to a change in the credit risk of the liability is to be presented in other comprehensive income rather than in profit or loss, unless this would create an accounting mismatch.

The second part relates to hedge accounting. IFRS 9 requires additional disclosures concerning risk management and the effects of hedge accounting. In the main, the new principles provide the conditions for a fairer picture of a company's management of financial risks to be reported.

Finally, new principles have been introduced regarding impairment of financial assets using a model based on expected losses. IFRS 9 requires the Company to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Company expects to apply the simplified approach and record lifetime expected losses on all trade receivables.

The Group has begun its evaluation of the effects of the new standard, but does not expect significant impacts.

IFRS 15 *Revenue from Contracts with Customers* is to be applied for the reporting periods beginning on 1 January 2018 or later. The new standard defines a five-step model to recognize revenue based on contracts with customers and replaces the current standards IAS 18 *Revenue* and IAS 11 *Construction Contracts* as well as their interpretations. The timing of the revenue recognition can take place over time or at a point of time, depending on the transfer of control.

During 2016, the Group performed a first assessment of IFRS 15, which will still be subject to changes arising from a more detailed ongoing analysis. The main aspects of this first assessment are mentioned below.

The Group sells goods. The Group expects the revenue recognition to occur at a point in time when a customer obtains control of the goods. The Group sells its products to its customers directly, through distributors or agents. This can result in a different moment to recognize revenue. However, based on the first assessment, the Group does not expect a significant impact of the application of IFRS 15.

Application of IFRS 15 will be mandatory for financial years beginning on or after 1 January 2018. The Group is currently reviewing all significant contracts with its customers in order to be able to determine the potential impact of the new standard on recognition of revenue from sales contracts (in terms of valuation and timing of revenue recognition).

Furthermore, the new disclosures included in IFRS 15 are more detailed than those currently applicable under IAS 18.

The Group plans to apply the new standard in its consolidated financial statements for the year ending December 31, 2018. However, the Group has not yet decided which method of application it will apply for the transition, i.e. full retrospective or cumulative catch-up as this depends on the practical operational aspects.

IFRS 16 *Leases* will be effective for the reporting periods beginning on 1 January 2019 or later, if adopted by the European Union. The new standard will replace the current standard IAS 17 *Leases*. In accordance with the new standard, the lessee will recognize assets and liabilities for the rights and obligations created by leases. The new standard will increase interest-bearing liabilities and property, plant and equipment in the consolidated financial statements of the Group. In addition, the rental expenses recognized in profit or loss will decrease and depreciation and amortization as well as interest expenses will increase. This will affect operating profit. The impact of this new standard is currently being assessed. The Group expects main impacts for leases currently classified as operating leases and for which the Group acts as a lessee. As at December 31, 2016, the Group has non-cancellable undiscounted operating lease commitments of € 131.478 thousands, which are detailed in note 8.4.

2.2. Summary of significant accounting policies

The following accounting methods have been applied consistently through all the periods presented in the consolidated financial statements.

2.2.1. Significant management judgments and estimates

The preparation of the financial statements requires the use of judgments, best estimates and assumptions in recognising and measuring assets and liabilities, income and expenses, considering positive and negative contingencies existing at year-end. Amounts reported by the Group in future financial statements could differ significantly from current estimates due to changes in these assumptions or economic conditions.

The most significant management judgements and estimates are described below.

2.2.1.1. Going concern

As at 31 December 2016, the Group had a liquidity position of € 66.907 thousands consisting of cash and cash equivalents. Taking into account this liquidity position as well as the refinancing facility of € 131.000 thousands on 29 March 2017, our board of directors is of the opinion that our liquidity position is sufficient to continue our current operations at least for the next reporting periods.

2.2.1.2. Reverse listing transaction and comparative statements

On 5 January 2016, Dico International (a Euronext Amsterdam listed non-operating company) acquired legally 100% of the shares of R&S Finance B.V. (an operating entity) by issuing 1 priority share (granting special rights in respect of R&S Finance B.V., including a binding nomination for the appointment of directors and officers) and 10 million new Class A shares to FIPH B.V. However, this acquisition is actually a reverse acquisition in accordance with the accounting principles as the shareholders of R&S Finance B.V. became the majority and controlling shareholders of the new combined Group, named R&S Retail Group (renamed to FNG).

As Dico International did not qualify as a business in accordance with IFRS 3 – Business Combinations, the transaction is not a business combination and is therefore not within the scope of IFRS 3. Because the analysed transaction is not within the scope of IFRS 3, the IFRS Interpretations Committee concluded that such a transaction is a share-based payment transaction which should be accounted for in accordance with IFRS 2 – Share-based Payment. In accordance with IFRS 2, the difference in the fair value of the shares issued by the accounting acquirer (i.e. R&S Finance B.V.) and the fair value of the accounting acquiree's identifiable net assets (i.e. Dico International) represents a service received by the accounting acquirer, which is considered to be a payment for a service of a stock exchange listing for its shares.

The consolidated financial statements 2016 of FNG N.V. are basically a continuation of the 2015 financial statements of R&S Finance B.V., as Dico International did not have any operating activities since several years. Therefore, the comparative statements 2015 presented in these consolidated financial statements are the ones of R&S Finance B.V. However R&S Finance B.V. has an extended accounting year (for the first year's financial statements) for legal statutory purposes, but for consolidation purposes interim figures as presented in the half-year financial statements per 30 June 2016 are included for comparative purposes.

2.2.1.3. Business combinations

On 26 July 2016, the Company acquired the FNG Group. The acquisition was considered as a business combination and disclosed as such in note 4.1.

The Company assessed who was the acquirer in the business combination as required by the acquisition method in accordance with IFRS 3 – *Business Combinations.* Bases on all relevant facts and circumstances, the Company concluded that the Company (previously R&S Retail Group) was the acquirer based on the assessment of control in accordance with IFRS 10 – Consolidated Financial Statements. One of the most important elements to conclude was the existence of a priority share in the Company which gave the Company the control over all relevant activities of the acquiree.

On 14 September 2016, the Group acquired the shares of BrantNew, a Belgian holding controlling Brantano (see note 4.1). The acquisition was considered a business combination in accordance with IFRS 3.

The Group acquired on August 4, 2016 the shares in Steps/Superstar. However, the control was not yet transferred to the Group at that date as there were some important suspensive conditions that the previous shareholder needed to comply with. As such, management judges that control over Steps/Superstar was only obtained when all conditions attached to the acquisition were met, i.e. December 31, 2016 (as mentioned in note 4.1).

2.2.1.4. Impairment of assets

We review the carrying amount of intangible assets with indefinitive lives for potential impairment on a periodic basis and also whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. We review the carrying value of tangible assets and intangible assets with definitive lives for potential impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. We determine impairment by comparing the recoverable amount to its carrying value. If impairment is identified, a loss is recorded equal to the excess of the asset's carrying amount over its recoverable amount.

For impaired assets, we recognize a loss equal to the difference between the carrying amount of the asset and its recoverable amount. The recoverable amount, being the higher of the fair value less costs to sell and value in use, is based on discounted future cash flows of the asset using a discounted rate commensurate with the risk. Estimates of future cost savings, based on what we believe to be reasonable and supportable assumptions and projections, require management's judgement. Actual results could vary from these estimates. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

2.2.1.5. Pensions and other long-term and post-employment benefits

The value of pensions and other long-term and post-employment benefit obligations is based on actuarial valuations that are sensitive to all the actuarial assumptions used, particularly concerning discount rates, inflation rates and wage increase rates. These assumptions are updated annually. The Group considers the actuarial assumptions used at 31 December 2016 appropriate and well-founded, but future changes in these assumptions could have a significant effect on the amount of the obligations and the Group's equity and net profit. However, as the impact on the financial statements is not significant, the Company has decided not to include all the disclosures in accordance with IAS 19 – *Employee Benefits* (see also note 5.11).

2.2.1.6. Deferred tax assets

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

2.2.1.7. Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. All derivative financial instruments are, in accordance with IFRS 7, classified as level 2. This means valuation methods are used for which all inputs that have a significant effect on the recorded fair value are observable in the market, either directly or indirectly.

2.2.2. Consolidation methods

A list of subsidiaries and associates is presented in note 8.1.

2.2.2.1. Subsidiaries

Subsidiaries are companies in which the Group exercises exclusive control and are fully consolidated. The Group controls an entity when the three following conditions are fulfilled:

- it holds power over the entity;
- it is exposed, or has rights, to variable returns from its involvement with the entity;
- it has the ability to use its power over the investee to affect the amount of the investor's returns.

The Group considers all facts and circumstances when assessing control. All substantive potential voting rights exercisable, including by another party, are also taken into consideration. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When the Group gains control of a subsidiary, the transaction is a business combination treated in accordance with the policy described in note 2.2.3.

When the Group loses control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary from the consolidated statement of financial position with a gain or loss recognised in the statement of profit or loss. The Group recognises any investment retained in the former subsidiary when control is lost and subsequently accounts for it under the equity method if the former subsidiary qualifies as an associate or a joint venture, or at fair value if the investment in the former subsidiary qualifies as a financial asset.

Any acquisition or disposal of an investment that does not affect control over a subsidiary is considered as a transaction between shareholders with any impacts recognised in equity.

All intragroup assets and liabilities, income, expenses and cash flows relating to transactions and balances between entities of the Group are eliminated in full in the consolidated financial statements.

2.2.2.2. Associates

An associate is an entity in which the Group exercises significant influence on financial and operational policies without having exclusive or joint control. Significant influence is presumed to exist when the Group's investment is at least 20%.

Investments in associates are accounted for by the equity method. They are carried in the statement of financial position at historical cost, adjusted for the share in net assets generated after the acquisition, less any impairment. The share in the net profit or loss for the period is reported in "Share in profit of associates" in the statement of profit or loss.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or when the investment is classified as held for sale.

2.2.3. Business combinations and goodwill

In accordance with IFRS 3, business combinations are measured and recognised under the acquisition method.

At the date of acquisition, the identifiable assets acquired and liabilities assumed, measured at fair value, and any non-controlling interests (minority interest) in the company acquired ("acquiree") are recorded separately from goodwill.
Goodwill is measured as the difference between:

- the sum of the following items:
  - the acquisition-date fair value of the consideration transferred to acquire control, including any contingent consideration (e.g. earn-outs) that is measured at fair value at acquisition date,
  - the value of non-controlling interests in the acquiree being measured either at fair value (full goodwill method) or at their share in the fair value of the net assets of the acquiree (partial goodwill method) on a case-by-case basis, and
  - for acquisitions achieved in stages, the acquisition-date fair value of the Group's share in the acquired entity before it acquired control; and
- the net value of the assets acquired and liabilities assumed, measured at fair value at the acquisition date.

When this difference is negative, it is immediately recognised as a gain in the statement of profit or loss.

After initial recognition, goodwill is measured at cost less any impairment losses. Goodwill is indeed not amortised, but impairment tests are carried out as soon as there is an indication of possible impairment, and at least annually, as described in note 2.2.8.

Costs incurred by the Group to effect a business combination (acquisition-related costs) are immediately expensed, except with respect to issuance costs of debt or equity securities that are recognised in compliance with IAS 32 and IAS 39.

The accounting for a business combination, including the fair value measurement of assets acquired and liabilities assumed, is finalised within twelve months from the acquisition date.

IFRS 3 does not apply to business combinations under common control, which are examined on a case-by-case basis to determine the appropriate accounting treatment.

2.2.4. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

2.2.5. Intangible assets

Intangible assets are recognised only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group and if the cost of the asset can be measured reliably. The probability of expected future economic benefits represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset using reasonable and supportable assumptions.

Intangible assets are measured initially at cost. The cost of a separately acquired intangible asset comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts, rebates and any directly attributable cost of preparing the asset for its intended use. If an intangible asset is acquired in a business combination, the cost of that intangible asset is its fair value at the acquisition date.

Intangible assets under construction are carried at cost, less any recognised impairment losses.

After initial recognition, intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis over their estimated useful life. Amortisation begins when the asset is capable of operating in the manner intended by management.

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. Recognition of costs in the carrying amount of an intangible asset ceases when the asset is in the condition necessary for it to be capable of operating in the manner intended by the Group.

Subsequent expenditure on intangible assets is capitalised only if it increases the future economic benefits associated with the specific asset. Other expenditure is expensed as incurred.

Intangible assets are derecognised on disposal, or when no future economic benefits are expected from their use or disposal. Gains or losses arising from derecognition, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Intangible assets mainly comprise:

- software, which is amortised on a straight-line basis over its useful life;
- tradenames and trademarks acquired separately or in the context of business combinations;
- customer lists;
- key money; and
- intangible assets under construction.

The expected useful lives for the main intangible assets are as follows:

• software	3 to 5 years
• key money	5 to 10 years
• tradenames and trademarks	indefinite
• customer lists	indefinite

2.2.6. Property, plant and equipment

2.2.6.1. Initial measurement

Property, plant and equipment are recognised as assets at acquisition or construction cost if and only if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably.

The cost of an item of property, plant and equipment comprises its purchase or construction price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The cost of facilities developed in-house includes all labour and materials costs, and all other production costs attributable to the construction of the asset.

When a part of an asset has a different useful life from the overall asset's useful life, it is identified as an asset component and depreciated over a specific period.

Borrowing costs attributable to the financing of an asset incurred during the construction period are included in the cost of the asset provided it is a qualifying asset as defined by IAS 23 Borrowing costs.

2.2.6.2. Subsequent measurement

After initial recognition, property, plant and equipment owned by the Group are depreciated using the straight-line method and are carried on the statement of financial position at cost less accumulated depreciation and impairment. Depreciation begins when the asset is capable of operating in the manner intended by management and is charged to profit or loss, unless it is included in the carrying amount of another asset. The components of an item of property, plant and equipment with a significant cost and different useful lives are recognised separately. The residual value and the useful life of property, plant and equipment are reviewed at least at the end of each reporting period. The depreciation method is also reviewed annually.

The expected useful lives for the main facilities are as follows:

• Buildings	10 to 20 years
• Lease improvements	based on underlying lease terms
• Machinery and installations	5 to 10 years
• Store and other furnitures, fixture and fittings	5 to 10 years
• Motor vehicles	2 to 5 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the proceeds and the carrying amount of the asset and is recognised in profit or loss.

2.2.7. Leases

In the course of its business, the Group uses assets made available to it under lease contracts. These contracts are analysed in the light of the situations described and indicators supplied in IAS 17 Leases in order to determine whether they are finance leases or operating leases.

2.2.7.1. Finance leases

Contracts that effectively transfer to the lessee substantially all risks and rewards inherent to ownership of the leased item are classified as finance leases. The main indicators examined in determining whether substantially all the risks and rewards are transferred by an agreement are the following:

- the ratio of the lease term to the leased asset's economic life;
- total discounted future minimum lease payments as a ratio of the fair value of the leased asset;
- whether ownership is transferred to the lessee by the end of the lease;
- whether a purchase option is bargain;
- the features specific to the leased asset.

Assets held under finance leases are derecognised from the lessor's statement of financial position and included in the relevant category of property, plant and equipment in the lessee's financial statements. Such assets are depreciated over their useful life, or the term of the lease contract when this is shorter and it is not expected that the lessee will obtain ownership of the asset. A corresponding financial liability is recognised by the lessee, and a financial asset by the lessor.

If the Group enters into a sale and leaseback agreement resulting in a finance lease, this is recognised in accordance with the principles described above. If the transfer price is higher than the asset's book value, the surplus is deferred and recognised as income on straight-line basis over the lease term.

2.2.7.2. Operating leases

Lease agreements that do not qualify as finance leases are classified and recognised as operating leases. Rental charges are recognised over the lease term on a straight-line basis.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

2.2.8. Impairment of goodwill, intangible assets and property, plant and equipment

At the year-end and at each interim reporting date, in accordance with IAS 36 Impairment of Assets, the Group assesses whether there is an indication that an asset could have been impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. A CGU represents the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows generated from other assets.

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation can be identified.

Recoverable amount is the higher of the fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, an impairment loss is immediately recognised for the difference in the statement of profit or loss.

An impairment test is also carried out at least once a year on CGUs or groups of CGUs to which goodwill or an intangible asset with an indefinite useful life has been allocated. In such case, the impairment test is carried out as follows:

- The Group measures impairment by comparing the carrying amount of the CGU(s), including goodwill, with their recoverable amount. The recoverable amount of the CGU is the higher of fair value less costs of disposal and value in use.
- Value in use is calculated based on projected future cash flows:
  - over a horizon that is coherent with the CGU's useful life and/or operating life; and
  - discounted at a rate that reflects the risk profile of the CGU – the discount rate(s) used are based on the weighted average cost of capital (WACC) for each CGU.
- Fair value is calculated as the asset's potential selling price less costs necessary for its sale.
- When the recoverable amount of a CGU is lower than its carrying amount, an amount equal to the difference is recognised as an impairment loss. This loss is allocated first to goodwill, and any surplus is allocated to the other assets of the related CGU.

These calculations may be influenced by several variables:

- changes in regulations and market prices;
- changes in interest rates and market risk premiums;
- market levels and the Group's market share;
- the useful lives of facilities;
- the growth rates used beyond the medium-term plans and the terminal values taken into consideration.

When an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in the statement of profit or loss. An impairment loss allocated to goodwill is irreversible.

2.2.9. Financial assets and liabilities

Financial assets of the Group mainly include cash, trade and other receivables, loans, and the positive fair value of derivatives. Financial assets are treated consistently with the category to which they belong in accordance with IAS 39 – Financial Instruments: Recognition and Measurement:

- Financial assets at fair value through profit or loss (including derivatives with a positive fair value, except if the derivative is designated as a hedging instrument)

- Loans and receivables (including trade and other receivables as well as loans)
- Held-to-maturity investments (not applicable)
- Available-for-sale financial assets (not applicable)

Financial liabilities of the Group comprise loans and other financial liabilities, trade and other payables, and the negative fair value of financial derivatives. The following distinction is made according to IAS 39 for financial liabilities:

- Financial liabilities at fair value through profit or loss (including derivatives with a negative fair value, except if the derivative is designated as a hedging instrument)
- Other financial liabilities (including loans and other financial liabilities and trade and other payables)

Financial assets and liabilities are presented in the statement of financial position as current if they mature within one year and non-current if they mature after one year.

2.2.9.1. Financial assets and liabilities at fair value through profit or loss

Financial assets carried at fair value with changes in fair value recognised in the statement of profit or loss are classified as such at initial recognition if:

- they were acquired from the outset with the intention of resale in the short term;
- they are derivatives not classified as hedges (derivatives held for trading);
- the Group has elected to include them in this category under the option allowed by IAS 39.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction on the principal or the most advantageous market at the measurement date.

In accordance with IFRS 13, the hierarchy of fair values reflecting the importance of data used in valuations comprises the following levels:

- level 1 (unadjusted quoted prices): prices accessible to the entity at the measurement date on active markets, for identical assets or liabilities;
- level 2 (observable data): data concerning the asset or liability, other than the market prices included in initial level 1 input, which are directly observable (such as a price) or indirectly observable (i.e. deducted from observable prices);
- level 3 (non-observable data): data that are not observable on a market, including observable data that have been significantly adjusted (e.g. extrapolation of interest rate curves over long non-observable periods).

In compliance with IAS 39, the Group analyses all its contracts, of both a financial and non-financial nature, to identify the existence of any "embedded" derivatives. Any component of a contract that affects the cash flows of that contract in the same way as a stand-alone derivative corresponds to the definition of an embedded derivative. If they cannot be considered to be closely related to the host contract, embedded derivatives are accounted for separately from the host contract at inception date.

Derivatives are measured at fair value based on quoted prices and market data available from external sources. If no quoted prices are available, the Group may refer to recent comparable transactions or if no such transactions exist base its valuation on internal models that are recognised by market participants, giving priority to information directly derived from observable data, such as over-the-counter listings.

Changes in the fair value of these derivatives are recognised in profit or loss, unless they are designated as cash flow hedges. Changes in the fair value of such hedging instruments are recognised directly in equity (other comprehensive income), excluding the ineffective portion of the hedge.

In application of IFRS 13, the fair value of derivatives incorporates the counterparty credit risk for derivative assets and the own credit risk for derivative liabilities.

2.2.9.2. Loans and receivables

Loans and financial receivables (trade and other receivables) are financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at their fair value, plus transaction costs, at the transaction date.

After their initial recognition, these financial assets are measured at amortised cost using the effective interest method, less any impairment loss (see note 2.2.9.3 below).

The effective interest method is a method of calculating the amortised cost of a financial asset (or a financial liability) and of allocating the interest income (or interest expense) over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset (or financial liability). The calculation includes transaction costs and all other premiums or discounts.

2.2.9.3. Impairment of financial assets

At the year-end and at each interim reporting date, the Group assesses whether there is any objective evidence that an asset could have been impaired. If so, the Group estimates the asset's recoverable amount and records any necessary impairment as appropriate for the category of financial asset concerned.

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the impairment is measured as the difference between the asset's carrying amount and the discounted value of expected future cash flows, using the original effective interest rate of the financial instrument. The impairment is recognised in the statement of profit or loss. If the impairment loss decreases in a subsequent period, the amount of the decrease is reversed and transferred to the statement of profit or loss.

For trade receivables, impairment is recognised based on the probability of recovery assessed according to the type of receivable individually or by experience-based statistical methods.

2.2.9.4. Other financial liabilities

Initially, other financial liabilities (including loans and other financial liabilities, trade and other payables) are measured at fair value plus transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method (as described in note 2.2.9.2 above).

2.2.9.5. Cash and cash equivalents

Cash equivalents comprise highly liquid and short-term investments maturing within three months or less, and with negligible risk of fluctuation in value.

2.2.9.6. Derecognition of financial assets and liabilities

The Group derecognises a financial asset when:

- the contractual rights to the cash flows generated by the asset expire; or
- the Group transfers the rights to receive contractual cash flows related to the financial asset through the transfer of substantially all of the risks and rewards associated with ownership of the asset.

Any interest created or retained by the Group in transferred financial assets is recorded as a separate asset or liability.

Financial liabilities are derecognised when, and only when, it is extinguished, that is, when the obligation specified in the contract is either discharged, cancelled or expires. Where there has been an exchange between an existing borrower and lender of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. A gain or loss from extinguishment of the original financial liability is recognised in the statement of profit or loss.

2.2.10. Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

2.2.11. Equity

2.2.11.1. Share issue expenses

Share issue expenses correspond exclusively to external costs expressly related to the capital increase. They are charged against the issue premium at their net-of-tax value.

Other expenses are classified as expenses of the period.

2.2.11.2. Non-controlling interests

Non-controlling interests represent the shares of non-controlling shareholders (minority interests) in the equity of subsidiaries that are not fully owned by the Group.

On the acquisition date, non-controlling interests are either measured at fair value (full goodwill method) or in proportion to share of non-controlling interests in the identifiable assets acquired and liabilities assumed in the business combination (partial goodwill method). Subsequently, non-controlling interests are adjusted for the appropriate proportion of subsequent profits and losses.

2.2.12. Provisions other than employee benefits

The Group recognises provisions if the following three conditions are met:

- the Group has a present obligation (legal or constructive) towards a third party that arises from an event prior to the reporting date;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- the amount of the obligation can be estimated reliably.

Provisions are determined based on the Group's best estimate of the expected cost necessary to settle the obligation. Estimates are based on management data from the information system, assumptions adopted by the Group, and if necessary experience of similar transactions, or in some cases based on independent expert reports. The various assumptions are reviewed for each closing of the accounts. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

2.2.13. Employee benefits

The Group grants its employees post-employment benefits (pension plans, retirement indemnities, etc.) and other long-term benefits (e.g. long-service awards).

For post-employment benefits, a distinction is made between defined benefit plans and defined contribution plans.

2.2.13.1. Post-employment benefits – Defined benefit plans

The obligations under defined-benefit plans are calculated by the projected unit credit method, which determines the present value of entitlements earned by employees at year-end under all types of plan, taking into consideration estimated future salary increases.

Such post-employment benefit obligations are measured using the following methods and main assumptions:

- retirement age, determined on the basis of the applicable rules for each plan, and the requirements to qualify for a full pension;
- career-end salary levels, with reference to employee seniority, projected salary levels at the time of retirement based on the expected effects of career advancement, and estimated trends in pension levels;
- forecast numbers of pensioners, determined based on employee turnover rates and applicable mortality tables;
- a discount rate that depends on the duration of the obligations, determined at the year-end date by reference to the market yield on high-quality corporate bonds or the rate on government bonds whose duration is coherent with the Group's commitments to employees.

The amount of the provision corresponds to the value of obligations less the fair value of the plan assets that cover those obligations.

The net expense recognised during the year for employee benefit obligations includes:

- in the statement of profit or loss:
  - the current service cost, corresponding to additional benefit entitlements earned during the year;
  - the net interest expense, corresponding to interest on obligations net of the return on plan assets, which is calculated using the same discount rate as for the obligations;
  - the past service cost, including the income or expense related to amendments or settlements of benefit plans or introduction of new plans;
  - the remeasurement gains and losses relating to long-term benefits.
- in the statement of other comprehensive income:
  - the remeasurement gains and losses relating to post-employment benefits;
  - the effect of the limitation to the asset ceiling if any.

2.2.13.2. Post-employment benefits – Defined contribution plans

With respect to defined contribution plans, the contributions payable are recognised when employees have rendered the related services.

According to legal requirements applicable in Belgium, defined contribution pension plans are subject to minimum guaranteed rates of return. As such, these plans meet the conditions for classification as defined benefit plan in accordance with IAS 19 and they are accounted for as such.

2.2.13.3. Other long-term benefits

Other long-term employee benefits, such as service awards, are also accounted for using the projected unit credit method. The accounting treatment differs however from the method applied for post-employment benefits, as actuarial gains and losses are recognised immediately in the statement of profit or loss.

2.2.13.4. Termination benefits

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

2.2.14. Assets classified as held for sale and related liabilities, and discontinued operations

Assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. For a sale to be highly probable, Company management should be committed to a plan to sell the asset (or disposal group), an active program to locate a buyer and complete the plan should be initiated, the asset (or disposal group) should be actively marketed at a price which is reasonable in relation to its current fair value, the sale should be expected to be completed within one year from the date of classification, and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

A discontinued operation is a component of the Group which either has been disposed of or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale

Assets that qualify as held for sale and related liabilities are presented separately from other assets and liabilities in the statement of financial position. Assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Any excess of the carrying amount over the fair value less costs to sell is recognised as an impairment loss. Depreciation of such assets is discontinued as from their classification as held for sale. Prior period statements of financial position are not restated to reflect the classification of a non-current asset (or disposal groups) as held for sale.

For discontinued operations, a single net amount after taxes is presented in the statement of profit or loss and the comparative period is restated consistently.

2.2.15. Revenue

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; and
- the amount of revenue can be measured reliably.

Sales of goods that result in award credits for customers are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the goods supplied and the award credits granted. The consideration allocated to the award credits is measured by reference to their fair value – the amount for which the award credits could be sold separately. Such consideration is not recognised as revenue at the time of the initial sale transaction – but is deferred and recognised as revenue when the award credits are redeemed and the Group's obligations have been fulfilled.

2.2.16. Income taxes

Income taxes include the current tax expense (income) and the deferred tax expense (income), calculated in accordance with the applicable tax legislation.

In compliance with IAS 12 Income Taxes, current and deferred taxes are recognised in the statement of profit or loss, other comprehensive income or directly in equity consistently with the accounting for the underlying transaction.

The current tax expense (income) is the estimated amount of tax due on the taxable income for the period, calculated using the tax rates enacted at reporting date.

Deferred taxes result from temporary differences between the carrying amount of assets and liabilities and their tax basis. No deferred taxes are recognised for temporary differences generated by:

- the initial recognition of goodwill which is not tax deductible;
- the initial recognition of an asset or liability in a transaction which is not a business combination and does not affect the accounting profit or taxable profit (tax loss) at the transaction date;
- investments in subsidiaries and associates, investments in branches and interests in joint arrangements, when the Group controls the timing of reversal of the temporary differences, and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the expected tax rate for the period in which the asset will be realised or the liability settled, based on tax rates (substantively) enacted at reporting date. If the tax rate changes, deferred taxes are adjusted to the new rate and the adjustment is recorded in the statement of profit or loss, unless it relates to an underlying for which changes in value are recognised in other comprehensive income or directly in equity.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are only recognised when it is probable that the Group will have sufficient taxable profit to utilise the benefit of the asset in the foreseeable future, or beyond that horizon, if there are deferred tax liabilities with the same maturity.

2.2.17. Non-recurring items

Non-recurring items are either income or expenses which do not occur regularly as part of the normal activities of the company. They are presented separately because they are important for the understanding of the underlying sustainable performance of the Company due to their size or nature.

The non-recurring items include the following components:

- gain on a bargain purchase (negative goodwill) in the context of a business combination;
- gains and losses on the sale of subsidiaries, joint operations, joint ventures, and associates that do not qualify as discontinued operations;
- acquisition costs of new businesses;
- major restructuring charges;
- impairment losses resulting from the shutdown of an activity;
- impairment losses resulting from testing of cash-generating units ('CGUs') for impairment (a CGU includes tangible assets, intangible assets and allocated goodwill, if any).

2.2.18. Statement of cash flows

The statement of cash flows is prepared according to the indirect method to reconcile the cash flows from operating activities. The cash items disclosed in the cash flow statement comprise cash at banks and in hand except for deposits with a maturity longer than three months. Cash flows denominated in foreign currencies have been translated at average estimated exchange rates. Exchange differences affecting cash items are shown separately in the cash flow statement. Interest paid is presented as cash used in financing activities, while interest received and dividends received are presented as cash from investing activities. Income taxes are included in cash from operating activities. Dividends paid are recognised as cash used in financing activities. The purchase consideration paid for the acquired group company has been recognised as cash used in investing activities where it was settled in cash. Any cash at banks and in hand in the acquired group company have been deducted from the purchase consideration. Transactions not resulting in inflow or outflow of cash, including finance leases, are not recognised in the cash flow statement. Payments of finance lease instalments qualify as repayments of borrowings under cash used in financing activities and as interest paid under cash generated from operating activities.

3. SEGMENT REPORTING

Information reported to the chief operating decision maker (CODM) for the purposes of resource allocation and assessment of segment performance focuses on the different classes of customers. No operating segments have been aggregated in arriving at the reportable segments of the Group. Specifically, the Group's reportable segments under IFRS 8 – Operating Segments are as follows:

- **B2B:** activities involving transactions between the Group and intermediate companies; and
- **B2C:** activities involving transactions between the Group and the final customer.

3.1. Segment revenues and results

	31/12/2016		
(in thousands of Euros)	**B2B**	**B2C**	**Group total**
Revenue, including inter-segment revenue	94.509	191.246	285.755
of which inter-segment revenue	(43.456)	0	(43.456)
Revenue	**51.053**	**191.246**	**242.298**
Cost of merchandise	23.547	(78.589)	(102.137)
Gross profit	**27.506**	**112.657**	**140.162**
Employee benefit expense	(5.051)	(42.651)	(47.702)
Other operating expenses	(13.162)	(58.456)	(71.618)
Recurring operating profit/(loss) before amortisation and depreciation expense (REBITDA)	**9.293**	**11.549**	**20.841**
Amortisation and depreciation expenses	(3.883)	(5.585)	(9.468)
Recurring operating profit/(loss) (REBIT)	**5.410**	**5.965**	**11.374**
Non-recurring items			(7.688)
Operating profit/(loss) (EBIT)			**3.686**
Financial income			1.179
Financial expenses			(7.498)
Profit/(loss) before taxes			**(2.634)**
Income taxes			429
PROFIT/(LOSS) FOR THE PERIOD			**(2.205)**

	31/12/2015		
(in thousands of Euros)	**B2B**	**B2C**	**Group total**
Revenue, including inter-segment revenue	5.121	67.908	73.029
of which inter-segment revenue	0	0	0
Revenue	**5.121**	**67.908**	**73.029**
Cost of merchandise	(2.382)	(30.165)	(32.548)
Gross profit	**2.738**	**37.743**	**40.481**
Employee benefit expense	(114)	(14.580)	(14.694)
Other operating expenses	(1.748)	(22.247)	(23.995)
Recurring operating profit/(loss) before amortisation and depreciation expense (REBITDA)	**876**	**916**	**1.792**
Amortisation and depreciation expenses	0	(882)	(882)
Recurring operating profit/(loss) (REBIT)	**876**	**34**	**910**
Non-recurring items			(4.090)
Operating profit/(loss) (EBIT)			**(3.179)**
Financial income			38
Financial expenses			(809)
Profit/(loss) before taxes			**(3.950)**
Income taxes			977
PROFIT/(LOSS) FOR THE PERIOD			**(2.972)**

The accounting policies of the reportable segments are the same as the Group's accounting policies described above. The revenue presented above is at year-end 2016 the only measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance. No other detail is reviewed currently by the CODM, which are the executive committee (i.e. CEO and CFO). Information regarding revenue from major products is not relevant as all sales are generated from the same nature of products, being clothing and shoes.

3.2. Geographical information

The Group operates in two principal geographical areas – the Netherlands (country of domicile) and Belgium.
The Group's revenue by location of operations and information about its non-current assets by location of assets are detailed below.

	Revenue		Non-current assets	
(in thousands of euros)	31/12/2016	31/12/2015	31/12/2016	31/12/2015
The Netherlands	165.669	73.029	230.348	7.563
Belgium	73.347	0	130.744	0
Other	3.283	0	94	0
Total	242.298	73.029	361.186	7.563

Non-current assets exclude non-current assets classified as held for sale and financial instruments.

3.3. Other information

Segment revenue does not include customers contributing 10% or more to the Group's revenue for both 2016 and 2015.

4. BUSINESS COMBINATIONS AND CHANGES IN CONSOLIDATION SCOPE

4.1. 2016 acquisitions

The Group closed the following business combinations (acquisition of control) in 2016:

- On 26 July 2016, acquisition of 100% of the voting rights in FNG Group NV, a Belgian based retail group. The fair value of the total consideration transferred amounted to € 171.949 thousands, which was paid entirely through the issue of 107.468.190 shares in the Company on 9, 12 and 29 September 2016 (see also note 5.9.2).
- On 14 September 2016, acquisition of 100% of the voting rights in BrantNew, a Belgian holding controlling Brantano. The fair value of the total consideration transferred amounted to € 7.020 thousands, which was paid entirely through the issue of 4.387.500 shares in the Company on 12 October 2016. In addition 15.625.000 shares were issued to pay for the € 25.000 receivable from R&S Finance Belgium to Brantano (see also note 5.9.2).
- On 31 December 2016, acquisition of 100% of the voting rights in Steps Nederland B.V. and Superstar B.V. (together "Steps/Superstar"), a retail group active in The Netherlands. The fair value of the total consideration amounted to € 6.600 thousands, which was compensated with an outstanding receivable at closing 2016.

These companies were acquired so as to continue the expansion of the Group's activities in the fashion retail industry.

The acquirees' assets acquired and liabilities assumed recognised in the consolidated statement of financial position at acquisition date, the amount of goodwill, as well as the net effect on the statement of cash flows are presented in the table below:

Statement of financial position (in thousands of euros)	FNG Group	BrantNew	Steps Superstar	Total
Intangible assets	196.884	20.076	24.507	241.467
Property, plant and equipment	31.336	10.075	0	41.411
Non-current financial assets	29	144	39	212
Deferred tax assets	6.513	6.930	4.049	17.492
Inventories	37.480	53.600	1.443	92.523
Trade and other receivables	40.844	1.914	6.617	49.375
Other current assets	2.369	1.082	252	3.703
Cash and cash equivalents	34.283	1.271	1.361	36.915
Provisions	(237)	(1.839)	(67)	(2.143)
Non current financial liabilities	(123.614)	(25.000)	0	(148.614)
Deferred tax liabilities	(33.754)	(6.934)	(6.127)	(46.815)
Current financial liabilities	(12.500)	(25.196)	0	(37.696)
Trade and other payables	(31.559)	(25.885)	(59.662)	(117.106)
Other current liabilities	(1.197)	(1.840)	(572)	(3.610)
Net assets acquired	146.878	8.397	(28.159)	127.115
Non-controlling interests	0	0	0	0
Total consideration	(171.949)	(7.020)	(6.600)	(185.569)
Goodwill	**25.071**		**34.759**	**59.831**
(Gain on a bargain purchase)		**(1.377)**		**(1.377)**

Statement of cash flows (in thousands of euros)	FNG Group	BrantNew	Steps Superstar	Total
Total consideration	171.949	7.020	6.600	185.569
Financed through a share issue	171.949	7.020	0	178.969
Financed through outstanding receivable	0	0	6.600	6.600
Financed in cash	0	0	0	0
Cash and cash equivalent acquired	(34.283)	(1.271)	(1.361)	(36.915)
Net cash outflow in investing activities	**(34.283)**	**(1.271)**	**(1.361)**	**(36.915)**

As a result of the acquisition accounting, the Company has allocated the purchase price (consideration paid), and has calculated the fair values of the assets acquired and liabilities assumed, in accordance with generally applied valuation rules. The purchase price was mainly allocated to intangible assets (tradenames, trademarks and key-money) and deferred tax assets and liabilities.

The fair value of the consideration financed through the share issues (see note 5.9.2) has been determined based on a peer review of EBITDA multiples.

Goodwill arose in the acquisition of FNG Group and Steps/Superstar because the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. The resulting goodwill is not tax deductible.

The gross contractual amount of the trade receivables and other receivables amounts to € 49.375 thousands.

There were no significant costs related to the business combinations amount. However, in the context of the share issues to finance the business combinations, costs were incurred for an amount of € 1.147 thousands and have been recognised as deduction of the related capital increase in the statement of changes in equity.

The amounts above in the reporting ended 31 December 2016 with respect to fair value of net assets acquired and goodwill are provisional as not all fair value measurements have been finalised.

Since the acquisition date, the contribution of the businesses acquired to the consolidated revenue and consolidated profit of the Company for the year ended 31 December 2016 amounts to € 187.052 thousands and € 5.322 thousands, respectively. As the acquisition of Steps/Superstar only occurred on 31 December 2016, no results were contributed by these companies. If the businesses were acquired on 1 January 2016, the consolidated revenue for the year ended 31 December 2016 would have increased by € 217.535 thousands.

4.2. 2015 acquisitions

The Group closed the following business combination in 2015: On 1 May 2015, acquisition of 100% of the voting rights in Miss Etam, a Dutch based retail group. The fair value of the total consideration transferred amounted to € 20.000 thousands, which was paid in cash.

The acquirees' assets acquired and liabilities assumed recognised in the consolidated statement of financial position at acquisition date, the amount of goodwill, as well as the net effect on the statement of cash flows are presented in the tables below:

Statement of financial position	Miss Etam
Intangible assets	1.174
Property, plant and equipment	5.826
Inventories	13.000
Net assets acquired	20.000
Total consideration	(20.000)
Goodwill	0

Statement of cash flows	Miss Etam
Total consideration	20.000
Financed through a share issue	0
Financed in cash	20.000
Cash and cash equivalent acquired	0
Net cash outflow in investing activities	20.000

The costs related to the business combination are disclosed in note 6.5.

The provisional goodwill computed in 2015 was not adjusted after the acquisition date as there was no new (additional) information.

Since the acquisition date, the contribution of the business acquired to the consolidated revenue of the Company for the year ended 31 December 2015 amounted to € 73.029 thousands.

5. NOTES RELATING TO THE STATEMENT OF FINANCIAL POSITION

5.1 Goodwill

(In thousands of euros)	**31/12/2016**	**31/12/2015**
Cost	59.831	0
Accumulated impairment losses	0	0
Goodwill	**59.831**	**0**

Cost (in thousands of euros)	
Balance at 1 January 2015	0
Balance at 31 December 2015	0
Additions through business combinations	59.831
Balance at 31 December 2016	**59.831**

Accumulated amortisation and impairment (in thousands of euros)	
Balance at 1 January 2015	0
Balance at 31 December 2015	0
Balance at 31 December 2016	0

Carrying amount (in thousands of euros)	
Balance at 1 January 2015	0
Balance at 31 December 2015	0
Balance at 31 December 2016	**59.831**

Goodwill has been provisionally allocated for impairment testing purposes to the following cash-generating units:

- FNG
- Steps/Superstar

The acquisition of BrantNew resulted in a gain on a bargain purchase amounting to € 1.377 thousands which is recognized in the consolidated statement of comprehensive income under the non-recurring items.

The carrying amount of goodwill was allocated to cash-generating units as follows:

(In thousands of euros)	**31/12/2016**	**31/12/2015**
FNG Group	25.071	0
Steps / Superstar	34.759	0
Goodwill	59.831	0

As the goodwill relates to business combinations occurred during the current accounting period, management judges that there is no impairment as the forecasts and assumptions to be used in the impairment testing have not changed compared to the exercise done at the respective acquisition dates.

Although an impairment test has been conducted for FNG Group. This was based on the enterprise value, wich was based on a multiple of EBITDA.
The enterprise value is considered to be a measure of recoverable amount (i.e. fair value less costs to sell).

5.2 Intangible assets

(In thousands of euros)	31/12/2016	31/12/2015
Acquisition cost	245.831	1.174
Accumulated amortisation and impairment	(1.575)	0
Intangible assets	244.256	1.174
of which:		
Software	5.858	0
Tradenames and trademarks	233.225	1.174
Customer lists	2.500	0
Key money	2.673	0

Cost (in thousands of euros)	Software	Tradenames and trademarks	Customer lists	Key money	Total
Balance at 1 January 2015	**0**	**0**	**0**	**0**	**0**
Additions through business combinations	0	1.174	0	0	1.174
Balance at 31 December 2015	**0**	**1.174**	**0**	**0**	**1.174**
Additions	810	0	2.500	26	3.335
Additions through business combinations	6.297	232.051	0	3.119	241.467
Disposals	(12)	0	0	(133)	(145)
Other	0	0	0	0	0
Balance at 31 December 2016	**7.095**	**233.225**	**2.500**	**3.012**	**245.831**

Accumulated amortisation and impairment (in thousands of euros)	Software	Tradenames and trademarks	Customer lists	Key money	Total
Balance at 1 January 2015	**0**	**0**	**0**	**0**	**0**
Balance at 31 December 2015	**0**	**0**	**0**	**0**	**0**
Amortisation expense	(1.237)	0	0	(338)	**(1.575)**
Balance at 31 December 2016	**(1.237)**	**0**	**0**	**(338)**	**(1.575)**

Carrying amount (in thousands of euros)	Software	Tradenames and trademarks	Customer lists	Key money	Total
Balance at 1 January 2015	0	0	0	0	0
Balance at 31 December 2015	0	1.174	0	0	1.174
Balance at 31 December 2016	**5.858**	**233.225**	**2.500**	**2.673**	**244.256**

“Software” includes software acquired or developed by external suppliers and capitalised internal development costs.
“Tradenames and trademarks” have been either acquired or resulting from business combinations.
“Customer lists” have been acquired through a separate asset deal, which was not considered a business combination as defined by IFRS3.
“Key money” have been acquired through business combinations and represents the favourable lease conditions of secured store locations.

The tradenames, trademarks and customer lists have an indefinite useful life, due to their nature. As such, they are normally subject to an annual impairment test. However, as these assets relate to business combinations occurred during the current accounting period, management judges that there is no impairment as the assumptions to be used in the impairment testing have not changed compared to the exercise done at the respective acquisition dates.

The key assumptions were as follows:

- FNG Group:
  - Discount rate (WACC): 10%
  - Growth rate: 1%
- BrantNew:
  - Discount rate (WACC): 15%
  - Growth rate: 1%
- Steps/Superstar:
  - Discount rate (WACC): 15%
  - Growth rate: 1%

There were no pledges relating to the intangible assets.

5.3 Property, plant & equipment

(In thousands of euros)	31/12/2016	31/12/2015
Acquisition cost	64.157	7.271
Accumulated depreciation and impairment	(7.058)	(882)
Property, plant and equipment	**57.099**	**6.389**
of which:		
Buildings	19.910	0
Leasehold improvements and other store furniture	16.068	6.243
Machinery and installations	19.918	146
Assets under construction	1.204	0

Cost (in thousands of euros)	Buildings	Leasehold improvements and other store furniture	Machinery and installations	Assets under construction	Total
Balance at 1 January 2015	**0**	**0**	**0**	**0**	**0**
Additions	0	1.295	150	0	1.445
Additions through business combinations	0	5.826	0	0	5.826
Balance at 31 December 2015	**0**	**7.121**	**150**	**0**	**7.271**
Additions	2.226	4.248	10.160	1.229	17.863
Additions through business combinations	19.634	8.253	13.521	2	41.411
Disposals	(251)	(1.948)	(162)	(27)	(2.389)
Balance at 31 December 2016	**21.610**	**17.675**	**23.669**	**1.204**	**64.157**

Accumulated depreciation and impairment (in thousands of euros)	Buildings	Leasehold improvements and other store furniture	Machinery and installations	Assets under construction	Total
Balance at 1 January 2015	**0**	**0**	**0**	**0**	**0**
Depreciation expense	0	(878)	(4)	0	(882)
Balance at 31 December 2015	**0**	**(878)**	**(4)**	**0**	**(882)**
Depreciation expense	(1.730)	(2.411)	(3.752)	0	(7.893)
Disposals	30	1.682	5	0	1.717
Balance at 31 December 2016	**(1.700)**	**(1.607)**	**(3.751)**	**0**	**(7.058)**

Carrying amount (in thousands of euros)	Buildings	Leasehold improvements and other store furniture	Machinery and installations	Assets under construction	Total
Balance at 1 January 2015	0	0	0	0	0
Balance at 31 December 2015	0	6.243	146	0	6.389
Balance at 31 December 2016	**19.910**	**16.068**	**19.918**	**1.204**	**57.099**

The carrying amount of assets held under finance leases is presented in the following table:

Held under finance lease (In thousands of euros)	
Balance at 1 January 2015	0
Balance at 31 December 2015	0
Balance at 31 December 2016	**13.860**

These assets held under finance lease mainly relate to the corporate building in Mechelen, Belgium. The lease term of this building is 15 years and includes a purchase option. The related lease commitments are disclosed in note 5.13 on borrowings.

5.4 Inventories

(in thousands of euros)	**31/12/2016**	**31/12/2015**
Raw materials and furnitures	1.383	0
Work in progress	3.504	0
Goods for resale	87.739	8.321
Gross carrying amount	**92.626**	**8.321**
Write-downs (impairment)	(5.686)	(1.363)
Net carrying amount	**86.941**	**6.958**

The cost of inventories recognised as an expense during the year was € 102.137 thousands (2015: € 32.548 thousands). The cost of inventories recognised as an expense includes € 1.152 thousands in respect of reversals of write-downs of inventory in 2016 as they became recoverable and € 1.363 thousands in respect of write-downs of inventory to net realisable value in 2015. No inventories are expected to be recovered after 12 months. There are no pledges relating to the inventories.

5.5. Trade and other receivables

Trade and other receivables (in thousands of euros)	**31/12/2016**	**31/12/2015**
Trade receivables		
Trade receivables from third parties	21.682	843
Write-downs on trade receivables	0	(29)
Total trade receivables	**21.682**	**814**
Other receivables		
Receivable from third parties	1.513	2.264
Receivables from related parties	1.779	3.949
Total other receivables	**3.293**	**6.213**
Total trade and other receivables	**24.975**	**7.027**

Trade receivables disclosed above include amounts that are past due at the end of the reporting period for which the Company has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The aged analysis of receivables past due but not impaired is presented below:

(in thousands of euros)	**31/12/2016**	**31/12/2015**
Not yet due	7.740	717
Up to 60 days	1.617	22
61 to 90 days	456	76
> 90 days	11.869	0
Total	**21.682**	**814**

The recoverability of the receivables outstanding for more than 90 days should be viewed together with the payables with the same customer or parties related to the customer, which are exceeding these receivables. For an analysis of the credit risk, we refer to note 7.2.2 below.

The movement in the allowance for doubtful debts can be detailed as follows:

(in thousands of euros)	**31/12/2016**	**31/12/2015**
At 1 January	**(29)**	**0**
Impairment write downs	0	(29)
Reversal of write downs	29	0
At 31 December	**0**	**(29)**

5.6. Other Assets

The other assets (non-current and current) can be detailed as follows:

(in thousands of euros)	**31/12/2016**	**31/12/2015**
Rental accruals	1.092	2.400
Interest accruals	0	750
Other	2.021	651
Total other assets	**3.113**	**3.801**
of which:		
Non-current	0	0
Current	3.113	3.801

The caption “Other” consists mainly of prepaid expenses relating to the operating activities of the Group.

5.7 Cash and cash equivalents

Cash and cash equivalents include following components:

(in thousands of euros)	**31/12/2016**	**31/12/2015**
Cash at bank and in hand	65.437	1.358
Short-term bank deposits	1.470	0
Total cash and cash equivalents	**66.907**	**1.358**

5.8 Deferred taxes

The deferred taxes recognised in the consolidated statement of financial position are as follows:

(in thousands of euros)	**31/12/2016**	**31/12/2015**
Deferred tax assets	18.000	977
Deferred tax liabilities	(45.682)	0

The nature of the sources of deferred tax assets and liabilities recognised in the statement of financial position are detailed in the following table:

	Assets		**Liabilities**	
In thousands of euros	**31/12/2016**	**31/12/2015**	**31/12/2016**	**31/12/2015**
Property, plant and equipment	701	0	(694)	0
Intangible assets	0	0	(45.084)	0
Inventories	0	0	(274)	0
Other financial assets	0	0	(437)	0
Employee Benefits	106	0	0	0
Deferred taxes relating to temporary differences	**807**	**0**	**(46.489)**	**0**
Tax losses carried forward	18.000	977	0	
Deferred taxes relating to tax losses and tax credits	**18.000**	**977**	**0**	**0**
Total recognised deferred taxes	**18.807**	**977**	**(46.489)**	**0**
Offsetting	(807)	0	807	0
Total, net	**18.000**	**977**	**(45.682)**	**0**

The movements in deferred tax assets and liabilities have been recognised as follows:

(in thousands of euros)	2016	2015
Deferred tax assets	977	0
Deferred tax liabilities	0	0
Balance at 1 January	977	0
Changes:		
- Recognised in income statement	498	977
- Recognised in other comprehensive income	0	0
- Acquisitions through business combinations	(29.322)	0
- Other	166	0
Balance at 31 December	(27.681)	977
Of which:		
- Deferred tax assets	18.000	977
- Deferred tax liabilities	(45.682)	0

There are no deductible temporary differences, unused tax losses and unused tax credits for which no deferred taxes are recognised.

5.9. Share capital

5.9.1. Capital management

The Company manages its capital to maintain a strong level of capital in order to sustain development of the business and confidence of creditors while optimising return on capital for shareholders. This ensures that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of its debt and equity balance and its EBITDA (as defined in note 2.1).
The Group is not subject to any externally imposed capital requirements except those provided for by law. The Group's management reviews the capital structure of the Group on a regular basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. The Group's objectives, policies and processes for managing capital have remained unchanged over the past few years.

5.9.2. Capital transactions

Number of shares		
Balance at 1 May 2015		**5**
Balance at 31 December 2015		**5**
Share issue through contribution in kind - Reverse acquisition - R&S Finance B.V.	5/01/16	10.000.000
Existing shares FNG NV - Reverse acquisition R&S Finance B.V.	5/01/16	3.367.129
Acquisition shares R&S Finance B.V. - Reverse acquisition R&S Finance B.V.	5/01/16	(5)
Share issue through contribution in kind - FNG acquisition	9/09/16	104.367.393
Share issue through contribution in kind - FIPH	12/09/16	3.010.000
Share issue through contribution in kind - FNG squeeze-out	29/09/16	90.797
Share issue through contribution in kind - BrantNew acquisition	12/10/16	20.012.500
Share split	13/10/16	(133.805.427)
Share issue through contribution in cash	7/12/16	1.000.000
Balance at 31 December 2016		**8.042.392**

Since the last annual report, the following alterations to the Company's issued capital took place:

- On 5 January 2016, FNG N.V. issued 1 Priority Share (linked to an amendment of the voting rights) and 10.000.000 new class A shares. This issuance was done in the framework of the acquisition of all shares in the capital of R&S Finance B.V. through a so-called reverse listing transaction (the R&S Transaction). FNG N.V. has acquired all the shares in the capital of R&S Finance B.V. against issuance of 10.000.000 A shares to FIPH B.V., who was the sole shareholder of R&S Finance B.V. prior to the R&S Transaction. As part of the R&S Transaction, FIPH B.V. has also acquired the Priority Share which was issued on 5 January 2016. Rens van de Schoor (FIPH B.V.) and the founders of FNG Group NV (Anja Maes, Manu Bracke and Dieter Penninckx) agreed to combine their shareholdings in a separate structure. In addition, they negotiated a transfer of the priority share from FIPH B.V. to Greenway District BVBA on December 9, 2016 for €500 thousands. As a result of the issuance on 5 January 2016, FNG N.V. has placed (i) 3.367.128 ordinary shares (listed on Euronext Amsterdam as of 20 January 2016), (ii) 10.000.000 class A shares and (iii) 1 Priority Share.
- On 9 September 2016, FNG N.V.
  - issued 104.367.393 new ordinary shares in connection with the settlement of the Exchange Offer to ABN AMRO Bank N.V. for inclusion in the Collective Deposit ("verzameldepot"), with such shares to be credited to Bank Degroof Petercam NV for further credit to the securities accounts of the respective holders of securities in FNG Group NV who tendered such securities in the Exchange Offer in accordance with their entitlement to such shares;
  - converted the 10.000.000 class A shares held by FIPH B.V. into 10.000.000 ordinary shares, and FIPH B.V. transferred these 10.000.000 ordinary shares to ABN AMRO Bank N.V. for inclusion in the Collective Deposit ("verzameldepot"), with such shares to be credited to FIPH B.V.'s securities account;
  - As a result of the issuance and conversion on 9 September 2016 FNG N.V. has placed (i) 117.734.521 ordinary shares, and (ii) 1 Priority Share.
- On 12 September 2016, FNG N.V. issued 3.010.000 ordinary shares to FIPH B.V. against the contribution by FIPH B.V. of its 175.000 shares in FNG Group NV outside the Exchange Offer (FIPH B.V. was not permitted under Belgian law to tender its shares in FNG Group NV in the Exchange Offer), and FIPH B.V. transferred these 3.010.000 ordinary shares to ABN AMRO Bank N.V. for inclusion in the Collective Deposit ("verzameldepot"), with such shares to be credited to FIPH B.V.'s securities account. As a result of the issuance on 12 September 2016 FNG N.V. has placed (i) 120.744.521 ordinary shares, and (ii) 1 Priority Share.
- On 29 September 2016, FNG N.V. issued 90.797 ordinary shares in connection with the settlement of the squeeze-out proceedings following and in connection with the Exchange Offer to ABN AMRO Bank N.V. for inclusion in the Collective Deposit ("verzameldepot"), with such shares to be credited to Bank Degroof Petercam NV for further credit to the securities accounts of (i) the respective holders of securities in FNG Group NV who tendered such securities in the squeeze-out in accordance with their entitlement to such shares and (ii) the Deposit and Consignment Office (Deposito- en Consignatiekas). As a result of the issuance on 29 September 2016 FNG N.V. has placed (i) 120.835.318 ordinary shares, and (ii) 1 Priority Share.
- On 12 October 2016, FNG N.V. issued 20.012.500 new class A shares following the exercise of the Brantano Call Option by FNG N.V. as consideration for all outstanding shares in BrantNew BVBA, one share in Brantano NV and a receivable for a principal amount of € 25.000 thousands plus any accrued but unpaid interest from BrantNew BVBA. The share issue occurred at the average value of the share of the Company in the 90 days before the share issue and adjusted for the illiquidity of the market. As a result of the issuance on 12 October 2016 FNG N.V. has placed (i) 120.835.318 ordinary shares, (ii) 20.012.500 class A shares and (ii) 1 Priority Share.
- On 13 October 2016:
  - FNG N.V. issued 2 new class A shares in the framework of the Reverse Stock Split (as defined hereinafter) in order to ensure that the total number of issued shares in FNG N.V.'s capital will be divisible by 20. As a result of the issuance on 13 October 2016 FNG N.V. has placed (i) 120.835.320 ordinary shares, (ii) 20.012.500 class A shares and (ii) 1 Priority Share.
  - the reverse stock split (the "Reverse Stock Split"), resolved upon by the general meeting of FNG N.V. on 13 July 2016 (amendment to the articles of association of FNG N.V.), became effective. FNG N.V.'s authorized share capital was altered for the purpose of consolidating the ordinary shares and class A shares in such a way that:
    - every 20 ordinary shares in FNG N.V.'s capital (each having a nominal value of € 0,08) is consolidated into 1 ordinary share; and
    - every 20 class A shares in FNG N.V.'s capital (each having a nominal value of € 0,08) is consolidated into 1 class A share,
- Under the simultaneous decrease of the nominal value of each ordinary share and each class A share in FNG N.V.'s capital created pursuant to the aforementioned consolidation to € 0,08 (a reverse stock split). As a result of the Reverse Stock Split on 13 October 2016 FNG N.V. has placed (i) 6.041.766 ordinary shares, (ii) 1,000,625 class A shares and (ii) 1 Priority Share.
- On 7 and 8 December 2016, FNG N.V. issued 1.000.000 class A shares through a private placement for a total amount of € 32.000 thousands. As a result of the issuance on 7 and 8 December 2016 FNG N.V. has placed (i) 6.041.766 ordinary shares, (ii) 2.000.625 class A shares and (ii) 1 Priority Share.
  The proceeds net of issue costs are equal to € 30.854 thousands.

5.9.3. Shareholders

The share capital of the Company amounts to € 643 thousands and is represented by 8.042.392 shares, of which one priority share, each with a nominal value of € 0,08. The shareholders of the Company are detailed as follows:

Greenway District BVBA (FNG founders Mr Dieter Penninckx, Ms Anja Maes and Mr Manu Bracke)	58,3%
Mr L.H. van de Schoor	7,14%
Saffelberg Investments NV	6,66%
Belfius Insurance NV	4,47%
Biloba Holding B.V.	4,45%
VMF Luxembourg SA	4,27%
Torfs Import Services	4,26%
Others	5,48%
Free Float	4,97%

5.10. Provisions

The provisions presented in the consolidated statement of financial position can be detailed as follows:

(in thousands of euros)	Restructuring	Onerous contracts	Other provisions	Total
Balance at 1 January 2016	**0**	**510**	**742**	**1.252**
Additions	0	272	713	985
Additions through business combinations	1.731	0	412	2.143
Reversals	(341)	(585)	(1.183)	(2.109)
Balance at 31 December 2016	**1.390**	**197**	**684**	**2.271**
Of which current provisions	1.390	197	509	2.096
Of which non-current provisions	0	0	175	175

Restructuring provision relates to the on-going restructuring process at Brantano, mainly consisting of termination benefits.
The other provisions relate mainly to claims from employees, individual termination benefits and a provision for expected returns of goods.

5.11. Post-employment benefit obligations

The Group operates defined contribution plans and defined benefit plans.

For the defined contribution plans, we refer to note 6.2 on employee benefit expenses.

The defined contribution plans in Belgium are legally subject to minimum guaranteed returns. As such, these plans meet the conditions for classification as defined benefit plan and are recognised as such in the consolidated statement of financial position.
However, due to the insignificant amount, the Group has decided not to disclose all the disclosures as required by IAS 19 – Employee Benefits.

All senior employees and management of the BrantNew sub-group have access to these scheme. The death, disability and healthcare benefits granted to employees of the Company are covered by external insurance companies, where premiums are paid annually and charged to the income statement as they were incurred. As a consequence of the (Belgian) Law of 18 December 2015, minimum returns are guaranteed by the employer as follows:

- for the contributions paid as from 1 January 2016, a new variable minimum return based on rates of the Belgian government bonds, with a minimum of 1.75% and a maximum of 3.75%. In view of the low rates of the Belgian government bonds in the last years, the return has been initially set to 1.75;
- for the contributions paid until end December 2015, the previously applicable legal returns (3.25% and 3.75% respectively on the employer and employee contributions) continue to apply until retirement date of the participants.

5.12. Borrowings

The borrowings as presented in the consolidated statement of financial position consist of the following items:

(in thousands of euros)	31/12/2016	31/12/2015
Bonds	68.137	0
Bank debts	93.636	1.968
Other borrowings	16.004	0
Total borrowings	**177.777**	**1.968**
of which:		
Non-current	142.414	0
Current	35.363	1.968

The Company's bonds can be detailed as follows:

- On 1 March 2012 FNG Group NV issued 289 senior unsecured and dematerialised bonds with a nominal value of € 50 thousands each (for a total amount of € 14.450 thousands) offered for subscription through a private placement. The general meeting of bondholders of 20 December 2014 decided on several amendments to the bonds, among which amendments to the financial covenants. These bonds are not listed on any market and bear an annual interest rate of 7,45%.
- The board of directors of FNG Group NV decided on 29 December 2014 to issue 250 unsubordinated and dematerialised bonds with a nominal value of € 100 thousands each (for a total nominal amount of € 25.000 thousands). The bonds were issued through a private placement and are listed on Alternext Brussels and bear an annual interest rate of 4,625%.
- The board of directors of FNG Group NV decided on 26 January 2015 to issue 100 subordinated registered bonds with a nominal value of € 50 thousands each (for a total nominal amount of € 5.000 thousands). The bonds were issued through a private placement and are not listed on any market and bear an annual interest rate of 7,45%.
- The board of directors of FNG Group NV decided on 20 March 2015 to issue 1.000 subordinated dematerialised bonds with a nominal value of € 5 thousands each (for a total nominal amount of € 5.000 thousands). The bonds were issued through a private placement and are not listed on any market and bear an annual interest rate of 7,45%.
- The board of directors of FNG Benelux Holding NV decided on 5 July 2016 to issue 200 senior unsecured bonds with a nominal value of € 100 thousands each (for a total nominal amount of € 20.000 thousands). The bonds were issued through a private placement and are listed on Alternext Brussels and bear an annual interest rate of 5,50%.

The bank debts consist mainly of the club deal:

- FNG Group NV and other members of the FNG group entered into a € 131.000 thousands facilities agreement, originally dated 28 July 2014 and as amended and restated on 19 June 2015 and as further amended on 24 March 2016 and as further amended and restated on 29 March 2017 with ING Belgium NV/SA, Rabobank, BNP Paribas Fortis NV/SA, Belfius Bank NV/SA and ING Bank N.V. The club deal bears a floating interest rate of EURIBOR 3M + margin. Of the amount of € 131.000 thousands, € 31.000 was undrawn at closing 2016.

  Other borrowings consist mainly of the following loans:

- In October 2016, the Group entered into mezzanine loan for a total amount of € 10.000 thousands with external partners carrying a floating interest rate (EURIBOR 3M + margin) and with a maturity date in December 2020.

- A loan for an amount of € 3.000 thousands with an external partner carrying a rate of 1% and with no defined maturity date.

For additional information on liquidity risk, see note 7.2.3.

5.13. Other financial liabilities

The other financial liabilities as presented in the consolidated statement of financial position consist of the following items:

(in thousands of euros)	**31/12/2016**	**31/12/2015**
Finance lease liabilities	12.431	0
Shareholder's loans	0	10.000
Other loans	5.000	5.000
Derivative instruments	920	175
Total other financial liabilities	**18.352**	**15.175**
of which:		
Non-current	18.328	15.175
Current	23	0

The other loans for an amount of € 5.000 thousands with a maturity of 5 years carries an embedded derivative relating to the return on the loan, which is separated and measured at fair value through profit or loss (see note 5.16). The main conditions of this loan are as follows:

- The return payable to the debtor depends on the realised EBITDA of the Company in the financial year prior to loan repayment. Payment of the return is done only if the EBITDA exceeds € 5.000 thousands in the previous financial year. The return is equal to the realised EBITDA less € 5.000 thousands, multiplied by 1.4. The maximum return will be no more than € 7.000 thousands.
- The loan has a maturity of 5 years until 31 May 2020, and must be repaid at maturity. The shareholder can as from 1 June 2018 (up to no more than 3 months after the annual financial statements of the Company are made available for the previous financial year) as well as from 1 June 2019 (up to no more than 3 months after the annual financial statements of the Company are made available for the previous financial year) ask for repayment of up to 50% of the loan (and the pro rata return).
- In certain exceptional circumstances, the debtor can choose to convert its loan (principal plus return) to shares in the Company, which will apply (i) if the Company realises a negative EBITDA in the second year (2016/2017) or in a subsequent year; (ii) if the management of the Company does not fulfil its task in a way that can reasonably be expected from it; or (iii) if there is failure to comply with the information obligation contained in the agreement (after notice of default and a recovery period). The conversion into shares would occur in such a way that the share interest of the debtor in the Company resulting from the conversion will be 33.3% of the total interest in the Company.

For more details regarding the derivative instruments, we refer to note 5.16.

The finance lease commitments, which includes the bargain purchase option, relating to the building in Mechelen are disclosed in the following table:

(in thousands of euros)	**31/12/2016**	**31/12/2015**
Not later than 1 year	428	0
Later than 1 year and not later than 5 years	3.578	0
Later than 5 years	10.934	0
Less: future finance charges	(2.508)	0
Present value of minimum lease payments	**12.431**	**0**

(in thousands of euros)	**31/12/2016**	**31/12/2015**
Not later than 1 year	155	0
Later than 1 year and not later than 5 years	2.606	0
Later than 5 years	9.670	0
Present value of minimum lease payments	**12.431**	**0**

For additional information on liquidity risk, see note 7.2.3.

5.14. Trade and other payables

The trade and other payables can be detailed as follows:

(in thousands of euros)	**31/12/2016**	**31/12/2015**
Trade payables	50.548	6.168
Payables relating to fixed assets	1.020	0
Other payables relating to employees	5.538	3.850
Tax payables, other than income tax	12.389	1.623
Customer loyalty liabilities	3.121	0
Other	2.624	0
Total trade and other payables	**75.241**	**11.642**
Of which:		
Current	**75.241**	**11.642**

The customer loyalty liabilities relate to the estimate of awards granted to customers.

5.15. Other current liabilities

The other current liabilities consist of the following components:

(in thousands of euros)	**31/12/2016**	**31/12/2015**
Accrued expenses and deferred income	6.740	621
Total other liabilities	**6.740**	**621**

5.16. Derivative instruments

The derivative instruments recognised in the consolidated statement of financial position under “Other financial assets” and “Other financial liabilities” can be detailed as follows:

	Fair value		**Notional amounts**	
(in thousands of euros)	**31/12/2016**	**31/12/2015**	**31/12/2016**	**31/12/2015**
Floors	14	0	31.813	0
Total other financial assets	**14**	**0**	31.813	**0**
of which:				
Non-current	0		0	
Current	14		31.813	

	Fair value		**Notional amounts**	
(in thousands of euros)	**31/12/2016**	**31/12/2015**	**31/12/2016**	**31/12/2015**
Embedded derivative - Coltaparte	475	175	5.000	5.000
Interest rate swap	445	0	56.958	0
Total other financial liabilities	**920**	**175**	**61.958**	**5.000**
of which:				
Non-current	897	175	26.328	0
Current	23	0	35.630	5.000

The embedded derivative relates to the other loan disclosed in note 5.13.

The floors and interest rate swaps are used to hedge the interest rate risk of the borrowings presented in note 5.12. As these instruments do not exactly meet the conditions for hedge accounting in accordance with IAS 39 – *Financial Instruments: Recognition and Measurement*, they are classified as instruments held for trading measured at fair value through profit or loss.

6. NOTES RELATING TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

6.1. Revenue

Revenue increased from € 73.029 thousands at year-end 2015 to € 242.298 thousands at year-end 2016 as a result of the business combinations effected in 2016.

6.2. Employee benefit expense

Employee benefit expense can be detailed as follows:

(in thousands of euros)	31/12/2016	31/12/2015
Short-term benefits	46.220	14.166
Defined contribution plans	1.482	528
Total employee benefit expense	**47.702**	**14.694**

The majority of the employees of the Group are covered by defined contribution pension plans. The contributions are calculated based on the annual salary or, the annual salary up to a ceiling and the annual salary in excess of this ceiling.

The defined contribution plans in Belgium are legally subject to minimum guaranteed returns. As such, these plans meet the conditions for classification as defined benefit plan in accordance with IAS 19 – *Employee Benefits (see note 5.11).*

The number of full-time equivalents is detailed below:

	31/12/2016	31/12/2015
The Netherlands	883	443
Belgium	1.125	0
Other	61	0
Total FTE	**2.069**	**443**

6.3. Other operating expenses

Other operating expenses can be detailed as follows:

(in thousands of euros)	31/12/2016	31/12/2015
Rental expenses	30.365	13.178
Expenses related to third party sales	13.550	1.717
Marketing expenses	8.888	2.828
Logistics	6.598	1.877
Maintenance expenses	6.004	2.676
IT expenses	2.264	949
Other expenses	3.949	770
Total other operating expenses	**71.618**	**23.995**

Rental expenses mainly relate to rent of buildings in which the individual stores are located. We refer to note 8.4.1 for more information the operating lease commitments.

The expenses relating to third party sales refers to fixed and variable fees in the context of shop-in-shop systems.
The company enters into strategic alliances which enables the Company to optimize its position in all the markets in which it operates.

Other operating expenses are mainly composed of consultancy and advisory fees, office expenses, bank charges and other administrative expenses.

6.4. Amortisation and depreciation expenses

(in thousands of euros)	31/12/2016	31/12/2015
Amortisation of intangible assets	1.575	0
Depreciation of property, plant and equipment	7.893	882
Total amortisation and depreciation expenses	**9.468**	**882**

6.5. Non-recurring items

Non-recurring items can be detailed as follows:

(in thousands of euros)	31/12/2016	31/12/2015
Acquisition-related expenses	0	(4.090)
Listing expenses	(5.388)	0
Revalued inventories sold	(3.364)	0
Gain on a bargain purchase	1.377	0
Other	(313)	0
Total non-recurring items	**(7.688)**	**(4.090)**

The main item of the non-recurring items is relating to the listing expenses of the reverse listing transaction. On 5 January 2016, the Company has listed its shares on Euronext Amsterdam through the reverse listing of Dico International.

The revalued inventories sold relate to the revaluation at fair value of inventories in the context of the acquisition of FNG. These inventories were sold by year-end 2016.

The gain on a bargain purchase relates to the acquisition of BrantNew, see also note 4.

In 2015, the non-recurring items consist of the acquisition-related expenses in the context of the business combination of Miss Etam.

6.6. Financial result

(in thousands of euros)	31/12/2016	31/12/2015
Interest income	126	38
Change in fair value of contingent consideration	406	0
Fair value changes related to derivative instruments	382	0
Other financial income	264	0
Total financial income	**1.179**	**38**

(in thousands of euros)	31/12/2016	31/12/2015
Interest expenses on bonds	(3.541)	0
Interest expenses on bank debts	(3.783)	(809)
Interest expenses on finance lease liabilities	(136)	0
Other financial expenses	(38)	0
Total financial expenses	**(7.498)**	**(809)**

6.7. Income taxes

Income tax recognised in the statement of comprehensive income can be detailed as follows:

(in thousands of euros)	31/12/2016	31/12/2015
Current taxes in respect of the current year	(80)	0
Current taxes in respect of prior years	11	0
Deferred taxes	498	977
Total income taxes	**429**	**977**

The income tax expense for the year can be reconciled to the accounting profit as follows:

(in thousands of euros)	31/12/2016	31/12/2015
Profit/(Loss) before taxes	(2.634)	(3.950)
Income tax expense calculated at 25%	658	987
Adjustments recognised in the current year in relation to the current tax of prior years	11	0
Effect of expenses that are not deductible	(1.955)	0
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	1.759	0
Effect of different tax rates in foreign jurisdictions	(185)	0
Other	141	(10)
Total income taxes	**429**	**977**

6.8. Earnings per share

The earnings and weighted average number of shares used in the calculation of basic earnings per share are as follows:

(in thousands of Euros)	**31/12/2016**	**31/12/2015**
Net profit attributable to shares - Basic earnings per share	(2.205)	(2.972)
Effect of dilutive instruments	0	0
Net profit attributable to shares - Diluted earnings per share	(2.205)	(2.972)
Weighted average number of shares outstanding during the year - Basic earnings per share*	2.613.644	500.001
Effect of dilutive instruments	0	0
Weighted average number of shares outstanding during the year - Dilutive earnings per share*	2.613.644	500.001
Earnings per share (in Euros):		
Basic earnings per share	(0,84)	(5,94)
Diluted earnings per share	(0,84)	(5,94)

* Total of ordinary share, class A shares and priority share after the reverse stock split in 2016 (see note 5.9.2) The 2015 number of shares has, for comparison reasons, also been adjusted for the reverse stock split.

At 31 December 2016 and 2015, the Company had no dilutive instruments.

7. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

7.1. Overview of financial instruments and fair values

7.1.1. Categories of financial instruments

The following table provides the category in which financial assets and financial liabilities are classified in accordance with IAS 39 – *Financial Instruments: Recognition and Measurement.*

(in thousands of euros)	**IAS 39 Category**	**31/12/16**	**31/12/15**
Trade receivables	Loans and receivables	21.682	814
Other financial assets	Held for trading	14	0
Cash and cash equivalents	Loans and receivables	66.907	1.358
Total financial assets		**88.603**	**2.172**
Non-current financial liabilities			
Bonds	At amortised cost	68.137	0
Bank debts	At amortised cost	64.135	0
Other borrowings	At amortised cost	10.142	0
Finance lease liabilities	At amortised cost	12.431	0
Shareholder's loan	At amortised cost	0	10.000
Other loans	At amortised cost	5.000	5.000
Current financial liabilities			
Bank debts	At amortised cost	29.501	1.968
Other loans	At amortised cost	5.862	0
Trade and other payables			
Trade payables	At amortised cost	50.548	6.168
Payables relating to fixed assets	At amortised cost	1.020	0
Other financial liabilities			
Derivative instruments	Held for trading	920	175
Total financial liabilities		**247.697**	**23.311**

7.1.2. Fair value of financial instruments

The only financial instruments carried at fair value in the statement of financial position are the derivative instruments, measured at fair value through profit or loss (see note 5.16). The fair value of these derivatives are categorised as a level 2 fair value measurement and is computed using a discounted cash flow analysis. Future cash flows are estimated based on forward rates and yield curves derived from quoted rates matching the characteristics of the contracts (quoted forward exchange rates and/or quoted interest rates), discounted at a rate that reflects the credit risk of the counterparties, which meet the criteria for classifications as level 2 inputs (directly or indirectly observable inputs).

Except as detailed in the following table, the Company considers that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values:

	31/12/16		
(in thousands of euros)	**Carrying amount**	**Fair value**	**Fair value level**
Non-current financial liabilities			
Bonds	68.137	77.338	level 2
Bank debts	64.135	64.135	level 2
Other borrowings	10.142	10.142	level 2
Finance lease liabilities	12.431	11.648	level 2
Other loans	5.000	5.000	level 2
Current financial liabilities			
Bonds	0	0	level 2
Bank debts	29.501	29.501	level 2
Finance lease liabilities	0	0	level 2
Total	**189.346**	**197.764**	

	31/12/15		
(in thousands of euros)	**Carrying amount**	**Fair value**	**Fair value level**
Non-current financial liabilities			
Shareholder's loan	10.000	10.000	level 2
Other loans	5.000	5.000	level 2
Current financial liabilities			
Bank debts	1.968	1.968	level 2
Total	**16.968**	**16.968**	

The fair values of the financial liabilities included in the level 2 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

7.2. Financial risk management

7.2.1. Market risk

7.2.1.1. Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, and by the use of interest rate swap contracts and floor contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

The following table presents a breakdown of the financial liabilities based on the nature of the interest rate:

(in thousands of euros)	**31/12/2016**	**31/12/2015**
Fixed rate	101.572	0
Floating rate	93.636	1.968
Total borrowings	**195.208**	**1.968**

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year.
A 50 basis point increase or decrease represents management’s assessment of the reasonably possible change in interest rates.
If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group’s profit and equity for the year ended 31 December 2016 would decrease/increase by € 354 thousands. This is mainly attributable to the Group’s exposure to interest rates on its variable rate borrowings.

7.2.1.2. Foreign exchange risk

The Company is currently only exposed to limited foreign currency risk, mainly the USD (less than 10% of total purchases of goods).

At December 31, 2016, if the EUR had weakened 1% against the USD with all other variables held constant, the loss for the period would have been € 150 thousands higher.

7.2.2. Credit risk

Credit risk is the risk that one party to an agreement will cause a financial loss to another party by failing to discharge its obligation. Credit risk covers trade receivables, cash and cash equivalents, short-term deposits and derivative instruments.

The Company believes that the credit risk relating to retail is limited because sales in the stores are immediately settled in cash. Credit risk is limited to wholesale operations from which the majority of the accounts receivable is insured (with a credit insurer). Furthermore, the company is not exposed to any material credit risk with regard to any individual customer of counterparty, as no single customer claims a dominant part of total revenue. As such, no impairment is recognised for these receivables.

Cash and cash equivalent and short-term deposits are invested with highly reputable banks and financial institutions.

The maximum credit risk to which the Company is theoretically exposed as at the balance sheet date is the carrying amount of the financial assets.

For an analysis of the ageing of the receivables, we refer to note 5.5. Based on the ongoing credit evaluation performed, no financial assets were subject to impairment.

7.2.3. Liquidity risk

The Company manages liquidity risk by maintaining adequate reserves and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The Company's main sources of cash inflows are currently obtained through capital increases and external financing through bond issues and bank debts.

The following table details the Company's remaining contractual maturity of its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows.

31/12/2016

(in thousands of euros)	**Bonds**	**Bank debts**	**Finance lease liabilities**	**Shareholder's loan**	**Other borrowings & other loans**	**Total**
Within one year	4.078	30.300	428	0	2.661	**37.467**
>1 and <5 years	64.980	68.688	3.578	0	18.343	**155.589**
>5 and <10 years	20.550	0	4.472	0	0	**25.022**
>10 and <15 years	0	0	6.462	0	0	**6.462**
>15 years	0	0	0	0	0	**0**

The Group has access to financing facilities as described in note 5.13. Furthermore, the Group has access to undrawn facilities for a total amount € 31.000

31/12/2015

(in thousands of euros)	**Bonds**	**Bank debts**	**Finance lease liabilities**	**Shareholder's loan**	**Other borrowings & other loans**	**Total**
Within one year	0	1.968	0	0	0	**1.968**
>1 and <5 years	0	0	0	10.000	5.000	**15.000**
>5 and <10 years	0	0	0	0	0	**0**
>10 and <15 years	0	0	0	0	0	**0**
>15 years	0	0	0	0	0	**0**

thousands in the context of the club deal and an undrawn credit facility for a total amount of € 43.750 thousands for working capital financing.

All liabilities mentioned in the tables above are secured liabilities.
The bonds and the bank debts are subject to covenants, mainly relating to financial ratios such as net senior debt to EBITDA, leverage ratio, interest cover ratio and the level of equity. At closing 2016, there was no breach of covenants.

8. OTHER DISCLOSURES

8.1. Consolidation scope

Details of the Group's subsidiaries at the end of the reporting period are as follows:

Name	Country	% equity interest 31/12/2016	% equity interest 31/12/2015
FNG Group			
FNG Finance Belgium BVBA	Belgium	100%	0%
FNG Beheer NL BVBA	Belgium	100%	0%
FNG Beheer BE B.V.	Netherlands	100%	0%
FNG International Holding NV	Belgium	100%	0%
FNG Benelux Holding NV	Belgium	100%	0%
FNG Group NV	Belgium	100%	0%
NS Development NV	Belgium	100%	0%
FNG Finance B.V.	Netherlands	100%	0%
Rainbow Garment Ltd	Hong Kong	100%	0%
Fashion IP B.V.	Netherlands	100%	0%
FNG International NV	Belgium	100%	0%
Van Hassels BVBA	Belgium	100%	0%
Fred & Ginger Retail Belgium NV	Belgium	100%	0%
Claudia Sträter Belgium BVBA	Belgium	100%	0%
CKS Retail Belgium NV	Belgium	100%	0%
M.A.D. Collections NV	Belgium	100%	0%
Expresso Belgium BVBA	Belgium	100%	0%
Steps Retail Belgium BVBA	Belgium	100%	0%
FNG Spain SL	Spain	100%	0%
2BUY CS B.V.	Netherlands	100%	0%
CS Modehuizen B.V.	Netherlands	100%	0%
CKS Retail NL B.V.	Netherlands	100%	0%
CS Luxembourg S.A.	Luxembourg	100%	0%
FNG Group Nederland NV	Belgium	100%	0%
Steps Nederland B.V.	Netherlands	100%	0%
Steps Onroerend Goed B.V.	Netherlands	100%	0%
Steps Huur B.V.	Netherlands	100%	0%
Superstar B.V.	Netherlands	100%	0%
FNG Group Nederland B.V.	Netherlands	100%	0%
Expresso Fashion B.V.	Netherlands	100%	0%
New Fashions B.V.	Netherlands	100%	0%
Expresso Fashion Web B.V.	Netherlands	100%	0%
R&S Finance			
R&S Finance B.V.	Netherlands	100%	100%
Miss Etam Group B.V.	Netherlands	100%	100%
Miss Etam Services B.V.	Netherlands	100%	100%
Miss Etam Operations B.V.	Netherlands	100%	100%
ME&P Retail Rent B.V.	Netherlands	100%	100%
ME&P Retail IP B.V.	Netherlands	100%	100%
NLB Retail Services B.V.	Netherlands	100%	100%
BrantNew			
Brantnew BVBA	Belgium	100%	0%
Brantano NV	Belgium	100%	0%
Fashion Buying Platform Holding			
Fashion Buying Platform Holding BVBA	Belgium	100%	0%
Colveta AG	Switserland	100%	0%
Colveta Ltd	Hong Kong	100%	0%

The shares held in Steps/Superstar are subject to a pledge relating to the bank debts.

Fashion Buying Platform Holding BVBA is not an acquisition of the period, but was created during 2016. Colveta AG and Colveta Ltd were already part of FNG Group sub-group, but have been transferred in 2016 to the Fashion Buying Platform Holding sub-group.

8.2. Related party transactions

FNG N.V. is the parent of the Group ("the Company") and the ultimate controlling party is Greenway District BVBA as mentioned in note 5.9.3.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below. The amounts payable to, and receivable from, related parties are based on market conditions.

The related parties presented below are identified as:

- The shareholders of the Company;
- Other related parties, i.e. companies (jointly) controlled by the parent or a member of key management; and
- Key management personnel.

8.2.1. Trading transactions

The following transactions occurred during the reporting periods:

	Purchase of services	
(in thousands of euros)	**31/12/16**	**31/12/15**
Shareholders	256	0
Other related parties	558	0
Total	**814**	**0**

These services mainly relate to consulting services and rental payments.
The following balances with related parties were outstanding at the end of the reporting period:

	Amounts owed by related parties		Amounts owed to related parties	
(in thousands of euros)	**31/12/16**	**31/12/15**	**31/12/16**	**31/12/15**
Shareholders	1.779	3.949	324	0
Other related parties	100	0	0	0
Total	**1.879**	**3.949**	**324**	**0**

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the current or prior years for bad or doubtful debts in respect of the amounts owed by related parties.

8.2.2. Other transactions

Next to the above mentioned transactions, also the acquisition of BrantNew (see note 4) should be considered as a related party transaction as BrantNew was a company controlled by FIPH B.V., current shareholder of the Company through Rens van de Schoor.
Furthermore, the acquisition of Steps/Superstar (see note 4) should also be considered a related party transactions as Steps/Superstar were entities controlled by Steps Holding B.V. and Superstar Holding B.V., both companies controlled by Rens van de Schoor through NLB Fashion.

Rens van de Schoor (FIPH B.V.) and the founders of FNG Group NV (Anja Maes, Manu Bracke and Dieter Penninckx) agreed to combine their shareholdings in a separate structure. In addition, they negotiated a transfer of the priority share on December 9, 2016 for € 500 thousands.

8.2.3. Loans from and to related parties

The shareholder's loan in 2016 for an amount of € 12.431 thousands relates to the finance lease of the building in Mechelen.
We refer to note 5.13 for more detailed information on the finance lease liability.

	Loans to related parties		Loans from related parties	
(in thousands of euros)	**31/12/16**	**31/12/15**	**31/12/16**	**31/12/15**
Shareholders	0	0	12.431	10.000
Other related parties	0	0	0	0
Total	**0**	**0**	**12.431**	**10.000**

8.2.4. Compensation of key management personnel

Key management personnel of the Group includes all members of the Board of Directors of the Company, as well as the executive management.

The members of the executive management are responsible for the management, the organisation and the control of their respective department, within the limits of the budget and the strategy approved by the board of directors. The executive management is also in charge of the preparation of the strategic planning. The executive management is entrusted with the management of the Company and the execution of the board of directors' decisions.
The executive management is composed of 2 members and includes the chief executive officer (CEO) and the chief financial officer (CFO).

The table below presents the compensation of all members of key management personnel by type of compensation:

(in thousands of euros)	31/12/16	31/12/15
Short-term benefits	435	140
Post-employment benefits	0	0
Total	**435**	**140**

8.3. Contingent assets and liabilities

At 31 December 2016 and 2015, there were no material contingent assets or liabilities. Total exposure does not exceed €500 thousands.

8.4. Commitments

8.4.1. Operating lease commitments

Operating leases relate to leases of stores (average lease term of 6 years), company cars (average lease term of 4 years) and IT equipment. The Company does not have an option to purchase the leased assets at the expiry of the lease periods. For the period ended 31 December 2016, minimum lease payments for a total amount of € 30.365 thousands have been recognised in the statement of comprehensive income (2015: € 13.178 thousands). There were no significant contingent rentals, nor sub-lease payments received.

The following table presents the non-cancellable operating lease commitments:

8.4.2. Facility and guarantees

(in thousands of euros)	31/12/2016	31/12/2015
Not later than 1 year	27.374	15.391
Later than 1 year and not later than 5 years	92.341	46.643
Later than 5 years	12.208	2.421
Total	**131.923**	**64.454**

The Group has access to facilities for bank guarantees and financing of working capital with a maximum of € 43.750 thousands. As per balance sheet date, bank guarantees relating to rent for real estate had been issued at the request of the Group for a total amount of € 7.155 thousands.

8.4.3. Other commitments

There were no other commitments at year-end 2016, nor 2015.

8.5. Events after the reporting period

On 29 March 2017, the Group refinanced its bank debts through a new financing agreement, called Club Deal for a total amount of € 131 million.

On 21 April 2017, the Group announced that it has the intention to acquire 100% of the shares of Suitcase, an online platform of personal styling offering. The acquisition allows the Group to expand its offering on men's fashion and its online offering. Suitcase offers a current assortment of men's fashion using high-quality personal fashion advisory.

On 11 May 2017, the Group announced that it has the intention to acquire of 100% of the shares of Concept Fashion, which has 15 multi-brand stores in Flanders. This acquisition fits in the strategy of the Group to invest in brands for men and women in out-of-town locations.

Both acquisitions meet the conditions to be considered as business combinations. As such, the acquisition method is applied at the acquisition date. However, the application of the acquisition method is currently still in process and therefore, the Company cannot disclose sufficient reliable information.

FNG Benelux Holding NV, an indirect subsidiary of FNG N.V., has successfully placed an additional € 25.000 thousands notes issue through a private placement. The € 25.000 thousands 5.5% notes due 7 July 2023 issued on 7 July 2016, shall be issued by FNG Benelux Holding NV on 7 July 2017, and shall be listed on Alternext Brussels.

FNG N.V.
COMPANY FINANCIAL STATEMENTS - BALANCE SHEET

For the year ended 31 December 2016

ASSETS (in thousands of euros)	Note	31/12/2016	31/12/2015
Non-current assets		***197.350***	***0***
Investments in participating interests	3.1.	172.341	0
Intercompany loans	3.2.	25.000	**0**
Deferred tax assets		9	0
Current assets		***39.849***	***7***
Intercompany receivables	3.2.	39.670	0
Other current assets		125	0
Cash and cash equivalents		54	7
TOTAL ASSETS		**237.199**	**7**

EQUITY AND LIABILITIES (in thousands of euros)	Note	31/12/2016	31/12/2015
Equity attributable to owners of the parent		***236.101***	***(45)***
Share capital	3.3.1.	643	269
Share premium		235.969	3.004
Other reserves		(4.410)	(3.264)
Retained earnings		4.241	(54)
TOTAL EQUITY	3.3.	**236.101**	**(45)**
Current liabilities		***1.098***	***52***
Intercompany payables	3.2.	773	13
Trade and other payables		300	39
Other current liabilitities		25	0
Total liabilities		**1.098**	**52**
TOTAL EQUITY AND LIABILITIES		**237.199**	**7**

STATEMENT OF COMPREHENSIVE INCOME

Statement of comprehensive income (in thousands of euros)	**2016**	**2015**
Management fee	(25)	0
Recharged expenses	0	(54)
Other operating expenses	(10)	0
Total expenses	**(35)**	**(54)**
Financial income	0	0
Financial expenses	0	0
Net finance expense	**0**	**0**
Share of profit of participating interests	4.321	0
Profit / (loss) before taxes	**4.286**	**(54)**
Income taxes	9	0
PROFIT / (LOSS) FOR THE PERIOD	**4.295**	**(54)**

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The financial information of FNG N.V. (KvK 16014685) are included in the consolidated financial statements of FNG N.V.

2. GENERAL ACCOUNTING PRINCIPLES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

2.1. Basis of preparation

The statutory financial statements have been prepared in accordance with the provisions of Part 9, Book 2, of the Dutch Civil Code. The Company uses the option of Article 362.8 of Part 9, Book 2, of the Dutch Civil Code to prepare the statutory financial statements, using the same accounting policies as in the consolidated financial statements. Valuation is based on recognition and measurement requirements of accounting standards as endorsed adopted by the European Union (i.e. only IFRS as adopted for use by the EU at the date of authorisation for issue of the financial statements) as explained further in the notes to the consolidated financial statements.

2.2. Significant accounting policies

2.2.1. Financial fixed assets

Participating interests (subsidiaries, joint ventures and associates) are measured on the basis of the equity method.

2.2.2. Shareholders' equity

The translation reserve and other legal reserves were previously formed under, and are still recognised in accordance with, the Dutch Civil Code.

2.2.3. Profit of participating interests

The share of profit of participating interests consists of the share of the Company in the results of these participating interests. Results on transactions, where the transfer of assets and liabilities between the Company and its participating interests and mutually between participating interests, themselves, are not recognised.

3. NOTES TO THE SPECIFIC ITEMS OF THE BALANCE SHEET

3.1. Investments in participating interests

A summary of the movements in the investments in participating interests is given below:

(in thousands of euros)	
Balance at 1 January 2015	**0**
Balance at 31 December 2015	**0**
Profit participating interest	4.321
Investments	176.022
Desinvestments	(8.002)
Balance at 31 December 2016	**172.341**

Reference is made to note 8.1 of the consolidated financial statements for an overview of the investments in participating interests.

The investments in 2016 relate mainly to the acquisitions of FNG Group N.V. (€ 171.949 thousands), BrantNew (€ 7.020 thousands) and R&S Finance B.V. (€ -2.972 thousands).

The desinvestments in 2016 relate to the contribution in kind by BrantNew in FNG Benelux Holding NV (€ 8.002 thousands).
This transaction should be considered as an internal restructuring.

3.2. Intercompany receivables and payables

The intercompany receivables and payables recognised under current assets and liabilities mainly concern current account positions with group companies for which no further agreements have been made about the term to maturity or repayment.

In October 2016 FNG N.V. entered into a € 25.000 thousands loan with a BrantNew BVBA. The loan has to be repaid in full by the group company at 12 January 2021. The interest rate per year is 9%.
There are no significant intercompany elements in the Company's profit and loss accounts.

3.3. Shareholders' equity

Movements in the shareholders' equity are shown in the following table.

(in thousands of euros)	Attributable to owners of the parent				TOTAL EQUITY
	Capital	Share premium	Other reserves	Retained earnings	
Balance at 1 January 2015	**269**	**3.004**	**(3.267)**	**(0)**	**6**
Total comprehensive income of the period	0	0	0	(54)	(54)
Transactions with shareholders	0	0	3	0	3
Balance at 31 December 2015	**269**	**3.004**	**(3.264)**	**(54)**	**(45)**
Total comprehensive income of the period	0	0	0	4.295	4.295
Reverse listing 05-01-2016	800	(3.772)	0	0	(2.972)
Issue of share capital	10.279	225.691	0	0	235.969
Transaction costs for equity issue	0	0	(1.146)	0	(1.146)
Reverse share split	(10.705)	10.705	0	0	0
Balance at 31 December 2016	**643**	**235.627**	**(4.410)**	**4.241**	**236.101**

The reverse listing transaction on 5 January 2016 relates to the acquisition of R&S Finance (a Euronext Amsterdam listed company) by FNG N.V. (previously R&S Retail Group and before that Dico International N.V.). However, the acquisition is actually a reverse acquisition from an economical point of view and accounted for as such. For the purpose of the Company's financial statements, the comparative statements presented in these financial statements are those of Dico International, the legal acquirer.

The shareholder's equity of the Company reconciles to the consolidated equity as follows:

3.3.1. Share capital

Statutory equity at 31 December 2016	**236.101**
Purchase price adjustments relating to acquisition of FNG	(2.489)
Gain on a bargain purchase	1.377
Consolidated equity at 31 December 2016	**234.988**

The statutory comprehensive income for the period of the Company reconciles to the consolidated comprehensive income as follows:

Statutory comprehensive income 2016	**4.295**
Listing costs relating to the reserved listing	(5.388)
Purchase price adjustments relating to acquisition of FNG	(2.489)
Gain on a bargain purchase relating to the acquisition of BrantNew	1.377
Consolidated comprehensive income 2016	**(2.205)**

The Company's authorised share capital amounts to € 643 thousands and is divided into 8.042.392 shares, each with a nominal value of € 0,08. The number of outstanding and fully paid shares at the end of the financial year amounted to 8.042.392 shares (2015: 3.367.129 shares). For a further explanation of the share capital, we refer to note 5.9 of the consolidated financial statements.

3.4. Appropriation of profits

For the financial year 2015
The profit over 2015 has been added to the retained earnings, with due regard to the necessary movements in the statutory reserves.

For the financial year 2016
The results for 2016 will be added to the retained earnings, with due regard to the necessary movements in the statutory reserves.

3.5. Contingencies and liabilities not included in the balance sheet

Contingencies and liabilities not included in the balance sheet are not applicable on the level of FNG N.V. For the consolidated contingencies and liabilities not included in the balance sheet, reference is made to note 8.3 of the consolidated financial statements.

3.6. Employee information

FNG N.V. did not employ any employees in 2015 and 2016.

3.6.1. Key management remuneration

Board of directors
The remuneration of the members of the Board of Directors consists of a fixed compensation.

	Short-term benefit	
(in thousands of euros)	**31/12/2016**	**31/12/2015**
D. Penninckx	225	0
L.H. van de Schoor	210	140
Total	**435**	**140**

Supervisory Board
The individual members of the Supervisory Board received the following remuneration:

(in thousands of euros)	**31/12/2016**
G. van Ossel	0
E. Verbaere	20
E. Lathouwers	0
Total	**20**

3.7. Risk management with regard to financial instruments

With respect to risk management pertaining to financial instruments reference is made to the explanation given in the consolidated financial statements.

3.8. Auditor fees paid to the auditors

The audit fees charged by Mazars Paardekooper Hoffman NV in the financial year under review are shown in the following table.

	Mazars Paardekooper Hoffman NV		Other Mazars member firms		Total	
(In thousands of euros)	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Audit of FNG and its subsidiaries	143	5	-	-	143	5
Tax services	-	-	-	-	-	-
Other non-audit services	-	-	-	-	-	-
Total	**143**	**5**	**-**	**-**	**143**	**5**

3.9. Events after balance sheet date

For the significant events which occurred after the reporting date, we refer to note 8.5 of the consolidated financial statements.

3.10. Commitments

Effective 1 January 2017, FNG N.V is the head of the fiscal unity for corporate income tax purposes with the following companies:

- R&S Finance B.V. (excluded in the VAT fiscal unity), Miss Etam Group B.V., Miss Etam Services B.V., Miss Etam Operations B.V., ME&P Retail IP B.V., Miss Etam Retail Rent B.V., FNG Retail Services B.V.

Current taxes are settled and accounted for within the fiscal unity and settled via intercompany current account with the parent company.

The fiscal unity makes these companies jointly and severally liable for tax liabilities of the fiscal unity.

3.11. Group companies and participating interests

The consolidated annual accounts include the financial data of FNG N.V. and of the group companies as listed in note 8.1 of the consolidated financial statements.

OTHER INFORMATION

The statutory regulations concerning the appropriation of result are presented in Article 36 of the company´s articles of association:

36.1. […], the profit of the Company over the accounting year shall be used in the following order:

a. Management determines which part of the profit shall be added to the reserves of the Company;

b. From the remaining profit, an amount equal to the nominal value of the priority share shall be added to the priority share;

c. […], the remaining profit shall be made available to the General Meeting for distribution to the ordinary shares and the shares of class A.

36.2. Distribution of the profit shall occur, […], after the notification of the financial statements presenting that the distribution is legitimate.

MAZARS

INDEPENDENT AUDITOR'S REPORT

To the shareholders and supervisory board of
FNG N.V.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2016 INCLUDED IN THE ANNUAL REPORT

OUR OPINION

We have audited the financial statements 2016 of FNG N.V., based in Zoetermeer. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- the accompanying consolidated financial statements give a true and fair view of the financial position of FNG N.V. as at 31 December 2016, and of its result and its cash flows for 2016 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- the accompanying company financial statements give a true and fair view of the financial position of FNG N.V. as at 31 December 2016 , and of its result for 2016 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. the consolidated statement of financial position as at 31 December 2016 ;
2. the following statements for 2016: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows; and
3. the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. the company balance sheet as at 31 December 2016 ;
2. the company profit and loss account for 2016; and
3. the notes comprising a summary of the accounting policies and other explanatory information.

BASIS FOR OUR OPINION

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of FNG N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Mazars Paardekooper Hoffman Accountants N.V.
With its registered office in Rotterdam (KvK Rotterdam nr. 24402415).

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MATERIALITY

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 2.4 million. The materiality is based on 1% of revenue. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the supervisory board that misstatements in excess of EUR 73,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

SCOPE OF THE GROUP AUDIT

FNG N.V. heads a group of companies. The financial information of these companies is included in the consolidated financial statements of FNG N.V.

Considering our ultimate responsibility for the group audit, we are responsible for the direction, supervision and performance of the group audit. In this context we have determined the nature and extent of the audit procedures for components of the group. Determining factors are the significance and/or risk-profile of the group entities or activities:

- we have performed audit procedures ourselves at group entities FNG N.V., R&S Finance B.V. and holding companies including the relevant purchase price allocation of FNG Group N.V. and Brantnew N.V.;
- we used the work of other auditors when auditing entity FNG Group N.V., BrantNew BVBA and its subsidiaries in Belgium and the entity Fashion Buying Platform N.V. and its subsidiaries in Switzerland. We have sent group instructions to the component auditors and have visited all component teams to assess the audit work performed;
- we performed review procedures or specific audit procedures at other group entities.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group’s financial information to provide an opinion about the consolidated financial statements.

OUR KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

REVERSE LISTING

On 5 January 2016, N.V. Dico International (later on renamed to FNG N.V.) acquired the shares of R&S Finance B.V. by an issuance of 10 million shares. This acquisition has been disclosed in the financial statements as a reversed listing in the group accounting principles paragraph 2.2.1.2.

The assessment of this transaction is of significance in our audit because the accounting treatment is complex and influenced by subjective elements, such as the stock-based listing costs and the determination of the value of the acquired company. Our audit work includes evaluating the reasonableness of the assumptions used by management, in which we have used, among other things, our internal valuation specialists. We also assessed whether the transaction is properly reflected and disclosed in the financial statements in accordance with IFRS.

ACQUISITION OF GROUP ENTITIES AND IFRS CONVERSION

During the financial year 2016, FNG N.V. has acquired the entities FNG Group N.V., BrantNew BVBA, Steps Nederland B.V. and Superstar B.V. which has been disclosed in Note 4.1. As a result of the acquisition, the group entities had to implement the group accounting principles of FNG N.V. which is IFRS.

The assessment of the acquisitions is of great significance in our audit given the nature and size of the amounts including the date of acquiring the control over the entities. Management has prepared the purchase price allocation (PPA) per entity which involves subjective elements to determine the fair values of the underlying assets like the tradenames, inventory, Weighted Average Cost of Capital (WACC) amongst others. Subsequently, management has made a conversion between local statutory GAAP (BE GAAP) to the group accounting principles on IFRS.

We assessed the agreements underlying the acquisition to determine the date of acquiring the control taken into account all known facts and circumstances. For the PPA we assessed the reasonability of the assumptions used by management in which we have used, among other things, our internal valuation specialists. Our work includes instructing the component auditors to provide comfort on the opening balance (book value) per acquisition date including the IFRS conversion and we have reviewed the work performed. Furthermore, we evaluated if the acquisition has been properly reflected and disclosed in the financial statements in accordance with IFRS.

MAZARS

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the management board's report;
- other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management board's report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

ENGAGEMENT

We were engaged by the Annual General Meeting of shareholders as auditor of FNG N.V. (previously called N.V. Dico International) since the audit for the year 2010 and have operated as statutory auditor ever since that date.

DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

RESPONSIBILITIES OF MANAGEMENT AND THE SUPERVISORY BOARD FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The supervisory board is responsible for overseeing the company's financial reporting process.

OUR RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company’s internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- concluding on the appropriateness of management’s use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause a company to cease to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Rotterdam, 4 July 2017

MAZARS PAARDEKOOPER HOFFMAN ACCOUNTANTS N.V.

Original has been signed by: O. Opzitter RA

Claudia Sträter

CKS