FNG

ANNUAL REPORT 2017

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ANNUAL REPORT 2017

MESSAGE FROM THE CEO & FNG FOUNDERS

In 2017, FNG faced the challenge of integrating into the group the assets acquired in 2016 — Miss Etam, FNG Brands (Fred & Ginger, CKS, Claudia Sträter, Expresso, Steps) and Brantano — and making hidden diamonds, like Brantano and Miss Etam, shine again.

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.

In addition, a number of initiatives were launched to further develop Brantano and Miss Etam into reference omni-channel retailers on the domestic market.

About three quarters of Brantano's out-of-town stores (each with a surface area of 700 m^2 to 1000 m^2) have already been refitted to reflect the new Brantano concept, pursuant to which a selection of women's, men's and children's clothing is offered for sale alongside shoes. This new, fresh and modern concept has struck the right chord, as customers purchase 20% more. At present, around 25 stores are awaiting refurbishment.

In the meantime, the Brantano organisation has been streamlined and the headquarters moved to Mechelen, with significant synergies as a result.

With respect to the FNG Brands (Fred & Ginger, CKS, Claudia Sträter, Expresso, Steps, etc.) as well, important steps have been taken to achieve greater synergies.

The Miss Etam automated logistics warehouse in Zoetermeer has proven its added value. As a result, Steps, Promiss and the Belgian brands Fred & Ginger and CKS are now also distributed from Zoetermeer. The integration of this logistics operation is now up and running, and synergies (by means of cost savings) can be expected as from this year.

Miss Etam continued to excel in online sales (24.7%) in 2017. Moreover, Miss Etam has benefited from FNG's central buying platform, which has own offices in Turkey, India and Hong Kong. In 2017, the brand's profit margin increased by 4% due to the use of this platform.

Last year, FNG integrated Miss Etam's years of know-how as a leading online single brand retailer into a Digital Centre of Excellence (DCoE). In 2017, the DCoE focused mainly on the concrete realisation of one-to-one marketing through the use of artificial intelligence (AI) applications. The DCoE team now guides other FNG brands through their process of rapid online expansion.

In 2017, the DCoE team tackled Steps. By focusing on visitor numbers (+ 50%) and conversion (from 1.4% to 2.8%), gross online turnover more than doubled in only a year's time, from EUR 5.5 million to EUR 13.5 million. Fashion may not be rocket science, but retail is becoming increasingly complex every day.

In addition, Miss Etam's online success has helped to pave the way for a series of other FNG brands which are now also distributed on external online platforms such as Wehkamp.nl, Zalando.com, Bijenkorf.nl and Bol.com.

On the international level, FNG cautiously took its first steps in Germany in 2017, by opening a sales office in Düsseldorf and a Claudia Sträter store in Münster. Moreover, its sales office in Barcelona opened a first CKS store on Las Ramblas. These initiatives form part of an underlying plan to support B2B business in Germany and Spain and take the first steps towards a more active focus on the brand experience in those countries.

FNG was also active on the M&A market in 2017, with the acquisition of Suitcase (an online personal shopping service for men) and Concept Fashion (a high-end out-of-town retailer with around 15 stores).

CKS

In early 2018, FNG revealed how these pieces of the puzzle fit into the greater Brantano story. FNG is planning to further develop Brantano in the next few years into a strong showcase for brand fashion and shoes and aims to become the first choice for a wide range of consumers in Belgium. Brantano plans to cover the market with three complementary retail formulas and a new online platform.

Brantano's shift to a new retail concept soon made clear (based on online surveys conducted immediately after a store visit) that Brantano customers are keen to see more international brands in stores. In addition, it appears that 80% of Brantano customers also purchase more upmarket brands, such as those offered by Concept Fashion and Suitcase.

Thus, in the course of this year, Brantano will introduce, in addition to its recently refitted stores, two new shopping concepts: high-end fashion boutiques under the name Brantano Boutik and large fashion and shoe stores under the name Brantano Market. Brantano Boutik will offer clothing and shoes from international brands at higher price points than traditional Brantano stores. Brantano Market, on the other hand, will combine the current Brantano formula with the Brantano Boutik concept. By means of these new retail formulas FNG plans to significantly increase its share in the competitive fashion market. Moreover, by applying their online know-how to the Brantano concept, FNG aims to obtain a substantial share of the roughly €1 billion (around 15% of the market) that is expected to shift from traditional retail sales to online sales by 2020.

The Brantano brand will thus be fleshed out, in terms of both its offer and pricing. Visibility is high and the "one stop shop" concept works well, both online and offline. The wide availability of Brantano is definitely an asset: there is always a store nearby.

Brantano wishes to become the clothing and shoe retailer for everyone and the first choice of a large target audience. There's room for local heroes, too. Brantano will distinguish itself from big international players by its proximity to Belgian shoppers. "We know their tastes and buying habits inside out."

2018 will be a fascinating year.

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 2,520,000.08

Issued Share Capital:
EUR 718,391.36

Shares outstanding:
8,979,892 shares (7,250,119 ordinary listed shares, 1,729,772 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

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

FNG’S BRAND PORTFOLIO

HEY, HI, HELLO

WWW.FNG.EU

REPORT OF EXECUTIVE BOARD

The performance in 2017 reflects the successful execution of the FNG-strategy, and empowers FNG to manage fashion in the digital era.

KEY FIGURES

> 500
own concept stores

> 3,000
employees

≈ 480,000,000
turnover

> 10
brands

> 1,500
multi-brand stores

≈ 5,000,000
Benelux customers

	2017 (kEUR)
Revenue	482,402
Ebitda	45,381
Total assets as of year-end	697,918
Equity attributable to equity holders of the company	272,096
Number of shares as of year-end	8,979,892

MAJOR EVENTS 2017

CONVERSION OF 1,208,353 CLASS A SHARES AND LISTING OF SUCH CONVERTED SHARES
In the fourth quarter of 2017, FNG N.V. converted 1,208,353 class A shares in its capital into ordinary shares, which shares were subsequently admitted to listing and trading on Euronext Amsterdam. FNG thereby significantly increased the volume of its listed shares.

ACQUISITION OF SUITCASE AND CONCEPT FASHION
Suitcase and the Concept Fashion Group became part of FNG. Suitcase is an online curated personal style advice and wardrobing service for men. By this acquisition, FNG enters the men's fashion segment and enlarges its online presence.

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.

Both acquisitions fit into the greater Brantano story, as revealed in early 2018.

OPTIMIZATION BUYING PLATFORM
In 2017 FNG optimized its Far East buying platform by disposing Rainbow Garment Ltd on the one side and acquiring GBO Hong Kong Ltd and its supplier list on the other side. FNG invests in this buying platform as it is convinced that higher combined volumes lead to a stronger negotiation power towards suppliers and to a substantial improvement of the gross margin.

NOTES ISSUE
On 19 June 2017, FNG Benelux Holding NV, an indirect subsidiary of FNG N.V., has successfully placed an additional EUR 25,000,000 notes issue through a private placement. The EUR 25,000,000 5.5% notes due 7 July 2023 form a single series with the of EUR 20,000,000 notes issued on 7 July 2016. On 7 July 2017, the notes were issued and admitted to listing on Alternext Brussels.

PRIVATE PLACEMENT
On 19 December 2017, FNG N.V. acquired new capital of EUR 30 million under a private placement of 937,500 unlisted Class A shares, bringing the total number of outstanding shares to 8,979,892. Each investor who subscribed to the private placement received one warrant.

Steps

Fred & Ginger

GENERAL STRATEGY

The strategy of FNG is focused on:

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

II a heavy emphasis on omnichannel sales driven by data and supported by Artifical Intelligence (AI) ,

III optimizing corporate processes and using synergies, 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 (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 (eg: Miss Etam products are sold in Brantano's fashion department).

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.

OMNICHANNEL SALES DRIVEN BY DATA AND SUPPORTED BY AI

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 organisation and 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. Utilising consumer behaviour data plays an increasingly crucial role in all aspects of the fashion value chain.

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 various ways of serving the customer in a more personal and relevant way. 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…

Also Artificial Intelligence algorithms are increasingly utilised to perform specific predictive tasks based on a large amount of data. The more data, the more accurate and relevant certain AI algorithms become and so help increase conversion rates or reduce the cost to serve. This means that retailers who have access to a lot of data from many customers have a huge competitive advantage. This art of maximising relevancy for any given customer, starts as early as in the design process, where all possible data insights are used to drive line and collection planning processes.

In order to anticipate specific consumer demands, potentially predicted by algorithms, an efficient design cycle and supply chain is needed. FNG applies a mixed approach where longer term coordinated collections are combined with short term fast time to market items. Through its own vertically integrated buying organisation, these items are sourced. The lead time mix leads to an optimum between fashion level, product quality, margins and coordinated collections.

FNG headquarters Mechelen

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.

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.

ORGANIZATION, PEOPLE & ENVIRONMENT

FNG's experienced management has a strong focus on people and environment.

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 unit's goal is to deliver a profit & loss contribution for its brand, while the shared services units are there to serve the profit centres.

Last, but not least, 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.

Brantano

“2018 is a year that, more than ever, will have clear winners — and clear losers. The difference between the two will be their level of boldness, ambition, and courage. So ask yourself — what is yours?”

Imran Amed | founder, editor-in-chief and CEO of The Business of Fashion
Achim Berg | McKinsey’s Global Apparel, Fashion & Luxury Practice lead

MARKET DEVELOPMENTS

CKS Ghent

THE GLOBAL FASHION AND FOOTWEAR MARKET
In a world where geopolitical turmoil, economic uncertainty, and unpredictability are the new normal, the fashion market is expected triple its growth relative to 2015. The McKinsey Global Fashion Index projects the global fashion industry sales to grow by 3.5 to 4.5 percent in 2018, almost three times as much as in 2016.

But the growth is not evenly spread:

First of all, emerging markets are expected to grow much faster. In Europe, for instance, the growth in the emerging markets is forecasted to accelerate from 4 to 5% in 2017 to 5.5 to 6.5% in 2018. In the mature European markets growth is likely to remain stable at 2 to 3% in 2018. As a result, 2018 will be the first year when more than half of all fashion sales will originate from outside Europe and North-America.

Secondly, with a forecasted compound average growth rate of 10% in 2017-2020, e-commerce will outpace the overall market growth and hence significantly increase its share of total sales *(source: Euromonitor)*. The clear winners are the leading pure players, either generalists like Amazon and Alibaba, or fashion specialists like Zalando, Asos, Net-a-Porter, Farfetch or Zappos, Amazon’s wholly owned subsidiary. According to Internet Retailer, in 2017 Amazon accounted for 70% of all US e-commerce growth and 34% of all US retail. Consequently, in their search for growth fashion brands have to collaborate with these leading online platforms.

Thirdly, the McKinsey Global Fashion Index believes that the polarization in the market will continue. The luxury and discount segments will grow by 4 to 5% in 2018 versus 2 to 3% for the mid-market segment. Also, sportswear will continue to grow faster than the market overall (6 to 7%).

We are also witnessing the following important market trends:

The rapid growth of e-commerce goes hand in hand with the declining foot traffic in physical stores. Retailers respond by investing heavily in their omni-channel strategies. The winners see their online sales grow rapidly, while rightsizing their store network, reinventing the role of the store and seamlessly integrating the online and offline experience.

Sustainability remains high on the agenda. From a mere focus on working conditions in manufacturing facilities, we are evolving towards a more integral view. As such sustainability becomes part of the planning system that tries to adopt the principles of the circular economy.

Personalisation and curation are key trends for the years ahead. The rapid proliferation of data has allowed businesses to personalise their marketing communication. Artificial intelligence is making its way into the fashion industry, allowing true one to one marketing, with automated customer interactions, resulting in cost savings and incremental sales. The ultimate goal is curated commerce, whereby a tailor-made selection of the full product range is presented to the consumer.

Ginger

Fred + Ginger Antwerp

BELGIUM & THE NETHERLANDS: THE CORE MARKETS OF FNG

Although Belgium and the Netherlands are both mature European fashion markets, and although they are both following the global trends, the way these underlying trends are materialising is very different.

Overall, the Eurozone is enjoying a solid economic recovery, with a Gross Domestic Product (GDP) growth of 2.5% in 2017 and a forecasted GDP growth of 2.2%. While the Belgian economy was hit far less hard by the financial crisis than the Netherlands and the rest of Europe, it is currently underperforming with a GDP growth of 1.7% in 2017 and a forecasted growth of 1.8% in 2018. The Dutch economy on the other hand is booming, with a GDP growth of 3.2% in 2017 and a forecasted GDP growth of 3.1%.

This is also reflected in the performance of the retail trade. While in 2017 the Dutch retail trade grew by 3.6% (*Source: CBS*), way above the European average of 1.9%, the Belgian retail trade experienced a shrink of -2.5% (*Source: Eurostat*).

	Belgium	Netherlands	EU
GDP growth '17	+1.7%	+3.2%	+2.5%
GDP growth '18	+1.8%	+3.1%	+2.2%
Retail trade '17	-2.5%	+3.6%	+1.9%

Source: Eurostat, CBS, FOD Economie

This is also reflected in the past and forecasted evolution of the fashion sales, although the differences are less extreme. Belgian fashion retail has shrunk by -1% in 2017, which is better than the overall retail trade. The outlook for 2018 to 2020 is relatively stable. The Dutch fashion retail grew by +1% in 2017, which is less than one third of the overall retail growth. The forecast for 2018-2020 is that Dutch fashion retail will continue to grow by +1% each year *(source: GfK)*.

The decline in the 2017 Belgian fashion sales is mainly due to the -6.7% decline in shoes sales. Total outerwear is stable compared to 2016, with a growth for men outerwear of +1.5% and a decline for kids outerwear of -1.5%. Women outerwear noted a stable growth of +0.1%. Underwear & legwear showed a stable growth too of +0.5% *(source: GfK)*.

	Belgium	Netherlands
Fashion '17	-1.0%	+1.0%
Fashion '18	-1.0%	+1.0%
Fashion '19	0.0%	+1.0%
Fashion '20	0.0%	+1.0%
Online share of sales '17	16.6%	24.4%
Online share of sales '18	19.9%	29.2%
Online share of sales '19	22.9%	33.6%
Online share of sales '20	25.1%	37.0%
Online share of sales growth '20/'17	+50.2%	+56,4%

Source: GfK

In 2017 the share of online fashion sales was in the Netherlands almost 50% higher than in Belgium (24.4% vs. 16.6%). By 2020 both geographies will experience a further growth of online fashion sales by more than 50%. But the Dutch online sales is expected to grow slightly faster, so that the gap between the two countries will widen to 37.0% online share of sales vs. 25.1%.

The shift to online is reflected in the number of clothing stores. According to CBS, in the Netherlands, the number of physical fashion stores has declined by -9% from Q1 2013 to Q1 2017. The decline was particularly steep for kids clothing (-23%). The number of men and women clothing stores declined by 6%.

REVIEW OF BUSINESS

FINANCIALS

FNG's consolidated financial statements for the financial years ended 31 December 2016 and 31 December 2017 have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union ("IFRS") and were audited by Mazars Paardekooper Hoffman Accountants N.V., hereafter Mazars.

In the 2017 figures all companies are consolidated for 12 months.

In the reported 2016 figures, the Miss Etam results are consolidated for the full year, the original FNG Group (FNG Roots) was consolidated for 6 months and the Brantano Group for 4 months. The reported last year figures therefore do not provide a sufficiently clear view of the underlying evolution of FNG's performance.

In the overview in below, pro forma (or projected) figures are also presented. These pro forma figures should make it possible to detect real trends in sales and profitability.

STATEMENT OF COMPREHENSIVE INCOME

The 2017 results show a revenue of EUR 482.4 million, a REBITDA of EUR 45.4 million and a net profit of EUR 6.7 million. Compared with the pro forma 2016 results, this implies an increase of sales with 4.9%, an increase of REBITDA with 20.5% and the change of a net loss to a net profit.

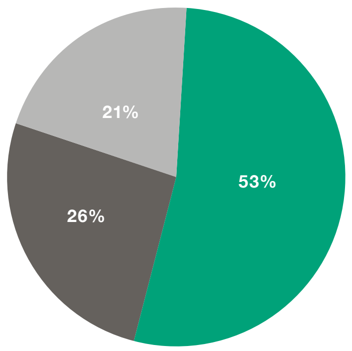
Statement of comprehensive income

(in thousands of euros)	2017	2016 proforma (1)	2016 reported (2)
Revenue	482,402	459,833	242,298
Cost of merchandise	(215,329)	(213,541)	(102,137)
Gross profit	**267,074**	**246,292**	**140,162**
Employee benefit expense	(90,861)	(82,419)	(47,702)
Other operating expenses	(130,832)	(126,253)	(71,618)
Recurring operating profit/(loss) before amortisation and depreciation expense (REBITDA)	**45,381**	**37,620**	**20,841**
Amortisation and depreciation expenses	(18,777)	(28,702)	(9,468)
Recurring operating profit/(loss) (REBIT)	**26,603**	**8,917**	**11,374**
Non-recurring items	(7,516)	(3,832)	(7,688)
Operating profit/(loss) (EBIT)	19,087	5,085	3,686
Financial result	(10,668)	(9,390)	(6,319)
Profit/(loss) before taxes	7,772	(4,305)	(2,634)
Income taxes	**(459)**	**2,915**	**429**
PROFIT/(LOSS) FOR THE PERIOD	**7,313**	**(1,390)**	**(2,205)**

(1) 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.
(2) 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.

In 2017, total sales increased from EUR 459.8 million to EUR 482.4 million. Sales of FNG Roots account for slightly more than half of total sales. Brantano accounts for 26% of total sales and Miss Etam for 21%.

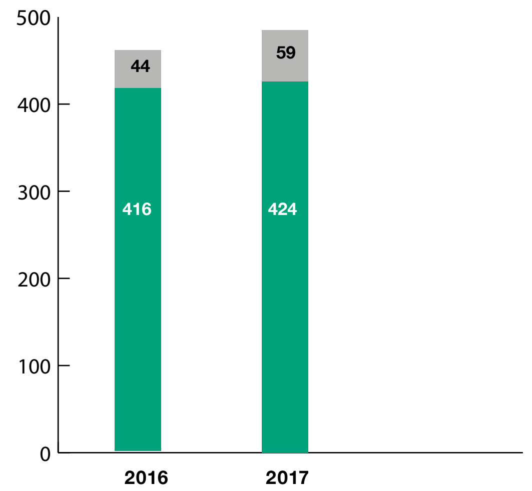
Sales split



● FNG Roots ● Brantano ● Miss Etam

Of the total sales of EUR 482 million, EUR 59 million results from online sales. The business unit with the highest percentage of online sales is Miss Etam (24.7%).

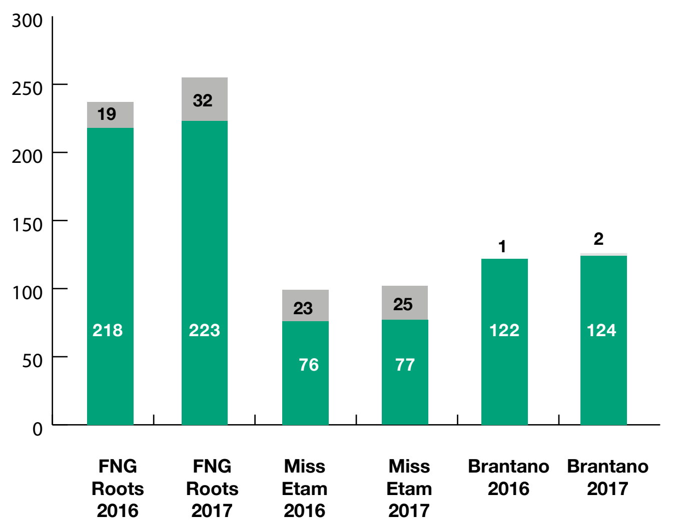
Total sales (in 1000 kEUR)



● Offline ● Online

CKS Barcelona

Sales evolution (in 1000 kEUR)

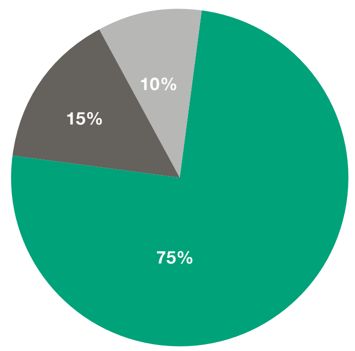


● Offline ● Online

EBITDA

Total EBITDA for 2017 amounts to EUR 45.4 million. Compared to 2016 this is an increase 20.5%. FNG Roots realized 75% of total EBITDA, Brantano 15% and Miss Etam 10%.

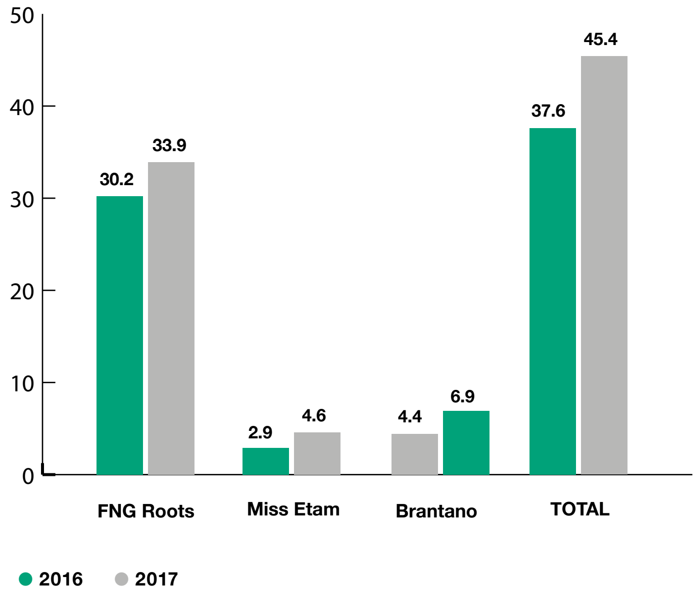
EBITDA split



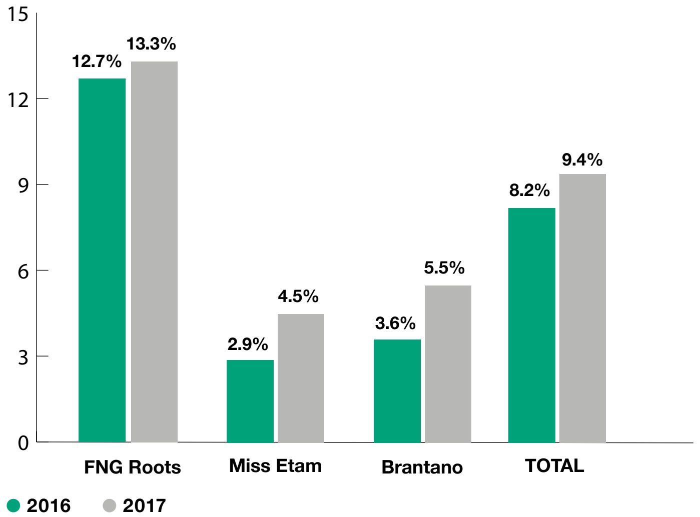
● FNG Roots ● Brantano ● Miss Etam

FNG Roots is still the most profitable business unit, but both Brantano and Miss Etam have significantly increased their profitability.

EBITDA evolution (in 1000 kEUR)



EBITDA margin



NET RESULT

While there was still a net loss in 2016, the net result for 2017 was positive and equal to EUR 7.3 million.

FINANCING

Per 31 December 2017, the total net financial debt, including bond and bank debts amount to EUR 144.9 million. This is excluding other loans of EUR 17.8 million (including the real estate leasing of FNG headquarter offices in Belgium).

The primary financing ratios, as stated in the bank credit facilities as per 31/12/2017 are:

- For the Miss Etam Group a 30% solvability ratio.
- For the Miss Etam Group a 30% 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 3.0.

Although there was significant headroom at the end of the year 2017 a refinancing of the bankt debt has been executed end of February 2018, creating even more headroom.

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 5.9%.

TAX LOSSES 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 2017, for which a tax asset is recognized, amounts to EUR 16.3 million.

RESEARCH AND DEVELOPMENT

Technology is changing the retail market faster as initially expected. FNG is therefore also investing heavily in their 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 2017 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.

Brantano

EMPLOYEES AND ORGANIZATION

Ginger Antwerp

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. 2,700) 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				
31-12-2017	1,879	1,344	75	**3,298**

CONCEPT STORES (including shop in shop)

	The Netherlands	Belgium	Other	Total
31-12-2017	283	212	13	**508**

Expresso

CSR – CORPORATE SOCIAL RESPONSIBILITY

VISION
FNG is aware of the potential impact of the apparel supply chain on society and the environment. FNG aspires to bring articles to the market which are produced in a fair, honest and environmental-friendly manner; with respect for the people who work hard and commit their time and effort to creating them. FNG takes pride in joining the Fair Wear Foundation, and has also shown commitment by signing the Dutch Agreement on Sustainable Garment and Textile (Convenant Duurzame Kleding en Textiel).

PEOPLE
FNG Code of Conduct
FNG has drafted a Code of Conduct that new suppliers are informed about and obliged to follow at all times during 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

The Management Board believes that the Code of Conduct operated effectively in the financial year under review and has no reason to believe that such code has not been complied with.

Monitoring and audit systems in production countries and local offices
The production of FNG brands is fully outsourced to partner factories around the globe. In its three largest production countries – Turkey , India and China – the production is supported through local buying offices.

FNG invested in a dedicated local team of CSR Officers in those three countries. The CSR officers are specialised in social & environmental aspects and responsible for verifying whether the FNG Code of Conduct is being respected and applied. They are ambassadors of FNG's vision in training the workers, creating awareness and partner with the factories to implement the remediation plans. By close collaboration of the CSR Officers, Coordinators and Buying teams, FNG aims to tackle the most crucial aspects of human rights and health & safety issues in the first place. Moreover the cooperation results into smoother communication with suppliers and frequent visits to 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, contributes to fighting poverty and to scientific research for health. In Belgium, FNG supports Wereld Missie Hulp (a worldwide relief organization), Stichting tegen Kanker (fighting cancer), Kinderkankerfonds (fighting childhood cancer), School zonder Pesten (stopping bullying in schools). 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).

Fred + Ginger Antwerp

PLANET
RSL
The products that FNG releases to the market need to fulfil the requirements of REACH legislation; these laws forbid the use of harmful 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 Corporate Product Policy in which guidelines, demands and preferences for the ethical purchase of (sustainable) materials are described.

Operations
Both the production as well as the shipping of articles, the lighting of the shops and offices demand significant amounts of energy. Furthermore, production requires enormous water usage and there is unavoidable waste created in the 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).

Claudia Sträter

SUBSEQUENT EVENTS

CLUB DEAL
On 28 February 2018, FNG Holding NV, an indirect subsidiary of FNG N.V., has entered into a credit facility with BNP Paribas Fortis as Coordinator, Security Agent and Agent and BNP Paribas Fortis, ING Belgium, ABN Amro Bank and Belfius Bank as Original Lenders.

Under this credit facility, facilities in the amount of EUR 240,000,000 is made available and shall be used towards the early redemption of bonds and towards the early redemption of several outstanding credit facilities in order to centralise the financing of the group.

In the context of this new credit facility, FNG Group NV, an indirect subsidiary of FNG N.V., decided to redeem the EUR 25,000,000, 4.625% Notes due 15 April 2021 prior to their maturity date.

NOTES ISSUE
FNG Benelux Holding NV, an indirect subsidiary of FNG N.V., decided to set up a Euro Medium Term Note Programme. The notes shall be placed through a private placement. Application can be made for the notes to be admitted to listing on Alternext Brussels and to trading on the multilateral trading facility of Alternext Brussels.

TRANSFER OF REGISTERED OFFICE
FNG has the intention to transfer its registered office from Oostweg 2, 2723 RH Zoetermeer, Amsterdam, The Netherlands to Belgium.

RISKS AND RISK MANAGEMENT

A business must take some risks to create value. 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, with the Supervisory Board being responsible for reviewing the FNG's risk management and control systems in relation to the financial reporting by FNG. 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
The success as a business depends on FNG's ability to identify opportunities while assessing and maintaining an appropriate risk appetite. FNG's risk management considers a variety of risks, including those related to the industry and business, those related to the ongoing relationship with FNG's shareholders and those related to FNG's trademarks. FNG's approach to risk management is designed to provide reasonable, but not absolute, assurance that the assets are safeguarded, the risks facing the business are being assessed and mitigated and all information that may be required to be disclosed is reported to the Management Board and, where appropriate, to the Supervisory Board.

Ongoing identification and assessment of risks is part of FNG's governance. The Management Board and the Supervisory Board 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.

Promiss

Brantano Mechelen

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 Bulgaria, 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

Brantano

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 • Attempt to have at least half of the bank debt 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 Management 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 (the "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 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
As at 31 December 2017, the issued share capital of FNG N.V. amounted to EUR 718,391.36, consisting of 8,979,892 shares (7,250,119 listed ordinary shares, 1,729,772 unlisted Class A shares and 1 priority share). Each share carries one vote. The ordinary 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 Penninckx, Mrs Maes and Mr Bracke) special rights in respect of FNG N.V., including but not limited to the right to make a binding nomination for the appointment of directors and officers.

DUTCH CORPORATE GOVERNANCE CODE
FNG complies with the Code on the basis of the "comply or explain" principle, except for the below:

Best practice provisions 1.3.1, 1.3.2, 1.3.3, 1.3.4 and 1.3.5
FNG has no internal audit department as defined in named best practice provision. FNG has internal audit teams both in Belgium and the Netherlands, forming part of the relevant business units and reporting to the relevant finance manager and business unit manager. The internal audit teams are responsible for (i) optimizing, developing, implementing and monitoring the internal control procedures, rules, tools and reporting structures to efficiently establish that the company is in control, (ii) planning, execution and follow-up of internal audits; (iii) reporting audit findings, implemented action plans and results to management so that management can make decisions based on sufficient information; (iv) correct and efficient planning and execution of assessments; (v) checking, evaluating and monitoring the agreed actions regarding differences reports from assessments, (vi) investigating alleged fraudulent, illegal or unwanted actions and assisting line officers during conversations and their handling; (vii) providing advice on internal control and staying up-to-date with relevant legislation, (viii) increasing inventory reliability by drawing up the desired processes, (ix) initiating and following up the annual internal control action plan and (x) leading the internal control department and the assessment teams. FNG continuously monitors and evaluates the functioning of its internal audit functions and intends to further comply with the relevant best practice provisions of the Code in the future.

Best practice provision 2.1.5
FNG is in the process of adopting a diversity policy and expects such policy to be in effect shortly. No diversity policy was in place in the year under review.

Brantano

Best practice provisions 2.4.5 and 2.4.6
Given how familiar the Supervisory Board members are with FNG and its structure, business and processes, FNG currently does not see the need for a formal induction program or other education or training.

Best practice provision 2.5.3
Due to the structure of FNG's group and enterprise, there are only limited direct discussions between the Management Board, the Supervisory Board and the group's employee participation body.

Best practice provision 2.6.4
The operation of the procedure for reporting actual or suspected misconduct or irregularities is monitored by the corporate management team, which in its turn reports to the CEO. The corporate management team and CEO report to the Supervisory Board.

Principle 3.1 and best practice provision 3.4.1
The Code recommends that the remuneration policy take into account the internal pay ratios within the enterprise. Although FNG has been working on a variety of aspects around the compensation program and related disclosure including some of the above, FNG does not yet fully comply with the relevant provisions from the Code. Also, 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 members of the Supervisory Board.

Best practice provision 4.1.8
FNG's 2017 Annual General Meeting was held in August 2017 due to delay in the preparation of the annual accounts. FNG decided to hold the Annual General Meeting as soon as practically possible, knowing that this would mean that, due to the holiday season, Mr. Lathouwers and Mr. Van Ossel, both of whom were nominated for appointment to FNG's Supervisory Board that meeting, would not be present.

Best practice provisions 4.2.3
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 4.3.3
The Management and Supervisory Board members are appointed by the General Meeting upon the binding nomination by the holder of the priority share. The General Meeting may only overrule the binding nomination by a resolution adopted by at least a two-thirds majority of the votes cast, provided such majority represents more than half of the issued share capital. If the General Meeting overrules a binding nomination for a director, the holder of the priority share will promptly make a new binding nomination to be submitted to a subsequent General Meeting.

The Management and Supervisory Board members may be suspended or removed by the General Meeting, with or without cause, at any time. The articles provide that a resolution of the General Meeting to suspend or remove a director pursuant to and in accordance with a proposal by the Supervisory Board will be passed with an absolute majority of the votes cast. A resolution of the General Meeting to suspend or remove a director other than pursuant to and in accordance with a proposal by the Supervisory Board will require a two-thirds majority of the votes cast, representing more than half of the issued share capital. FNG believes that these provisions support the continuity of its business.

Fred & Ginger

RESPONSIBILITY STATEMENT

The Management Board hereby states that, to the best of its knowledge, the financial statements for the financial year 2017 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 Management 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 2017 of the group and its affiliated companies whose financial information is set out in the financial statements.

The report of the Management Board sets out the main features of the risk management and control systems, as well as the essential risks the company is facing. The Management Board declares that it accepts responsibility for the design and effectiveness of the internal risk management and control systems tailored to FNG.

The Management 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 reporting does not contain any material inaccuracies;
4. based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis; and
5. this report states those material risks and uncertainties that are relevant to the expectation of the company's continuity for the period of twelve months after the preparation of the report.

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.

In 2017, 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.

There were no significant transactions in 2017 involving conflicting interests between one or more members of the Supervisory Board and/or the sole member of the Management Board of FNG on the one hand and FNG on the other hand.

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 2017. The Supervisory Board recommends the General Meeting of Shareholders to adopt the 2017 Annual Accounts.

MEMBERS OF THE SUPERVISORY BOARD

E.M.M.L.C. Verbaere (60) was 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
Solar Energy Conversion Power Corporation NV	Director

Gino van Ossel (54) was appointed as member of the Supervisory Board in 2017 and will retire or be nominated for re-appointment at the 2021 Annual General Meeting.
Nationality: Belgium
Gender: Male
Function: expert on Omnichannel Retail & Marketing
Other functions and companies in which Mr van Ossel is currently active are:

Company	Function
Inside-Out	Director
Vlerick Business School	Professor of Retail Marketing
Cryns Carrosserie Center	Non-executive director
Trade Marketing Association (Netherlands)	Director

Emiel Lathouwers (73) was appointed as member of the Supervisory Board in 2017 and will retire or be nominated for re-appointment at the 2021 Annual General Meeting.
Nationality: Belgium
Gender: Male
Function: Expert on the level of retail
Other functions and companies in which Mr Lathouwers is currently active are:

Company	Function
Vendis Capital NV	Director
Krabbendijke NV	Director
Services-Development-Management NV	Director
CAP NV	Director
Freespace NV	Director
Het Anti-kankerfonds	Director
Talovi BVBA	Director
Antikankerfonds	Director
Atmosphere BVBA	Director

All members of the Supervisory Board in the year under review are independent within the meaning of the Dutch Corporate Governance Code.

CKS Barcelona

APPOINTMENT AND RETIREMENT SCHEDULE

The retirement schedule for the Supervisory Board is as follows:

- E.M.M.L.C. Verbaere (appointed in 2016) will retire or be nominated for re-appointment at the 2020 Annual General Meeting
- G. van Ossel (appointed in 2017) will retire or be nominated for re-appointment at the 2021 Annual General Meeting
- E. Lathouwers (appointed in 2017) will retire or be nominated for re-appointment at the 2021 Annual General Meeting

MEETINGS

In 2017, the Supervisory Board held 4 meetings, both among its own members and with the Managing Board. During these meetings, the Supervisory Board members were fully informed of the financial, operational and strategic developments, and objectives. As usual, discussions were held on many topics including the budget for 2018, corporate governance, the Management Board remuneration structure and important investment decisions.

In 2017, special consideration was given to:
- The company financing
- The business plans future years

Each of the Supervisory Board members attended 100% of the Supervisory Board meetings, either in person or by phone.

In addition to the aforementioned meetings, the Supervisory Board members had regular interactions with the Management 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 meetings with the Management Board the Supervisory Board discussed the method of working and the general policy of the Management Board.

EVALUATION MANAGING BOARD AND SELF-EVALUATION SUPERVISORY BOARD

The Supervisory Board has concluded that the conditions in which the Management Board had to work in 2017 were turbulent. Moreover, the Management 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 Management 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.

Miss Etam

CKS Ghent

GENERAL MEETING OF SHAREHOLDERS
In 2017, 2 General Meetings of Shareholders were held. During the second General Meeting, the 2016 Annual Accounts were adopted.

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 extent to 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 2017. 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 2017 Annual Accounts, to grant discharge to the Management Board members for their management in 2017, and to grant discharge to the Supervisory Board members for their supervision in 2017.

ACKNOWLEDGEMENTS
The Supervisory Board would like to thank the Management Board, the senior management and all other FNG employees for their dedication, creativity, and constructive collaboration in FNG’s challenging circumstances in 2017.

FINANCIAL STATEMENTS

For the year ended 31 December 2017

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS (in thousands of euros)	**Note**	**31/12/17**	**31/12/16**
Non-current assets		**441.971**	**379.187**
Goodwill	5.1.	80.162	59.831
Intangible assets	5.2.	275.313	244.256
Property, plant and equipment	5.3.	70.175	57.099
Deferred tax assets	5.8.	16.321	18.000
Current assets		**255.947**	**182.176**
Inventories	5.4.	82.787	86.941
Trade and other receivables	5.5.	69.601	24.975
Income tax receivables		0	226
Other financial assets	5.6.	9.035	14
Other current assets	5.6.	4.053	3.113
Cash and cash equivalents	5.7.	90.470	66.907
TOTAL ASSETS		**697.918**	**561.362**

EQUITY AND LIABILITIES (in thousands of euros)	**Note**	**31/12/17**	**31/12/16**
Equity attributable to owners of the parent		**272.096**	**234.988**
Share capital	5.9.	718	643
Share premium		265.304	235.595
Retained earnings and other reserves		6.074	(1.250)
Total equity		**272.096**	**234.988**
Non-current liabilities		**243.703**	**206.912**
Provisions	5.10.	357	175
Post-employment benefit obligations	5.11.	154	312
Borrowings	5.12.	178.750	142.414
Other financial liabilities	5.13.	17.208	18.328
Deferred tax liabilities	5.8.	47.235	45.682
Current liabilities		**182.119**	**119.463**
Provisions	5.10.	1.316	2.096
Borrowings	5.12.	56.596	35.363
Trade and other payables	5.14.	96.287	75.241
Current tax liabilities		1.142	0
Other financial liabilities	5.13.	19.877	23
Other current liabilities	5.15.	6.901	6.740
Total liabilities		**425.822**	**326.374**
TOTAL EQUITY AND LIABILITIES		**697.918**	**561.362**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euros)	**Note**	**2017**	**2016**
Revenue	3.1./6.1.	482.402	242.298
Cost of merchandise		(215.329)	(102.137)
Gross profit		**267.074**	**140.162**
Employee benefit expense	6.2.	(90.861)	(47.702)
Other operating expenses	6.3.	(130.832)	(71.618)
Recurring operating profit/(loss) before amortisation and depreciation expense (REBITDA)		**45.381**	**20.841**
Amortisation and depreciation expenses	6.4.	(18.777)	(9.468)
Recurring operating profit/(loss) (REBIT)		**26.603**	**11.374**
Non-recurring items[1]	6.5.	(7.516)	(7.688)
Operating profit/(loss) (EBIT)		**19.087**	**3.686**
Financial income	6.6.	2.548	1.179
Financial expenses	6.6.	(13.216)	(7.498)
Exchange gains/(losses)		(647)	0
Profit/(loss) before taxes		**7.772**	**(2.634)**
Income taxes	6.7.	(459)	429
PROFIT/(LOSS) FOR THE PERIOD		**7.313**	**(2.205)**
Other comprehensive income (OCI)			
Items of OCI which will never be recycled to P&L			
Remeasurement of post-employment benefit plans		255	0
Items of OCI which will be recycled to P&L			
Exchange differences upon translation of foreign operations		(180)	0
Income tax relating to components of OCI (-)		(64)	
Other comprehensive income		11	0
TOTAL COMPREHENSIVE INCOME OF THE PERIOD		**7.324**	**(2.205)**
Basic and diluted earnings/(loss) per share (in €)	6.8.	0,91	(0,84)
Profit/(loss) for the period attributable to the owners of the Company		7.313	(2.205)
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		7.324	(2.205)
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	2017	2016
CASH FLOW FROM OPERATING ACTIVITIES			
Operating result		19.087	3.686
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortisation expenses	6.4	18.776	9.468
Provisions		(502)	(812)
Gain on a bargain purchase	4	0	(1.377)
Loss on disposal	4	4.407	0
Exchange (gains) /losses		647	0
Other		338	0
Changes in working capital:			
Inventories		10.643	12.539
Trade and other receivables	5.5	(69.135)	31.640
Other financial assets		70	0
Other current assets		(780)	4.391
Trade and other payables		10.113	(48.626)
Other current liabilities		(2.032)	1.680
Cash generated from operations		**(8.369)**	**12.589**
Taxes received		217	0
Net cash generated from operating activities		**(8.152)**	**12.589**
CASH FLOW FROM INVESTING ACTIVITIES			
Interest received		2.548	2.739
Purchases of PP&E		(30.938)	(17.863)
Purchases of Intangible assets		(13.059)	(3.335)
Proceeds from disposal of PPE		2.629	672
Proceeds from disposal of intangible assets		591	145
Loans granted		0	0
Disposal of subsidiaries	4	17.243	
Acquisition of subsidiaries, net of cash acquired	4	(20.629)	36.915
Net cash provided by/(used in) investing activities		**(41.615)**	**19.273**
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of equity instruments of the Company (net of issue costs)	5.9	29.784	30.854
Proceeds from borrowings		83.200	18.800
Reimbursements of borrowings		(26.480)	(8.469)
Interest paid		(13.174)	(7.498)
Net cash provided by/(used in) financing activities		**73.330**	**33.687**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**23.563**	**65.549**
CASH AND CASH EQUIVALENTS at beginning of year		**66.907**	**1.358**
Net effect of currency translation on cash and cash equivalents		0	0
CASH AND CASH EQUIVALENTS at end of year		**90.470**	**66.907**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent					
				Reserves		
	Share capital	Share premium	Retained earnings	Currency translation reserve	Other reserves	TOTAL EQUITY
(in thousands of euros)						
Balance at 31 December 2015	**0,005**	**0**	**(2.972)**	**0**	**0**	(2.972)
Total comprehensive income of the period	0	0	(2.205)	0	0	(2.205)
Reverse listing 05-01-2016	1.069	(800)	0	0	5.073	5.342
Issue of share capital	10.279	225.691	0	0	0	235.969
Transaction costs for equity issue	0	0	0	0	(1.146)	(1.146)
Reverse share split	(10.705)	10.705	0	0	0	0
Balance at 31 December 2016	**643**	**235.595**	**(5.178)**	**0**	**3.927**	**234.988**
Total comprehensive income of the period	0	0	7.504	(180)	0	7.324
Issue of share capital	75	29.925	0	0	0	30.000
Transaction costs for equity issue	0	(216)	0	0	0	(216)
Balance at 31 December 2017	**718**	**266.304**	**2.326**	**(180)**	**3.927**	**272.096**

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, renamed to Miss Etam Holding in 2017) 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 the Dico International did not qualify as a business in accordance with IFRS 3 – Business Combinations, the transaction is not a *business combinations* 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.

Private Placement 2017

On 19 December 2017, FNG N.V. issued 937.500 class A shares through a private placement for a total amount of € 30.000 thousands. As a result of this issuance, FNG N.V. has placed (i) 7.250.119 ordinary shares, (ii) 1.729.772 class A shares and (ii) 1 Priority Share. The Company issued 5 warrants. Each investor who subscribed to the private placement of € 30.000.000 in December 2017 received 1 warrant. The warrants may be exercised by such investors if the highest average closing price of an ordinary share listed on Euronext Amsterdam is lower than € 35,20 during any period of five consecutive trading days on Euronext Amsterdam within a specific period. In such case, the investors will have the right to subscribe to an additional number of class A shares, to be determined in accordance with the terms and conditions of the warrants. Upon exercise, these warrants could potentially result in 151.429 additional shares.

Other Transactions

The other relevant transactions (such as issue of share capital) are disclosed in note 5.9.

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 principal place of business is located in the Netherlands and Belgium. The Company's shares are listed on Euronext Amsterdam and the Group has more then 3,000 employees (in headcounts).

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 2017 were prepared under the responsibility of the Management Board and the Supervisory Board and authorised for issue by the Management Board and the Supervisory Board at the Board meeting held on 20 April 2018.

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 2017 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 REBITDA 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.

REBITDA (recurring 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), the depreciation and amortisation expenses and impairment losses on assets and the non recurring items. Non-recurring items (detailed in note 6.5) 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.

2.1.1. Standards and amendments issued and applicable for the year ended 31 December 2017

The following IFRS standards, interpretations and amendments became effective for the first time for the year ended 31 December 2017:
- Amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative
  - An additional disclosure has been added in note 5.12 to meet the new disclosure requirement of IAS 7 requiring additional information on the cash flows from financing activities.
- Amendments to IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses
  - These amendments clarify the principles around the recognition of a deferred tax asset that is related to a debt instrument measured at fair value. These amendments did not have an impact on the consolidated financial statements of the Company.

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 2017:
- 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)
- IFRS 17 Insurance Contracts (applicable for annual periods beginning on or after 1 January 2021, but not yet endorsed in 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)
- Improvements to IFRS (2015-2017) (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)
- Amendments to IFRS 9 Prepayment Features with Negative Compensation (applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed in 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 28 Long-term Interests in Associates and Joint Ventures (applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed in 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)
- IFRIC 23 Uncertainty over Income Tax Treatments (applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed in 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.

Regarding the application of IFRS 9 to the Group, the Group has reviewed all financial instruments held. The new classification and measurement principles of IFRS 9 will not have an impact for FNG as FNG only has following categories of financial assets:
- Loans and receivables: will continue to be measured at amortised cost
- Derivative instruments: will continue to be measured at fair value through P&L

Regarding the financial liabilities, IFRS 9 basically does not introduce significant changes to the current treatment and as such, no impact is assessed.

The second part relates to hedge accounting. IFRS 9 requires additional disclosures concerning risk management and the effects of hedge accounting. IFRS 9 makes hedge accounting more flexible compared to current guidance. Considering that the Group does not apply hedge accounting, the new requirements will not have an impact upon initial application of IFRS 9.

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. Considering that FNG mainly has short-term receivables, the simplified impairment model can be used (life-time expected losses). The Group has reviewed the historical losses recognised on clients (default rate) and this is very limited (quasi nil). This is common in the retail industry.

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 2017, the Group continued its initial assessment of IFRS 15 through a more detailed analysis. The main aspects 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, the Group does not expect a significant impact of the application of IFRS 15.

Regarding the application of IFRS 15, the standard would mainly have an impact at FNG on the contracts in the wholesale business. In the retail business, the new standard does not modify significantly the current accounting process. For the wholesale business, FNG does not have a lot of contracts with customers. No right of returns are offered as from the initial sales transaction. However, in some case a commercial gesture is offered and this is then considered in the revenue amount.

Furthermore, no specific payments to customers are done which could be considered in the transaction amount.

As the key activity of the Group is the sale of goods, revenue is recognised at a certain point in time, i.e. at the moment control is transferred to the customer. Based on these considerations, the Group has concluded that no significant impact is expected from the initial 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. Considering the minor impact of the standard on the consolidated financial statements, the Group decided that the comparative statements will not be restated.

IFRS 16 Leases will be effective for the reporting periods beginning on 1 January 2019 or later. 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, 2017, the Group has non-cancellable undiscounted operating lease commitments of € 182.088 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 2017, the Group had a liquidity position of € 83.365 thousands consisting of cash and cash equivalents. Taking into account this liquidity position as well as the new refinancing facility of € 240.000 thousands on 28 February 2018, 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. Business combinations

On 26 June 2016, the Group acquired the FNG Group. The acquisition was considered as a business combination and disclosed as such in note 4.2.

The Company assessed who was the acquirer in the business combination as required by the acquisition method in accordance with IFRS 3 – Business Combinations. Based 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.

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 4.2).

2.2.1.3. Impairment of assets

We review the carrying amount of intangible assets with indefinitive lives for potential impairment on an annual 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.

2.2.1.4. 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 2017 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).

2.2.1.5. 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.The Belgian Government announced in July 2017 an important corporate tax reform which will decrease the corporate tax rate in Belgium of 33,99% to 29,58% in 2018 and 25,0% as from 2020. The Act affecting the reform was voted by Parliament in December 2017 which, by virtue of the guidance in IAS 12, is considered as substantively enacted. Therefore, deferred taxes on temporary differences, originated in Belgium, are calculated based both on the new tax rates and the timing of their expected reversals. In this regard, management has exercised judgement in deciding which temporary differences are expected to reverse before 2020, on which the tax rate of 29,58% is applicable, and those temporary differences expected to reverse after 2020 to which the tax rate of 25,0% is applied. For the deferred tax assets recognised on tax losses, a similar approach has been taken.

2.2.1.6. 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.

2.2.3. 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 not amortised, but impairment tests are carried out as soon as there is an indication of possible impairment, and at least annually (including in the year of acquisition), 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;
- Supplier 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

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.
Next to the sale of goods, the Group also generates revenue through the render of services for which the group receives a commission or a fee.

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-recuring 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:

- **FNG Roots;**
- **Brantano; and**
- **Miss Etam.**

In the course of 2017, the Group has redefined its internal organisation structure and as such, it has determined that the Group is organised into the above operating segments, which are different from those published in the consolidated financial statement for the year ending on December 31, 2016. For comparison purposes, the 2016 information have been restated.

3.1. Segment revenues and results

	31/12/2017					
(in thousands of Euros)	FNG Roots	Miss Etam	Brantano	Inter-segment revenue between FNG Roots and Miss Etam	Inter-segment revenue between FNG Roots and Brantano	Group total
Revenue	**364.023**	**101.888**	**125.980**	**(42.096)**	**(67.056)**	**482.402**
Cost of merchandise	(220.424)	(40.454)	(63.940)	42.096	67.056	(215.329)
Gross profit	**143.599**	**61.434**	**62.041**	**0**	**0**	**267.074**
Employee benefit expense	(39.421)	(22.356)	(29.084)			(90.861)
Other operating expenses	(70.167)	(34.613)	(26.052)			(130.832)
Recurring operating profit/(loss) before amortisation and depreciation expense (REBITDA)	**34.011**	**4.465**	**6.904**			**45.381**
Amortisation and depreciation expenses	(8.858)	(2.179)	(7.740)			(18.777)
Recurring operating profit/(loss) (REBIT)	**25.153**	**2.286**	**(836)**			**26.603**
Non-recurring items						(7.516)
Operating profit/(loss) (EBIT)						**19.087**
Financial income						2.548
Financial expenses						(13.216)
Exchange gains/(losses)						(647)
Profit/(loss) before taxes						**7.772**
Income taxes						(459)
PROFIT/(LOSS) FOR THE PERIOD						**7.313**

	31/12/2016					
(in thousands of Euros)	FNG Roots	Miss Etam	Brantano	Inter-segment revenue between FNG Roots and Miss Etam	Inter-segment revenue between FNG Roots and Brantano	Group total
Revenue	**140.873**	**98.703**	**42.053**	**(21.189)**	**(18.143)**	**242.298**
Cost of merchandise	(77.819)	(43.199)	(20.450)	21.189	18.143	38.025
Gross profit	**63.055**	**55.504**	**21.603**	**0**	**0**	**140.162**
Employee benefit expense	(16.358)	(21.226)	(10.118)			(47.702)
Other operating expenses	(31.978)	(31.369)	(8.272)			(71.618)
Recurring operating profit/(loss) before amortisation and depreciation expense (REBITDA)	**14.719**	**2.909**	**3.213**			**20.841**
Amortisation and depreciation expenses	(6.437)	(1.598)	(1.433)			(9.468)
Recurring operating profit/(loss) (REBIT)	**8.281**	**1.311**	**1.780**			**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)**

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 2017 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 (i.e. property, plant and equipment, intangible assets and goodwill) by location of assets are detailed below.

	Revenue		Non-current assets	
(in thousands of euros)	31/12/2017	31/12/2016	31/12/2017	31/12/2016
The Netherlands	169.255	165.669	179.731	230.348
Belgium	268.551	73.347	236.066	130.744
Other	44.597	3.283	9.852	94
Total	**482.402**	**242.298**	**425.649**	**361.186**

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

3.3. Other information

Segment revenue does not include customers contributing 10% or more to the Group's revenue for both 2017 and 2016.

4. BUSINESS COMBINATIONS AND CHANGES IN CONSOLIDATION SCOPE

4.1. 2017 acquisitions

On 31 December 2017, the Group acquired 100% of the voting rights in Mirus Group, a Belgian based retail group consisting of the following subsidiaries: GBO, Concept Fashion and Suitcase. The fair value of the total consideration transferred amounted to € 40.150 thousands, which was determined using a discounted cash flow model based on the expected cash flows to be generated in the new group.
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)	**Mirus**
Intangible assets	20.350
Property, plant and equipment	2.103
Deferred tax assets	1.632
Inventories	6.674
Trade and other receivables	561
Current financial assets	56
Other current assets	306
Cash and cash equivalents	271
Provisions	0
Non current financial liabilities	(225)
Deferred tax liabilities	(5.144)
Current financial liabilities	(3.184)
Trade and other payables	(8.921)
Other current liabilities	(148)
Net assets acquired	14.330
Non-controlling interests	0
Total consideration	(40.150)
Goodwill	**25.820**

Statement of financial position (in thousands of euros)		**Mirus**
Total consideration		40.150
Financed in cash	20.900	
Deferred consideration	19.250	
Cash and cash equivalent acquired		(271)
Net cash outflow in investing activities		**20.629**

As a result of the acquisition accounting, the Group 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 (trade-names, supplier list and key-money).

Goodwill arose because the consideration 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 € 561 thousands.

There were no significant costs related to the business combinations amount.

The amounts above in the reporting ended 31 December 2017 with respect to fair value of net assets acquired and goodwill are provisional as not all fair value measurements have been finalised.

As the acquisition was finalised on 31 December 2017, there was no contribution of the businesses acquired to the consolidated revenue and consolidated profit of the Group for the year ended 31 December 2017. However, a commercial relationship existed between the Group and Mirus before the acquisition date, which generated already revenue to the Group before the acquisition date.

4.2. 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 20.012.500 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	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	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 Group 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 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.

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/Supersar 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 € 232.389 thousands.

4.3. Disposal of subsidiaries

In the course of 2017, the Group disposed of Rainbow Garment.
The following table details the assets and liabilities over which control was lost, the consideration received, the loss on disposal and the net cash inflow on disposal:

Statement of financial position (in thousands of euros)	Rainbow Garment
Goodwill	5.489
Trade and other receivables	25.070
Other current assets	146
Trade and other payables	-20
Net assets disposed of	30.685
Total consideration	(26.278)
Loss on disposal	**(4.407)**

Statement of cash flows (in thousands of euros)		Rainbow Garment
Total consideration		26.278
Received in cash	17.243	
Deferred consideration	9.035	
Cash and cash equivalent disposed of		0
Net cash inflow in investing activities		**17.243**

The consideration transferred has been determined based on the net asset (mainly consisting of receivables), excluding the goodwill allocated to the business. The loss on disposal is included in the non-recurring items in the consolidated income statement (see note 6.5).

5. NOTES RELATING TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

5.1 Goodwill

(in thousands of euros)	31/12/2017	31/12/2016
Cost	80.162	59.831
Accumulated impairment losses	0	0
Goodwill	**80.162**	**59.831**

Statement of cash flows (in thousands of euros)	
Balance at 31 December 2015	**0**
Additions through business combinations	59.831
Balance at 31 December 2016	**59.831**
Additions through business combinations	25.820
Derecognised on disposal	(5.489)
Balance at 31 December 2017	**80.162**

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 for the year ended December 31, 2016 under the non-recurring items.

The additions in 2017 relate to the acquisition of Mirus (see note 4.1), which was allocated to the cash-generating unit Brantano.

The derecognised component on disposal relates to the disposal of Rainbow Garment (see note 4.3).

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

- FNG Roots: Fashion clothes; and
- Brantano: Footwear and fashion clothes for internal and external brands.

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

(in thousands of euros)	31/12/2017	31/12/2016
FNG Roots	54.342	59.831
Brantano	25.820	0
Goodwill	**80.162**	**59.831**

The recoverable amount of the cash-generating units is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period.

The key assumptions used in the computation of the recoverable amount are as follows:

- FNG Roots
  - Discount rate (WACC): 9,76%
  - Growth rate 2017 - 2022: 4%
  - LT growth rate: 1,5%
- Brantano
  - Discount rate (WACC): 9,76% for the existing business and 29,28% for the new business acquired in 2017
  - Growth rate 2017 - 2022: 14% (including the businesses newly acquired in 2017)
  - LT growth rate: 1%

The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit. The sensitivisty analysis performed bij management consist of following changes to the key assumptions:
Discount rate (Wacc) : + and - 1,0%
LT Growth rate: + and - 1,0%
LT Growth rate: + and - 0,5% & discount rate + and - 0,5%

	LT Growth rate: + and - 1,0%	Discount rate: + and - 1,0%	LT Growth rate: + and - 0,5% & discount rate + and -0,5%
FNG Roots	no impairment	no impairment	no impairment
Brantano	no impairment	no impairment	no impairment

As such, management assesses that no impairment risk exists.

5.2. Intangible assets

(in thousands of euros)	31/12/2017	31/12/2016
Acquisition cost	279.560	245.831
Accumulated amortisation and impairment	(4.248)	(1.575)
Intangible assets	**275.313**	**244.256**
of which:		
Software	7.562	5.858
Tradenames and trademarks	233.970	233.225
Customer lists and suppliers lists	30.942	2.500
Key money	2.838	2.673

Carrying amount (in thousands of euros)	Software	Tradenames and trademarks	Customer lists and supplier lists	Key money	Total
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)
Amortisation expense	(1.237)	0	0	(338)	(1.575)
Balance at 31 December 2016	**5.858**	**233.225**	**2.500**	**2.673**	**244.256**

Carrying amount (in thousands of euros)	Software	Tradenames and trademarks	Customer lists and supplier lists	Key money	Total
Additions	2.965	561	9.533	0	13.059
Additions through business combinations	49	303	18.909	1.089	20.350
Disposals	0	(179)	0	(412)	(591)
Amortisation expense	(2.279)	0	0	(185)	(2.464)
Impairment losses	0	0	0	(327)	(327)
Other	969	61	0	0	1.030
Balance at 31 December 2017	**7.562**	**233.970**	**30.942**	**2.838**	**275.313**

(in thousands of euros)	Software	Tradenames and trademarks	Customer lists and supplier lists	Key money	Total
Cost at 31 December 2016	7.095	233.225	2.500	3.012	245.831
Accumulated amortisation and impairments	(1.237)	0	0	(338)	(1.575)
Carrying amount at 31 December 2016	**5.858**	**233.225**	**2.500**	**2.673**	**244.256**
Cost at 31 December 2017	11.022	233.970	30.942	3.626	279.560
Accumulated amortisation and impairments	(3.460)	0	0	(788)	(4.248)
Carrying amount at 31 December 2017	**7.562**	**233.970**	**30.942**	**2.838**	**275.313**

"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.
The additions in "Customer lists and supplier lists" relate to supplier lists acquired in 2017.
"Key money" have been acquired through business combinations and represents the favourable lease conditions of secured store locations.

The additions through business combinations relate to the acquisition of Mirus (see note 4.1).

The tradenames, trademarks, customer lists and supplier lists have an indefinite useful life, due to their nature. As such, they are subject to an annual impairment test. The key assumptions were as follows:

- FNG Roots
  - Discount rate (WACC): 9,76%
  - Growth rate 2017 - 2022: 4%
  - LT growth rate: 1,5%
- Brantano
  - Discount rate (WACC): 9,76% for the existing business and 29,28% for the new business acquired in 2017
  - Growth rate 2017 - 2022: 14% (including the businesses newly acquired in 2017)
  - LT growth rate: 1%

5.3. Property, plant and equipment

(in thousands of euros)	31/12/2017	31/12/2016
Acquisition cost	106.114	64.157
Accumulated depreciation and impairment	(35.940)	(7.058)
Property, plant and equipment	**70.175**	**57.099**
of which:		
Buildings	20.304	19.910
Leasehold improvements and other store furniture	36.766	16.068
Machinery and installations	10.348	19.918
Assets under construction	2.157	1.204
Other		

Carrying amount (in thousands of euros)	Buildings	Leasehold improvements and other store furniture	Machinery and installations	Assets under construction	Total
Balance at 31 December 2015	**0**	**6.243**	**146**	**0**	**6.389**
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	(221)	(266)	(157)	(27)	(672)
Depreciation expense	(1.730)	(2.411)	(3.752)	0	(7.893)
Balance at 31 December 2016	**19.910**	**16.068**	**19.918**	**1.204**	**57.099**
Additions	3.281	23.936	2.456	1.265	30.938
Additions through business combinations	0	2.096	7	0	2.103
Disposals	(427)	(2.130)	(72)	0	(2.629)
Depreciation expense	(2.619)	(10.856)	(2.837)	0	(16.312)
Exchange differences	0	(3)	(2)	0	(5)
Other	160	7.655	(8.521)	(311)	(1.017)
Balance at 31 December 2017	**20.304**	**36.766**	**10.948**	**2.157**	**70.175**

(in thousands of euros)	Buildings	Leasehold improvements and other store furniture	Machinery and installations	Assets under construction	Total
Cost at 31 December 2016	21.610	17.675	23.669	1.204	64.157
Accumulated amortisation and impairments	(1.700)	(1.607)	(3.751)	0	(7.058)
Carrying amount at 31 December 2016	**19.910**	**16.068**	**19.918**	**1.204**	**57.099**
Cost at 31 December 2017	24.742	57.224	21.992	2.157	106.114
Accumulated amortisation and impairments	(4.438)	(20.458)	(11.044)	0	(35.940)
Carrying amount at 31 December 2017	**20.304**	**36.766**	**10.948**	**2.157**	**70.175**

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 31 December 2015	0
Balance at 31 December 2016	13.860
Balance at 31 December 2017	**13.322**

These assets held under finance lease 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 5.12 on borrowings.

5.4. Inventories

(in thousands of euros)	31/12/2017	31/12/2016
Raw materials and furnitures	1.184	1.383
Work in progress	2.464	3.504
Goods for resale	82.071	87.739
Gross carrying amount	**85.719**	**92.626**
Write-downs (impairment)	(2.932)	(5.686)
Net carrying amount	**82.787**	**86.941**

The cost of inventories recognised as an expense during the year was € 215.329 thousands (2016: € 102.137 thousands).

The cost of inventories recognised as an expense in 2017 includes € 1.318 thousands of additional write-downs and € 3.217 thousands of reversals of write-downs of inventory in 2017 as they became recoverable.

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.

No inventories are expected to be recovered after 12 months.

5.5. Trade and other receivables

(in thousands of euros)	31/12/2017	31/12/2016
Trade receivables		
Trade receivables from third parties	65.429	21.682
Write-downs on trade receivables	(1.140)	0
Total trade receivables	**64.290**	**21.682**
Other receivables		
Receivable from third parties	4.732	1.513
Receivables from related parties	579	1.779
Total other receivables	**5.312**	**3.293**
Total trade and other receivables	**69.601**	**24.975**

All the trade receivables mentioned above are denominated in euros.

As a result of the strong financial results in 2016, we have been able to negotiate better conditions with our suppliers regarding payment terms which was translated into more flexibility in credit terms with our suppliers. This allowed the Group to offer also better credit terms to its customers in 2017. Considering the growth of the Group in 2017, management considers that the current level of the trade receivables and payables is better reflecting the activities of the Group, while this was not entirely the case in 2016, which was a transition year, integrating all the acquired businesses.

The movement in working capital relating to trade and other receivables, as presented in the consolidated cash flow statement, is impacted by the disposal of Rainbow Garment as disclosed in note 4.3.

Trade receivables disclosed above include amounts that are past due at the end of the reporting period for which the Group 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)	31/12/2017	31/12/2016
Not yet due	60.768	7.740
Up to 60 days	556	1.617
61 to 90 days	316	456
> 90 days	2.650	11.869
Total	**64.290**	**21.682**

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:

Movement in the impairment provision	**Trade receivables**	
(in thousands of euros)	31/12/2017	31/12/2016
At 1 January	**0**	**(29)**
Impairment write downs	(1.140)	0
Reversal of write downs	0	29
At 31 December	**(1.140)**	**0**

5.6. Other financial assets and other assets

The other financial assets consist of the remaining amount receivable from the sale of the previous subsidiary of the Group, Rainbow Garment. The consideration for this sale amounts to € 26.278 thousands, of which € 17.243 thousands was already received in cash. The sale generated a loss on disposal recognised in non-recurring items, see note 6.5. The other assets (non-current and current) can be detailed as follows:.

(in thousands of euros)	31/12/2017	31/12/2016
Rental accruals	1.269	1.092
Interest accruals	0	0
Other	2.784	2.021
Total other assets	**4.053**	**3.113**
of which:		
Non-current	0	0
Current	4.053	3.113

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)	31/12/2017	31/12/2016
Cash at bank and in hand	90.470	65.437
Short-term bank deposits	0	1.470
Total cash and cash equivalents	**90.470**	**66.907**

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

5.8. Deferred taxes

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

(in thousands of euros)	31/12/2017	31/12/2016
Deferred tax assets	16.321	18.000
Deferred tax liabilities	(47.235)	(45.682)

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)	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Property, plant and equipment	859	701	(696)	(694)
Intangible assets	0	0	(45.943)	(45.084)
Inventories	0	0	(1.154)	(274)
Other financial assets	0	0	(316)	(437)
Employee Benefits	16	106	0	0
Deferred taxes relating to temporary differences	**875**	**807**	**(48.109)**	**(46.489)**
Tax losses carried forward	16.321	18.000	0	0
Deferred taxes relating to tax losses and tax credits	**16.321**	**18.000**	**0**	**0**
Total recognised deferred taxes	**17.195**	**18.807**	**(48.109)**	**(46.489)**
Offsetting	(875)	(807)	875	807
Total, net	**16.321**	**18.000**	**(47.235)**	**(45.682)**

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

(in thousands of euros)	2017	2016
Deferred tax assets	18.000	977
Deferred tax liabilities	(45.682)	0
Balance at 1 January	**(27.681)**	**977**
Changes:		
Recognised in income statement	181	498
Recognised in other comprehensive income	(64)	0
Acquisitions through business combinations	(3.512)	(29.322)
Other	162	166
Balance at 31 December	**(30.914)**	**(27.681)**
Of which:		
Deferred tax assets	16.321	18.000
Deferred tax liabilities	(47.235)	(45.682)

At closing 2017, the Group has unused tax losses for which no deferred taxes are recognised for a total amount of € 4,762 thousands. These tax losses do not have an expiry date.

5.9. Share capital

5.9.1. Capital management

The Group 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 REBITDA (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 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**
Share issue through contribution in cash	19/12/17	937.500
Balance at 31 December 2017		**8.979.892**

Since January 1, 2016, 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. (which was renamed to Miss Etam Holding B.V. in 2017) 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 (see note 4), 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.
- On 9 October 2017, FNG NV converted 1.208.353 class A shares into ordinary shares. As a result of this, FNG N.V. has placed (i) 7.250.119 ordinary shares, (ii) 792.272 class A shares and (ii) 1 Priority Share.

On 19 December 2017, FNG N.V. issued 937.500 class A shares through a private placement for a total amount of € 30.000 thousands. As a result of this issuance, FNG N.V. has placed (i) 7.250.119 ordinary shares, (ii) 1.729.772 class A shares and (ii) 1 Priority Share. The Company issued 5 warrants. Each investor who subscribed to the private placement of € 30.000.000 in December 2017 received 1 warrant. The warrants may be exercised by such investors if the highest average closing price of an ordinary share listed on Euronext Amsterdam is lower than € 35,20 during any period of five consecutive trading days on Euronext Amsterdam within a specific period. In such case, the investors will have the right to subscribe to an additional number of class A shares, to be determined in accordance with the terms and conditions of the warrants. Upon exercise, these warrants could potentially result in 151.429 additional shares.

- 5.9.3. Shareholders

The share capital of the Company amounts to € 718 thousands and is represented by 8.797.892 shares, which includes one priority share, each with a nominal value of € 0,08.

The shareholders of the Company (as notified to the AFM (Dutch financial Market Regulator) as per 10 April 2018) are detailed as follows:

Greenway District BVBA (FNG founders Mr Dieter Penninckx (current CEO of FNG N.V.), Mrs Anja Maes and Mr Emmanuel Bracke)	58,3%
FNG STAK	7,14%
Saffelberg Investments NV	5,66%
FIPH B.V.	5,91%
Société Fédérale de Participations et d'Investissement (SFPI)	4,74%
Biloba Holding BVBA	4,45%
VMF Luxembourg SA	4,27%
Torfs Import Service NV	5,14%
Others	4,39%

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 31 December 2016	**1.390**	**197**	**684**	**2.271**
Additions	374	0	1.308	1.682
Reversals	(1.191)	0	(602)	(1.793)
Uses	(145)	(130)	(213)	(488)
Other	0	(67)	67	0
Balance at 31 December 2017	**428**	**0**	**1.244**	**1.672**
Of which current provisions	428	0	888	1.316
Of which non-current provisions	0	0	357	357

In 2016, the restructuring provision related to the then on-going restructuring process at Brantano, consisting mainly of termination benefits. This was substantially completed during 2017, with a provision of € 199 thousands remaining at year end. Additional provisions were recognised during 2017 in respect of the restructuring of Steps Nederland B.V.

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)	31/12/2017	31/12/2016
Bonds	93.305	68.137
Bank debts	131.904	93.636
Other borrowings	10.138	16.004
Total borrowings	**235.346**	**177.777**
of which:		
Non-current	178.750	142.414
Current	56.596	35.363

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%.
- Next to the previous issue of bonds, the board of directors of FNG Benelux Holding decided on 19 June 2017 to issue additional bonds for a total nominal value of € 25.000 thousands. The bonds issued have the same characteristics as the ones issued in July 2016.

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 thousands was undrawn at closing 2017.

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.

For information regarding the pledges, we refer to note 8.4.2.

Reconciliation to statement of cash flows:

31/12/2017 (in thousands of euros)	Opening carrying amount	Cash flows	Other movements: Business combination	Other movements: Reclasses	Other movements: Other	Closing carrying amount
Non-current borrowings						
Bonds	68.137	25.000	0	0	168	93.305
Bank debts	58.273	16.809	225	0	0	75.308
Other borrowings	16.004	(3.138)	0	(2.729)	0	10.138
Current borrowings						
Bonds	0	0	0	0	0	0
Bank debts	35.363	18.049	3.184	0	0	56.596
Other borrowings	0	0	0	0	0	0
Total liabilities from financing activities	**177.777**	**56.720**	**3.409**	**2.729**	**168**	**235.346**

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)	31/12/2017	31/12/2016
Finance lease liabilities	12.431	12.431
Deferred consideration business combination	19.250	0
Other loans	4.453	5.000
Derivative instruments	951	920
Total other financial liabilities	**37.085**	**18.352**
of which:		
Non-current	17.208	18.328
Current	19.877	23

The deferred consideration related to business combination relates to the acquisition of Mirus in 2017, see also note 4.1.

The other loans for an amount of € 4.453 thousands with a maturity of 5 years and 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 5.15). 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 by 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)	31/12/2017	31/12/2016
Not later than 1 year	894	428
Later than 1 year and not later than 5 years	4.472	3.578
Later than 5 years	9.368	10.934
Less: future finance charges	(2.304)	(2.508)
Present value of minimum lease payments	**12.431**	**12.431**

(in thousands of Euros)	31/12/2017	31/12/2016
Not later than 1 year	627	155
Later than 1 year and not later than 5 years	3.349	2.606
Later than 5 years	8.456	9.670
Present value of minimum lease payments	**12.431**	**12.431**

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)	31/12/2017	31/12/2016
Trade payables	77.486	50.548
Payables relating to fixed assets	240	1.020
Other payables relating to employees	8.359	5.538
Tax payables, other than income tax	5.737	12.389
Customer loyalty liabilities	565	3.121
Payables to related parties	1.803	
Other	2.090	2.624
Total trade and other payables	**96.287**	**75.241**
of which:		
Current	**96.287**	**75.241**

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

The increase in trade payables are mainly a result of favourable credit terms obtained from suppliers.

5.15. Other current liabilities

The other current liabilities consist of the following components:

(in thousands of euros)	31/12/2017	31/12/2016
Accrued expenses and deferred income	6.901	6.740
Total other liabilities	**6.901**	**6.740**

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)	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Floors	0	14	0	31.813
Total other financial assets	**0**	**14**	0	**31.813**
of which:				
Non-current	0	0	0	0
Current	0	14	0	31.813

	Fair value		Notional amounts	
(in thousands of euros)	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Embedded derivative - Coltaparte	775	475	5.000	5.000
Interest rate swap	176	445	26.328	56.958
Total other financial liabilities	**951**	**920**	**31.328**	**61.958**
of which:				
Non-current	0	897	0	26.328
Current	951	23	31.328	35.630

The embedded derivative relates to the shareholder’s loan disclosed in note 5.13.

These derivative instruments are used to hedge the interest rate risk of the borrowings presented in note 5.13. 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 € 242.298 thousands at year-end 2016 to € 482.402 thousands at year-end 2017 as a result of the continued integration of all the business acquired in 2016. Furthermore, revenue includes an amount of € 10 million for other services rendered in 2017.

6.2. Employee benefit expense

Employee benefit expense can be detailed as follows:

(in thousands of euros)	31/12/2017	31/12/2016
Short-term benefits	88.514	46.220
Defined contribution plans	2.347	1.482
Total employee benefit expense	**90.861**	**47.702**

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:

	31/12/2017	31/12/2016
The Netherlands	1.189	883
Belgium	1.082	1.125
Other	72	61
Total FTE	**2.343**	**2.069**

6.3. Other operating expenses

Other operating expenses can be detailed as follows:

(in thousands of euros)	31/12/2017	31/12/2016
Rental expenses	44.541	30.365
Expenses related to sales	32.191	13.550
Marketing expenses	13.309	8.888
Logistics	12.254	6.598
Maintenance expenses	1.842	6.004
IT expenses	4.227	2.264
Office expenses	4.200	778
Consultancy and advisory fees	4.973	1.852
Housing expenses	8.622	0
Other expenses	4.674	1.320
Total other operating expenses	**130.832**	**71.618**

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

6.4. Amortisation and depreciation expenses

(in thousands of euros)	31/12/2017	31/12/2016
Amortisation of intangible assets	2.464	1.575
Depreciation of property, plant and equipment	16.312	7.893
Total amortisation and depreciation expenses	**18.777**	**9.468**

6.5. Non-recurring items

Non-recurring items can be detailed as follows:

(in thousands of euros)	31/12/2017	31/12/2016
Listing expenses	0	(5.388)
Revalued inventories sold	0	(3.364)
Loss on disposal of business	(4.407)	0
Loss on disposal of fixed assets	(2.712)	0
Gain on a bargain purchase	0	1.377
Impairment losses	0	(473)
Other	(397)	160
Total non-recurring items	**(7.516)**	**(7.688)**

In 2017, the loss on disposal of business relate to the disposal of the subsidiary Rainbow Garment, see note 4.3 for more information.

In 2016, the main item of the non-recurring items related 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.

6.6. Financial result

(in thousands of euros)	31/12/2017	31/12/2016
Interest income	2.452	126
Change in fair value of contingent consideration	0	406
Fair value changes related to derivative instruments	0	382
Other financial income	96	264
Total financial income	**2.548**	**1.179**

(in thousands of euros)	31/12/2017	31/12/2016
Interest expenses on bonds	(3.021)	(3.541)
Interest expenses on bank debts	(5.996)	(3.783)
Interest expenses on finance lease liabilities	(450)	(136)
Fair value changes related to derivative instruments	(126)	0
Other financial expenses	(3.623)	(38)
Total financial expenses	**(13.216)**	**(7.498)**
Financial result	**(10.688)**	**(6,320)**

6.7. Income taxes

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

(in thousands of euros)	31/12/2017	31/12/2016
Current taxes in respect of the current year	(1.063)	(80)
Current taxes in respect of prior years	423	11
Deferred taxes	181	498
Total income taxes	**(459)**	**429**

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

(in thousands of euros)	31/12/2017	31/12/2016
Profit/(Loss) before taxes	7.772	(2.634)
Income tax expense calculated at 25%	(1.943)	658
Adjustments recognised in the current year in relation to the current tax of prior years	423	11
Effect of expenses that are not deductible	(273)	(1.955)
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	(4.708)	1.759
Effect of different tax rates in foreign jurisdictions	4.604	(185)
Effect of change in tax rates on deferred tax balances	1.238	0
Other	200	141
Total income taxes	**(459)**	**429**

On 22 December 2017, the Belgian Parliament has approved the Belgian tax reform bill. As such, the Belgian tax reform has been substantively enacted for IFRS (IAS 12) on 22 December 2017. Consequently, the deferred tax impact of the Belgian tax reform, which reduces the corporate income tax rate from 33,99% in 2017 to 29,58% in 2019 and 25% in 2020, must be recognised in the consolidated financial statements for the year ended 31 December 2017 for

IFRS reporters.

6.8. Earnings per share

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

(in thousands of Euros)	31/12/2017	31/12/2016
Net profit attributable to ordinary shares - Basic earnings per share	7.313	(2.205)
Effect of dilutive instruments	0	0
Net profit attributable to ordinary shares - Diluted earnings per share	7.313	(2.205)
Weighted average number of ordinary shares outstanding during the year - Basic earnings per share	8.073.214	2.601.038
Effect of dilutive instruments	4.978	0
Weighted average number of ordinary shares outstanding during the year - Dilutive earnings per share	8.078.192	2.601.038
Earnings per share (in Euros):		
Basic earnings per share	0,91	(0,84)
Diluted earnings per share	0,91	(0,84)

The weighed average number of ordinary shares have been restated for 2016 due to a consistent computaion of the weighted average number of shares implemented in 2017.

At closing 2017, the Company issued 5 warrants in the context of the share issue effected in December 2017 (see note 5.9). This can result in 151.429 additional shares. At closing 2016, 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	31/12/2017	31/12/2016
Trade receivables	Loans and receivables	64.290	21.682
Other financial assets			
Deferred consideration - Sale of business	Loans and receivables	9.035	0
Derivative instruments	Held for trading	0	14
Cash and cash equivalents	Loans and receivables	90.470	66.907
Total financial assets		**163.795**	**88.603**
Non-current borrowings			
Bonds	At amortised cost	93.305	68.137
Bank debts	At amortised cost	75.308	64.135
Other borrowings	At amortised cost	10.138	10.142
Current borrowings			
Bank debts	At amortised cost	56.596	29.501
Other borrowings	At amortised cost	0	5.862
Trade and other payables			
Trade payables	At amortised cost	77.486	50.548
Payables relating to fixed assets	At amortised cost	240	1.020
Other financial liabilities			
Finance lease liabilities	At amortised cost	12.431	12.431
Deferred consideration business combination	At fair value	19.250	0
Other loans	At amortised cost	4.453	5.000
Derivative instruments	Held for trading	951	920
Total financial liabilities		**350.158**	**247.697**

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) and the deferred consideration upon acquisition of Mirus (see note 4).

The derivative instruments recognised as financial liabilities in the statement of financial position consist of interest rate swaps and an embedded derivative instrument relating to the Coltaparte loan (as mentioned in note 5.16).

The fair value hierarchy of the interest rate swaps is categorised as level 2 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).

The fair value hierarchy of the embedded derivative instrument is level 3 as the main inputs used in the valuation are not observable. A 1% increase/decrease in the probability-adjusted revenues and profits while holding all other variables constant would increase/decrease the carrying amount of the derivative liability by € 75 thousands. The fair value of the deferred consideration upon acquisition of Mirus is considered to approximate its nominal amount as the consideration is payable within the next twelve months.
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:

	31/12/2017		
(in thousands of euros)	Carrying amount	Fair value	Fair value level
Non-current financial liabilities			
Bonds	93.305	95.959	level 2
Bank debts	75.308	75.308	level 2
Other borrowings	10.138	10.138	level 2
Finance lease liabilities	11.804	11.597	level 2
Other loans	4.453	4.453	level 2
Current financial liabilities			
Bank debts	56.596	56.596	level 2
Finance lease liabilities	627	627	level 2
Total	**252.231**	**254.678**	

	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**	

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.

Reconciliation of Level 3 fair value measurements:

(in thousands of euros)	
Balance at 1 january 2017	**475**
Change in fair value	300
Balance at 31 december 2017	**775**

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)	31/12/2017	31/12/2016
Fixed rate	135.123	101.572
Floating rate	131.904	93.636
Total financial liabilities	**267.028**	**195.208**

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 2017 would decrease/increase by € 409 thousands (2016: € 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

At December 31, 2017, if the EUR had weakened 1% against the USD with all other variables held constant, the impact on the consolidated statement of comprensive income would not be significant.

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 Group 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 Group 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 Group 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 Group'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 Group'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 Group can be required to pay. The tables include both interest and principal cash flows.

31/12/2017

(in thousands of euros)	Bonds	Bank debts	Finance lease liabilities	Other borrowings	Total
Within one year	5.453	51.096	894	0	**57.444**
>1 and <5 years	66.402	15.101	3.578	15.138	**96.112**
>5 and <10 years	46.435	60.433	3.578	0	**111.339**
>10 and <15 years	0	0	6.685	0	**4.896**
>15 years	0	0	0	0	**0**

31/12/2016

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

The Group has access to financing facilities as described in note 5.12. Furthermore, the Group has access to undrawn facilities for a total amount € 21.169 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 2017, there was no breach of covenants (where the testing of bankcovenants became irrelevant as the bank debt has been repaid on 28 february 2018)

8. OTHER DISCLOSURES

8.1. Consolidation scope

The companics included in the consdidation scope at the end of the reporting period are presented in the following table based on the operating segments to which they relate:

		% equity interest	
Name	**Country**	**31/12/2017**	**31/12/2016**
FNG Roots			
FNG N.V.	Belgium	100%	100%
FNG Holding N.V.	Belgium	100%	0%
FNG Finance Belgium BVBA	Belgium	100%	100%
FNG Beheer NL BVBA	Belgium	100%	100%
FNG Beheer BE B.V.	Netherlands	100%	100%

Name	Country	% equity interest 31/12/2017	31/12/2016
FNG International Holding NV	Belgium	100%	100%
FNG Benelux Holding NV	Belgium	100%	100%
FNG Group NV	Belgium	100%	100%
NS Development NV	Belgium	100%	100%
FNG Finance B.V.	Netherlands	100%	100%
Rainbow Garment Ltd	Hong Kong	0%	100%
Fashion IP B.V.	Netherlands	100%	100%
FNG International NV	Belgium	100%	100%
Van Hassels BVBA	Belgium	100%	100%
Fred & Ginger Retail Belgium NV	Belgium	100%	100%
Claudia Sträter Belgium BVBA	Belgium	100%	100%
CKS Retail Belgium NV	Belgium	100%	100%
CKS Brand Stores BVBA	Belgium	100%	0%
CKS SIS BVBA	Belgium	100%	0%
CKS TZ BVBA	Belgium	100%	0%
M.A.D. Collections NV	Belgium	100%	100%
Expresso Belgium BVBA	Belgium	100%	100%
Steps Retail Belgium BVBA	Belgium	100%	100%
FNG Spain SL	Spain	100%	100%
2BUY CS B.V.	Netherlands	100%	100%
CS Modehuizen B.V.	Netherlands	100%	100%
CKS Retail NL B.V.	Netherlands	100%	100%
CS Luxembourg S.A.	Luxembourg	100%	100%
FNG Group Nederland NV	Belgium	100%	100%
Steps Nederland B.V.	Netherlands	100%	100%
Steps Onroerend Goed B.V.	Netherlands	100%	100%
Steps Huur B.V.	Netherlands	100%	100%
Superstar B.V.	Netherlands	100%	100%
FNG Group Nederland B.V.	Netherlands	100%	100%
Expresso Fashion B.V.	Netherlands	100%	100%
New Fashions B.V.	Netherlands	100%	100%
Expresso Fashion Web B.V.	Netherlands	100%	100%
Fashion Buying Platform Holding BVBA	Belgium	100%	100%
Colveta AG	Switserland	100%	100%
Colveta Ltd	Hong Kong	100%	100%
GBO Hong Kong Ltd	Hong Kong	100%	0%
Miss Etam			
Miss Etam Holding B.V. (previously 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%
FNG Retail Services B.V.	Netherlands	100%	100%
Brantano			
Brantnew BVBA	Belgium	100%	100%
Brantano NV	Belgium	100%	100%
Mirus International NV	Belgium	100%	0%
Suitcase NV	Belgium	100%	0%
Concept Fashion Group NV	Belgium	100%	0%
Concept Fashion Store BVBA	Belgium	100%	0%
Concept Fashion Store XL BVBA	Belgium	100%	0%

8.2. Related party transactions

FNG N.V. is the parent of the Group ("the Company").

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)	31/12/17	31/12/16
Shareholders	568	256
Other related parties	821	558
Total	**1.388**	**814**

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)	31/12/17	31/12/16	31/12/17	31/12/16
Shareholders	579	1.779	1.905	324
Other related parties	0	100	17	0
Total	**579**	**1.879**	**1.922**	**324**

The amounts owed to shareholders in 2017 consist of current accounts with FIPH, shareholder of the Group. 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, the acquisition of BrantNew (see note 4.2) in 2016 should be considered as a related party transaction as BrantNew was a company controlled by FIPH B.V., shareholder of the Company through Rens van de Schoor. Furthermore, the acquisition of Steps/Superstar (see note 4.2) should also be considered as 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 (in 2017 renamed to FNG Retail Services B.V.).

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.
Next to the above, the Group grants short-term loans (maximum term of 5 months) to FIPH with a maximum facility of € 19,000 thousands.

8.2.3. Loans from and to related parties

	Loans to related parties		Loans from related parties	
(in thousands of euros)	31/12/17	31/12/16	31/12/17	31/12/16
Shareholders	0	0	12.431	12.431
Other related parties	0	0	0	0
Total	**0**	**0**	**12.431**	**12.431**

The shareholder's loan in 2017 and 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.

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) for full year and the chief financial officer (CFO) until 31 July 2017.

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

(in thousands of euros)	31/12/17	31/12/16
Short-term benefits	573	435
Post-employment benefits	0	0
Total	**573**	**435**

8.3. Contingent assets and liabilities

At 31 December 2017 and 2016, 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 Group does not have an option to purchase the leased assets at the expiry of the lease periods. For the period ended 31 December 2017, minimum lease payments for a total amount of € 44.541 thousands have been recognised in the statement of comprehensive income (2016: € 30.365 thousands). There were no significant contingent rentals, nor sub-lease payments received.

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

(in thousands of Euros)	31/12/2017	31/12/2016
Not later than 1 year	56.874	27.374
Later than 1 year and not later than 5 years	101.689	92.341
Later than 5 years	23.525	12.208
Total	**182.088**	**131.923**

8.4.2. Facilities and guarantees

The Group has access to facilities for bank guarantees and financing of working capital with a maximum of € 21.169 thousands. As per reporting date, bank guarantees relating to the lease of real estate (mainly stores) had been issued at the request of the Group for a total amount of € 8.937 thousands.

Furthermore, in the context of the borrowings, following elements are pledged for a total amount of € 140.813 thousands:
- Shares in subsidiaries;
- Inventories,
- Receivables,
- Property, plant and equipment,
- IP rights,
- Bank deposits.

8.4.3. Other commitments

There were no other commitments at year-end 2017, nor 2016.

8.5. Events after the reporting period

On March 6, the Group announced the refinancing of its bank debts on 28 February through its subsidiary FNG Holding NV. The total commitments of the new club deal amount to a maximum of € 240.000 thousands. As such, the different outstanding bank debts will be replaced and aggregated into one global credit facility, which would allow the Group to centralise all its financing.

Furthermore, the Group announced that it will anticipatively reimburse part of the bonds for an amount of € 25.000 thousands, which were issued in 2014 and would have matured in 2021. The reimbursement is finalised by April 15, 2018.

On March 14, 2018 the Group announced that it explores the possibility to relocate its headquarters and domicile to Mechelen, Belgium. In this context, the Group considers a second listing of its shares on Euronext Brussels.

FNG N.V.
COMPANY FINANCIAL STATEMENTS

For the year ended 31 December 2017

BALANCE SHEET

ASSETS (in thousands of euros)	**Note**	**31/12/17**	**31/12/16**
Non-current assets		***201.796***	***197.350***
Investments in participating interests	3.1.	176.788	172.341
Intercompany loans	3.2.	25.000	25.000
Deferred tax assets		8	9
Current assets		***75.188***	***39.849***
Intercompany receivables	3.2.	75.146	39.670
Other currents assets		30	125
Cash and cash equivalents		13	54
TOTAL ASSETS		**276.985**	**237.199**

EQUITY AND LIABILITIES (in thousands of euros)	**Note**	**31/12/17**	**31/12/16**
Equity attributable to owners of the parent		***273.218***	***236.101***
Share capital	3.3.1.	718	643
Share premium		265.356	235.627
Other reserves		(4.410)	(4.410)
Retaind earnings		11.554	4.241
TOTAL EQUITY	3.3.	**273.218**	**236.101**
Current liabilities		***3.767***	***1.098***
Intercompany payables	3.2.	1.610	773
Trade and other payables		1.202	300
Current tax payable		955	0
Other current liabilitities		0	25
Total liabilities		**3.767**	**1.098**
TOTAL EQUITY AND LIABILITIES		**276.985**	**237.199**

PROFIT AND LOSS ACCOUNT

(in thousands of euros)	**2017**	**2016**
Management fee	0	(25)
Recharged expenses	0	0
Other operating expenses	(837)	(10)
Total expenses	**(837)**	**(35)**
Financial income	4.662	0
Financial expenses	(3)	0
Net finance expense	**4.659**	**0**
Share of profit of participating interests, after income tax	4.447	4.321
Profit before taxes	**8.268**	**4.286**
Income taxes	(955)	9
PROFIT FOR THE PERIOD	**7.313**	**4.295**

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 31 December 2015	**0**
Profit participating interest	4.321
Investments	176.022
Disinvestments	(8.002)
Balance at 31 December 2016	**172.341**
Profit participating interest	4.447
Balance at 31 December 2017	**176.788**

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 related mainly to the acquisitions of FNG Group N.V. (€ 171.949 thousands), BrantNew (€ 7.020 thousands) and R&S Finance B.V., currently named Miss Etam Holding B.V. (€ -2.972 thousands).

The disinvestmens in 2016 related mainly to the contribution in kind of FNG Group in R&S Benelux (€ 175.845 thousands), the contribution of Brantano in R&S Benelux (€ 8.002 thousands) and the contribution of R&S Finance (renamed to Miss Etam Holding B.V.) in R&S Benelux (€ -3.150 thousands).

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 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%. This loan was transferred by Brantnew BVBA to FNG Benelux Holding N.V., but the conditions remain the same.

Interest expense for a total amount of € 4,662 thousands was recognized in the profit and loss account in respect of this loan.

3.3. Shareholders' equity

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

	Attributable to owners of the parent				TOTAL EQUITY
(in thousands of euros)	Share capital	Share premium	Other reserves	Retained earnings	
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**
Total comprehensive income of the period	0	0	0	7.313	7.313
Issue of share capital	75	29.925	0	0	30.000
Transaction costs for equity issue	0	(196)	0	0	(196)
Reverse share split	0	0	0	0	0
Balance at 31 December 2017	**718**	**265.356**	**(4.410)**	**11.554**	**273.218**

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 per 31 December 2015. are those of Dico International, the legal acquirer.

The shareholder's equity of the Company reconciles to the consolidated equity as follows:
(in thousands of euros)

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

Statutory equity at 31 December 2017	**273.218**
Purchase price adjustments relating to acquisition of FNG (2016)	(2.489)
Gain on a bargain purchase relating to the acquisition of BrantNew (2016)	1.377
Transaction costs for equity issue underlying companies	(10)
Consolidated equity at 31 December 2017	**272.096**

The statutory comprehensive income for the period of the Company reconciles with the consolidated comprehensive income as presented in the consolidated financial statements.

3.3.1. Share capital

The Company's authorised share capital amounts to € 718 thousands and is divided into 8.979.892 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 8.979.892 shares (2016: 8.042.392 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 2017
The results for 2017 will be added to the retained earnings, with due regard to the necessary movements in the statutory reserves.

For the financial year 2016
The profit over 2016 has been 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 2016 and 2017.

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)	**31/12/2017**	**31/12/2016**
D. Penninckx	225	225
L.H. van de Schoor	123	210
Total	**348**	**435**

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

(in thousands of euros)	31/12/2017	31/12/2016
G. van Ossel	8	0
E. Verbaere	16	20
E. Lathouwers	0	0
Total	**24**	**20**

It is E. Lathouwers explicite demand, not to have a renumeration for his work in the Supervisory Board.

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 Accountants N.V. 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)	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Audit	265	143	0	0	265	143
Other audit services	11	0	0	0	11	0
Tax services	0	0	0	0	0	0
Other non-audit services	0	0	0	0	0	0
Total liabilities from financing activities	**276**	**143**	**0**	**0**	**276**	**143**

The other audit-related activities concern the limited review procedures on the Bond Offering Memorandum during June 2017 relating to the special purpose financial information dated 31 December 2016.

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 and VAT purposes with the following companies:

- Miss Etam Holding B.V. (excluded in the VAT fiscal unit)
- 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. (excluded in the VAT fiscal unit)
- 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 financial statements 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 2017 INCLUDED IN THE ANNUAL REPORT

OUR OPINION

We have audited the financial statements 2017 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 2017, and of its result and its cash flows for 2017 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 2017, and of its result for 2017 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 2017;
2. the following statements for 2017: 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 2017;
2. the company profit and loss account for 2017; 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 EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), 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).

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MAZARS PAARDEKOOPER HOFFMAN ACCOUNTANTS N.V.
WITH ITS REGISTERED OFFICE IN ROTTERDAM (KVK ROTTERDAM NR. 24402415).

MAZARS

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

MATERIALITY

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 6.0 million. The materiality is based on 1,25 % 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 181,000, 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, as group auditors, have performed audit procedures at the group entities FNG N.V., Miss Etam Holding B.V. and holding companies including the relevant purchase price allocation of Mirus Group as well as the annual impairment assessment on the intangibles at FNG N.V. level;
- we used the work of other auditors of the entities FNG Group N.V., FNG Holding N.V., BrantNew BVBA and their subsidiaries in Belgium and the Netherlands, and the entity Fashion Buying Platform N.V. and its subsidiaries in Switzerland and Hong Kong. We have sent group instructions to the component auditors and have visited 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.

MAZARS

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.

ACQUISITION OF GROUP ENTITIES

Per 31 December 2017, FNG N.V. has acquired Mirus Group, a Belgian based retail group consisting of the following subsidiaries: GBO, Concept fashion and Suitcase, which has been disclosed in Note 4.1.

The assessment of the acquisition 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, supplier list, 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 auditor to provide audit 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.

VALUATION OF INTANGIBLES ASSETS, INCLUDING GOODWILL

The amounts of goodwill and intangible assets with an indefinite life are subject to an annual impairment test under IFRS which is included in the disclosures about goodwill (Note 5.1) and intangible assets (Note 5.2).

The impairment tests were important for our audit as the related asset amounts are significant and the assessment process itself is complex and includes management judgement on the underlying assumptions.

MAZARS

We assessed the proper allocation of the intangibles to the cash generating units, made the comparison of the assumptions used last year with the actual results (so called 'backtesting'), assessed the reasonability of the assumptions used by management and its volatility in the sensitivity analysis amongst others. Our audit procedures included, amongst others, using the work of our internal valuation specialists to assist us in verifying the assumptions and methodologies used by FNG N.V.

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;
- the supervisory board 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. since the audit for the year 2010 and have operated as statutory auditor ever since that date.

NO PROHIBITED NON-AUDIT SERVICES

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

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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;

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- 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. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.
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, 30 April 2018

MAZARS PAARDEKOOPER HOFFMAN ACCOUNTANTS N.V.

Original has been signed by: O. Opzitter RA