2020

ANNUAL REPORT

GFG GLOBAL FASHION GROUP

HIGHLIGHTS 2020

€1,958.2 M
NMV
+25.7% yoy

42.0 M
ORDERS
+21.4% yoy

16.3 M
ACTIVE CUSTOMERS
+24.6% yoy

1.2%
ADJ. EBITDA MARGIN
First Adjusted EBITDA positive full year

31%
MARKETPLACE SHARE OF NMV
+10.3% yoy

FINANCIAL SUMMARY AND KEY PERFORMANCE INDICATORS

	2020	2019
Financial performance		
Revenue (€m)	1,359.7	1,346.0
Growth at constant currency (%)	*15.3*	*17.2*
Gross profit (€m)	586.2	539.8
Loss before interest and taxes (EBIT) (€m)	(64.8)	(125.1)
Loss for the year (€m)	(112.4)	(144.6)
Adjusted EBITDA (€m)	16.4	(37.1)
Adjusted EBITDA/Revenue (%)	1.2	(2.8)
Capex (€m)	48.7	72.1
Financial position		
Net working capital (€m)	(1.4)	(12.0)
Cash and cash equivalents (€m)	366.1	277.3
Pro-forma cash (€m)	372.4	300.8
Group KPIs		
NMV (€m)	1,958.2	1,777.8
Growth at constant currency (%)	*25.7*	*23.0*
Active customers (m)	16.3	13.1
NMV/Active Customer (€)	120.3	136.1
Number of orders (m)	42.0	34.6
Order frequency	2.6	2.6
Average order value (€)	46.6	51.3

See Financial Definition section 7.1

FASHION. WORLDWIDE.

WE ARE THE LEADING FASHION AND LIFESTYLE DESTINATION IN GROWTH MARKETS.

Our purpose is true self-expression. From our people, to our customers and partners, we exist to empower everyone to express their true selves through fashion.

We are the leading fashion & lifestyle destination in Latin America, the CIS, South East Asia and ANZ, connecting over 10,000 global, local and own fashion brands to a market of more than one billion potential consumers.

LATAM	CIS	SEA	ANZ
dafiti	lamoda	ZALORA	THE ICONIC

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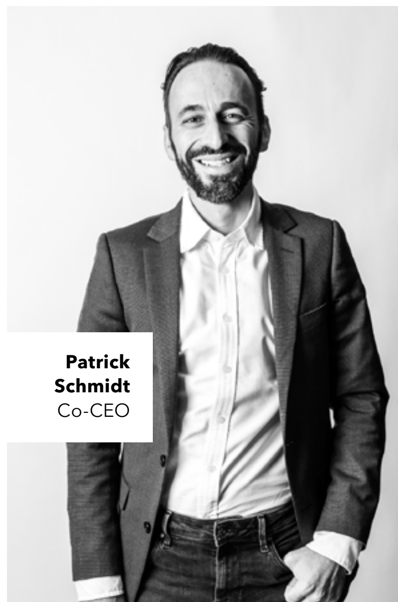
THE MANAGEMENT BOARD

Christoph Barchewitz
Co-CEO



Patrick Schmidt
Co-CEO

Matthew Price
CFO

1.1 LETTER TO OUR SHAREHOLDERS

DEAR SHAREHOLDERS AND OTHER STAKEHOLDERS,

It now goes without saying that 2020 was an unprecedented year for the world, and it certainly was a **pivotal year** for Global Fashion Group. We were not alone in having the agility and resilience of our people and operations tested like never before, but the result is a business that is now stronger, more collaborative, and more confident in accelerating growth via the considerable opportunities available to us. This is in huge part to the efforts of our colleagues around the world, who have demonstrated passion, grit and resourcefulness operating the business in circumstances we could not have imagined a year ago.

One billion people spending approximately €300 billion annually

Pre-pandemic, our fashion and lifestyle market was large, with **one billion people spending approximately €300 billion annually** and rapidly shifting that spend online. By the end of 2020, ecommerce penetration in our markets had grown from 7% to nearly 13%, as many consumers tried online shopping for the first time during the pandemic. While the offline world will inevitably (and welcomely) reopen, the behaviour shift has been set and we expect online shopping to become a growing habit for consumers in our markets.

Our platforms are developed to power this habit by delivering **the best-in-class customer experience.** The pandemic has thrown up challenges to how we do this, but we never lost sight of our customer focus or our purpose of enabling their true self-expression. So when our customers stopped needing dresses and heels for parties or business shirts for work, we pivoted into lockdown-winning categories such as loungewear and sport. We rapidly adapted our operations to be COVID-safe, with our teams working tirelessly to ensure orders continued to be delivered quickly and safely. We maintained our commitment to sustainability and our long-term vision by rolling out sustainable shopping edits to all of our regions. As a result of our unwavering customer focus, we grew our active customer base by 24.6% to 16.3 million customers – the highest growth we've seen for many years.

With over 16 million customers and over 2 billion visits per year, we are the **partner of choice for brands** in our markets. In 2020, we strengthened many of our top global brand partnerships, applying a flexible and innovative approach to partnership models. Our unique Marketplace capabilities, for example, have created a win-win outcome by enabling us to drive significant sales growth for ourselves and our brand partners while maintaining our cash discipline.

We have achieved a succession of financial milestones this past year

As a result, we have achieved a succession of **financial milestones** this past year. In terms of results, we have generated our first year of positive Adjusted EBITDA – one year ahead of schedule. In November, we placed our first post-IPO equity issuance, raising €120 million to fund the acceleration of our mid-term strategy. The additional capital materially strengthens our ability to invest behind new areas of our business such as our Platform Services, and to pursue other adjacent opportunities that further embed our role in the digital fashion ecosystem.

To conclude this letter, we return to our opening sentiment – that we have never been more confident in GFG and its growth prospects. As we look back on the achievements since our inception ten years ago, and at the immense opportunity ahead, we believe we can build a **€10 billion NMV** business in the next seven to nine years. We have the market leadership, we have the firepower, and most importantly, we have the team to deliver another decade of exceptional performance.

Thank you for your continued trust and support.

Christoph Barchewitz

Christoph Barchewitz, Co-CEO

Patrick Schmidt

Patrick Schmidt, Co-CEO

Matthew Price

Matthew Price, CFO

they/them
she/her
he/him
WE
Levi's

WHO WE ARE

OUR VISION IS TO BE THE #1 FASHION AND LIFESTYLE DESTINATION IN OUR MARKETS. OUR PURPOSE IS TO ENABLE TRUE SELF-EXPRESSION.

OUR AMBITION

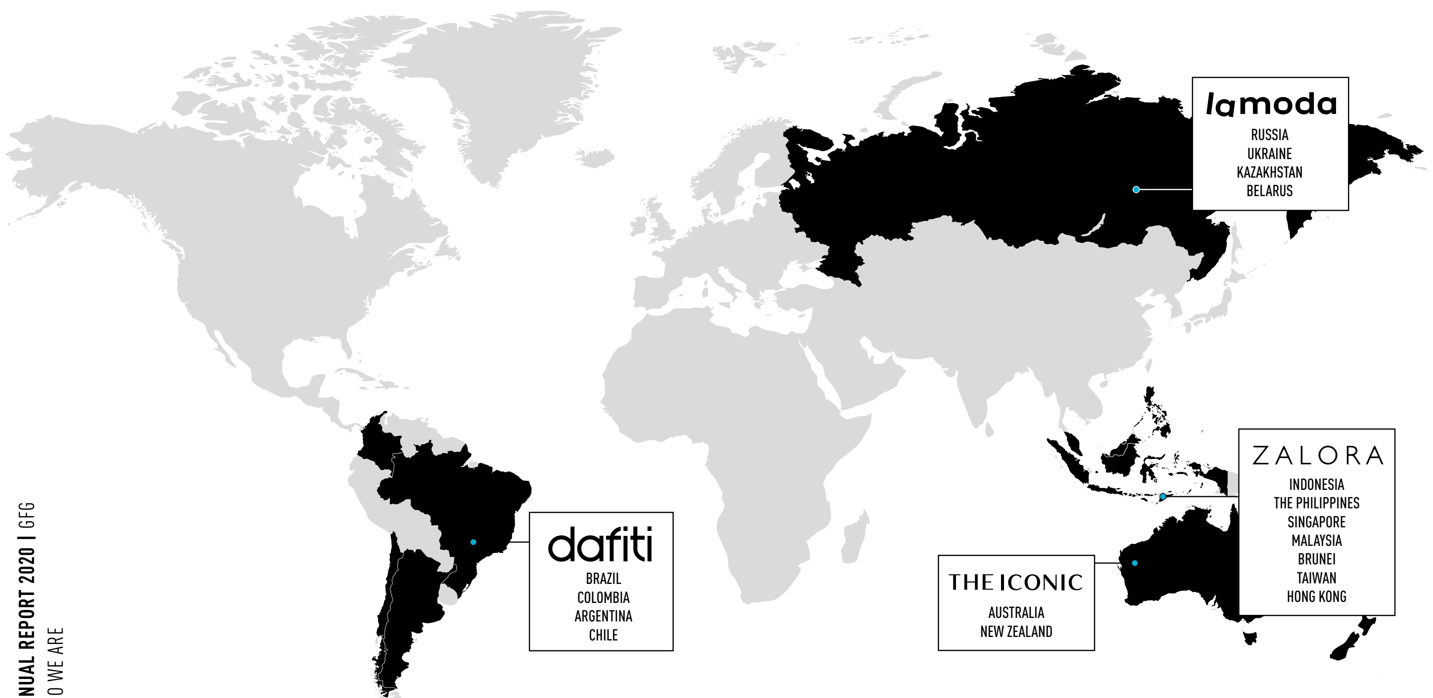
The #1 fashion and lifestyle destination for customers. The #1 fashion and lifestyle partner for leading brands. The #1 in the fashion and lifestyle market.

OUR OPPORTUNITY

GFG operates in a large and growing market where online penetration is accelerating. By focusing on key growth levers, such as active customer and order frequency, combined with an increased focus on adjacent and opportunistic categories, our ambition is to build a €10 billion NMV business in the next 7-9 years.

There are one billion people living in our 17 countries of operation – a growing ~€300 billion fashion and lifestyle market. COVID-19 has accelerated online adoption across our markets, which retain attractive long-term potential.

We are only at the beginning of reaching our market potential.



Physical and mental health and wellbeing of our employees, as well as our customers, is a top priority.

WE PROTECT OUR TEAM AND OUR CUSTOMERS

The COVID-19 pandemic has disrupted business operations around the world. We focused our response on rapid adoption of protocols that put the physical and mental health and wellbeing of our employees, as well as our customers, as a top priority. Fulfillment centers in Argentina and the Philippines were the only sites affected by forced closure for c.30 and 40 days respectively. In CIS, Lamoda more than doubled courier delivery capacity to address the increased demand while pick-up points were temporarily closed.

The Group continued to work closely with its brand partners to adjust inventory intake and assortment to reflect the reality of lockdown conditions and customers spending more time at home. GFG observed and responded to, a marked shift away from occasion and business wear, to loungewear, casualwear and sportswear. In line with rapidly changing customer needs, GFG also accelerated the roll out of categories including Beauty, Home and Kids through a combination of the Marketplace and Retail business models.

HOW WE WIN

OUR STRATEGIC PRIORITIES

We are the leading fashion and lifestyle destination in our markets for three reasons: we combine a global platform with real local expertise on the ground, we offer a best-in-class customer experience and we are the strategic partner of choice for brands in our markets.

Our strategic priorities have proven to be strong and we are progressing on them continuously. We are well positioned for the next phase of growth and to deliver on our ambition.

TRUE LOCAL EXPERT

Best-in-class customer experience

We create an inspiring and seamless customer shopping experience for our customers – from discovery to delivery.

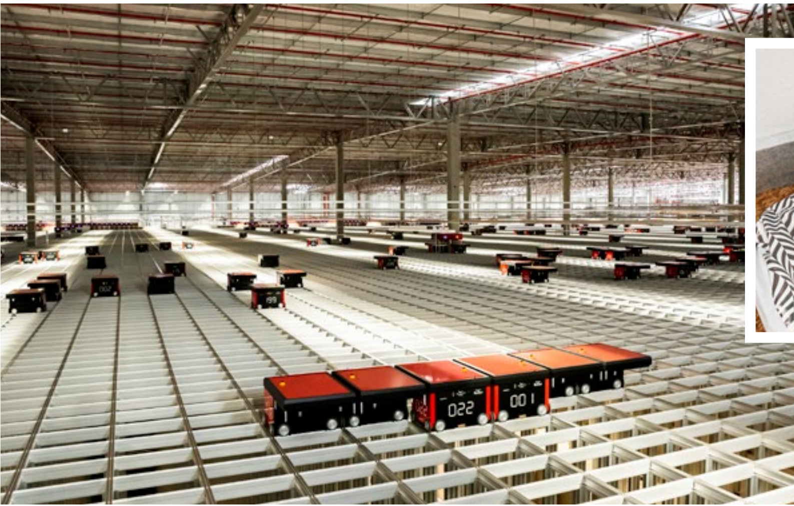
- Large choice of brands
- Inspirational assortment
- Seamless digital experience
- Well invested infrastructure

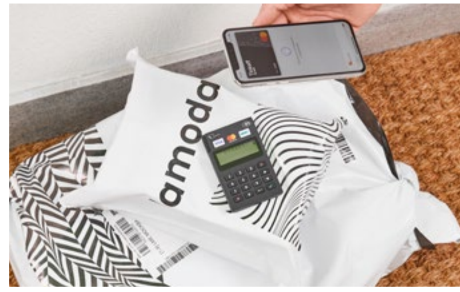
Partner of choice for brands

We unlock complex markets for our brand partners, providing customer access that leads to effective brand building. Our market insights and deep brand relationships allow our brand partners to position themselves correctly. We offer global and local brands access to a highly connected audience with attractive demographics who are fashion-conscious and digitally native.

Platform services enable Marketplace and drive deeper relationships with brands. Operations by GFG, Data by GFG and Marketing by GFG will allow brand partners to focus on their core competencies while increasing their own brand awareness.

OPERATIONS & PLATFORM POWERED BY ART & SCIENCE





Our Technology
Our platforms merge the skills of buyers and merchandisers with cutting-edge technology while retaining a responsible approach to people and to the environment around us.

Our Customer Base
Our customers are at the heart of everything we do and we pay close attention to the quality of their online experience. We focus on customers looking for inspiration and offer the most relevant assortment of global and local brands to cater for their needs and tastes.

Our Assortment
Our continuous curation of this assortment creates a catalogue that is broad, relevant and increasingly filled with sustainable brands. We present our assortment to customers through a digital experience that is seamless, personalised and helps to increase engagement.

Our Operations
Our fulfilment is fast, efficient and convenient. We shipped more than 80 million items in 2020 from nine local fulfilment centres, which enable us to provide a compelling delivery proposition across all of our regions.

Our Data
Our platform deliver highly relevant insights, which help us to improve our customers' online experience on a daily basis.

PEOPLE AND PLANET POSITIVE

Our People
A responsible workplace, safe for all of those directly and indirectly involved in getting our products to customers. **Equality,** for our people, our customers and our brands to express their true self.

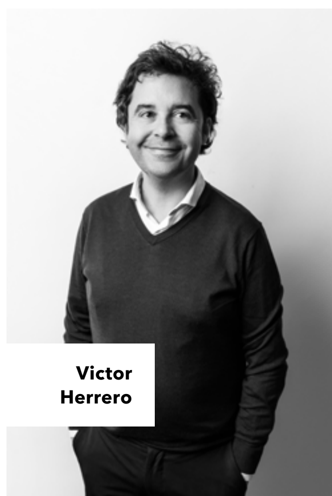
We are committed to a diverse, inclusive and safe workplace

Our Supply Chain
Ethical trade, that is fair to nature and to the people making our products, all whilst working collaboratively with brands to drive continuous improvement.

Our Operations
Reducing the impact of our operations on the environment.

Our Community
Contributing positively to communities around us.

THE SUPERVISORY BOARD



1.2 REPORT OF THE SUPERVISORY BOARD

DEAR SHAREHOLDERS,

2020 was another year of significant progress for GFG on its journey to becoming the leading online fashion & lifestyle destination in growth markets, connecting 10,000 global brands to more than one billion consumers around the world.

Our markets continue to see long-term structural growth in online fashion and lifestyle ecommerce, as they mirror the consumer trends of developed economies. Businesses have experienced numerous unforeseen challenges due to the COVID-19 pandemic, but our markets have demonstrated continued resilience and agility in operating through these uncertain times. Our markets also continued to deliver strong performance throughout this period. Worldwide, consumers are migrating towards ecommerce at a faster rate than ever, and growth in each market has been driven by our well-known consumer platforms, dedicated local teams, and fashion-specific operational infrastructure.

GFG will continue to focus on offering unparalleled customer experiences

In the coming years, GFG will continue to focus on offering unparalleled customer experiences in every market from discovery to delivery; strengthening our brand relationships and building new ones; as well as investing further in our best-in-class fulfilment infrastructure. Sustainability remains an integral part of the business and its culture, and will continue to be an ongoing driver of how we operate. As our strong performance during 2020 highlighted, we are utilising our growing operational leverage to improve margins and advance our path to profitability. In November 2020, GFG raised €120 million in gross proceeds, enabling us to further invest in growth and accelerate the execution of our mid-term strategy.

OVERVIEW OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

Management Oversight and Other Key Activities of the Supervisory Board and its Committees

The Supervisory Board and Management Board duly performed their duties in accordance with:

- the statutory requirements;
- the Articles of Association of GFG;
- the Rules of Procedure of the Supervisory Board dated 7 June 2019 as amended on 19 August 2020 (the "Supervisory Board Rules of Procedure");
- the Rules of Procedure of the Management Board dated 7 June 2019 as amended on 19 August 2020 (the "Management Board Rules of Procedure";
- the applicable Luxembourg laws; and
- the German Corporate Governance Code (until the publication of the new version of the German Corporate Governance Code dated December 16, 2019 on 20 March 2020, GFG complied with the recommendations of the German Corporate Governance Code in the version dated 24 April 2017 and from March 20, 2020 onwards GFG complied with the new version dated December 16, 2019).

The Supervisory Board obtained regular and detailed information, written and verbal, about business policy, significant financial, investment and personnel planning matters and the course of business from the Management Board. In particular, the Management Board discussed and agreed on the Company's strategy with the Supervisory Board. Furthermore, the Supervisory Board was directly involved in all fundamental decisions.

Before adopting a resolution, any matters that require Supervisory Board approval according to the Articles of Association and/or the Management Board Rules of Procedure were explained by the Management Board and discussed by the Supervisory Board and the Management Board. Discussions took place in meetings of the Supervisory Board or its committees or in informal communications with the Management Board outside of Supervisory Board meetings. The Chairman of the Audit Committee discussed audit-related topics with the auditor outside the meetings and without the involvement of the Management Board.

The Management Board and Supervisory Board cooperated closely for the benefit of GFG in fiscal year 2020. In an ongoing dialogue between the Boards, the Supervisory Board discussed strategy, planning, business development, governance and risk management issues with the Management Board. Cooperation between the Supervisory Board and Management Board involves the immediate notification of the Chairman of the Supervisory Board of important events and the requirement for the Supervisory Board to approve transactions of fundamental importance, transactions by members of the Management Board and related persons with GFG.

The Chairman of the Supervisory Board as well as other members of the Supervisory Board were in regular contact with the Management Board outside of Supervisory Board meetings.

The Supervisory Board discussed and reviewed the following topics during Financial Year 2020:

- Individual and consolidated financial statements for financial year 2019 and the results for the first quarter, first half and third quarter of 2020 and outlook for the change to remainder of the fiscal year;
- Development of the business during the year including the impact of the COVID-19 pandemic and the Company's response to it;
- Issuance of shares from the authorised and related capital in relation to the placing in November 2020;
- Cancellation of the revolving credit facility and replacement with new facilities;
- The strategic positioning and structure of the Group and the corporate organisation;
- Periodic investor relations updates;
- The 2021 budget, mid-term plan and liquidity forecast;
- Capex and investments;
- Strategic priorities for 2021;
- Sustainability;
- Dividend policy;
- Remuneration Policy applicable to the Management Board members;
- Base remuneration and employment contracts of the members of the Management Board;
- Short-term incentive compensation for the Management Board for Financial Year 2019;
- The allocation of 2020 LTIP performance stock units and determination of related performance targets in regards to the members of the Management Board;
- Succession planning for the members of the Management Board;
- Diversity targets for the members of the Management Board;
- The issuance of shares for legacy and LTIP equity plans and the related capital increase;
- The Annual General Meeting of Shareholders and related agenda;
- Appointment of the members of the Audit Committee and Sustainability Committee;
- The updated rules of procedure of the Management Board and Supervisory Board;
- The allocation of responsibilities of each member of the Management Board under the updated Management Board Rules of Procedure;
- The Declaration of compliance with the German Corporate Governance Code for Financial Year 2020;
- The Corporate Governance Report and Remuneration Report for Financial Year 2019; and
- The Non-Financial Report for Financial Year 2019.

The Management Board discussed and reviewed the following topics:

- Individual and consolidated financial statements for Change to Financial Year for consistency 2019 and the results for the first quarter, first half and third quarter of 2020 and outlook for the remaining of the fiscal year, including in relation to the ad hoc announcements relating to Q1, Q2 and Q3 results;
- Business development during the year, including the impact of the COVID-19 pandemic and the Company's response to it;
- The placing in November 2020;
- Approval of the dividend policy;
- Cancellation of the revolving credit facility and replacement with new facilities;
- Periodic investor relations updates;
- The strategic positioning and structure of the Group and the corporate organisation;
- Strategic Priorities for 2021;
- The 2021 budget, mid-term planning and liquidity forecast;
- Capex and investments;
- Gross margins, inventories and provisions;
- Sustainability;
- Diversity Targets for the Management Board;
- Short-term incentive compensation for the executive team for Financial Year 2019;
- Allocation of 2020 LTIP restricted stock units and performance stock units to eligible participants and determination of related performance targets;
- Issuance of shares for legacy and LTIP equity plans and the related capital increase;
- The Annual General Meeting and its agenda;
- Allocation of responsibilities of each member of the Management Board under the Rules of Procedure;
- Declaration of compliance with the German Corporate Governance Code for Financial Year 2020; and
- The Management Board Report and the Non-Financial Report for Financial Year 2019.

Composition of the Supervisory Board and Committees

According to the Articles of Association of GFG, the Supervisory Board shall be composed of at least three members. For Financial Year 2020 the Supervisory Board had six members and the Management Board had three members. All members of the Supervisory Board are elected by the Annual General Meeting as shareholder representatives, while members of the Management Board are appointed by the Supervisory Board. The members of the Supervisory Board are selected according to their knowledge, capabilities, professional aptitude and competence. The Supervisory Board acknowledges and appreciates the importance of diversity. In Financial Year 2020, the Supervisory Board had two committees, the Audit Committee and the Sustainability Committee.

The table below summarises the composition of the Supervisory Board and its Committees:

Board Member	Supervisory Board	Audit Committee	Sustainability Committee
Cynthia Gordon	Chairman	-	Member
Georgi Ganev	Vice Chairman	-	-
Alexis Babeau	Member	Chairman	-
Victor Herrero	Member	Member	Chairman
Laura Weil	Member	Member	-
Carol Shen	Member	-	Member

Meetings of the Supervisory Board and its Committees during Financial Year 2020:

- The Supervisory Board met 11 times in Financial Year 2020 in person or by telephone/video conference, and passed five written resolutions;
- A committee appointed by the Supervisory Board on 16 November 2020, passed two written resolutions in connection with the issuance of 16,500,000 new shares of the Company and their private placement to institutional investors;
- The Audit Committee held a total of seven meetings. All members of the Audit Committee attended the Supervisory Board committee meetings; and
- The Sustainability Committee held a total of four meetings.

In addition to holding formal meetings, the Supervisory Board and its Committees discussed specific topics during ad-hoc telephone/video meetings outside of the regular board cycle.

Members of the Management Board attended Supervisory Board meetings, reporting to the Supervisory Board in detail on the course of the Group's business, including on the impact of the COVID-19 pandemic on the Company and its response, the development of the Company's revenue and profitability, and execution of its strategy. The reports by the Management Board were also made available to any absent members. The content of the reports by the Management Board were discussed in depth with the Supervisory Board. The topics addressed, and the scope of the reports met the legal requirements, the principles of good corporate governance, the Rules of Procedure and the requirements of the Supervisory Board.

During its meeting in 2020, the Audit Committee covered the following topics:

Area of Focus	Actions taken in 2020
Financial reporting	• Reviewed key accounting and reporting issues at each meeting • Reviewed and approved quarterly financial statements for Q1 and Q3 and 2020 interim financial statements • Reviewed gross margins, inventories and provisions • Reviewed the Financial Controls status and progress • Review of FY 2019 Consolidated and Standalone Financial Statements • Review of H1 2020 Consolidated Financial Statements
External auditor	• Received reports from the external auditor at each meeting covering financial reporting, accounting and audit issues • Received reports from external auditor in compliance with EU regulations • Reviewed and pre-approved all audit and non-audit services rendered by the external auditor • Approved the 2020 external audit strategy • Conducted the Annual Review of Independence and Quality of the External Auditors
Internal audit activities	• Approved the annual internal audit plan for 2020 and provided direction to risk coverage • Followed up on high priority actions requiring escalation with the Management Board • Reviewed results of independent validation over internal controls
Risk management	• Reviewed periodic updates in relation to the bi-annual risk assessment process and associated actions • Reviewed summary updates in relation to the refreshed enterprise risk management framework • Informed of risk transfer strategy with regard to central insurance buying
Internal Controls	• Reviewed the annual internal controls self assessment programme plan and methodology • Reviewed summary updates on programme progress

The significant issues considered by the Audit Committee in relation to the financial statements for the year ended 31 December 2020 were:

- Impairment testing;
- Tax provisions and contingencies;
- Revenue recognition and returns allowance; and
- Inventory and inventory allowances.

The Supervisory Board satisfied itself of the auditor's independence and obtained a written declaration in this respect. The financial statements and the auditor's reports were sent to the members of the Supervisory Board, who reviewed the separate and consolidated financial statements and the management report of GFG.

The results of the review by the Audit Committee and the results of its own review are fully consistent with the results of the audit. Having completed its review, the Supervisory Board has no reason to raise any objections to the audit of the financial statements. The Supervisory Board has therefore approved the separate and consolidated financial statements of GFG for fiscal year 2020.

The Supervisory Board would like to thank the Management Board and all employees of GFG for the business success achieved, their hard work and their high level of commitment in fiscal year 2020, especially given the extraordinary backdrop of a global pandemic.

Luxembourg, 28 February 2021

On behalf of the Supervisory Board

Cynthia Gordon

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE

Both the Management Board and Supervisory Board are committed to upholding the principles of good corporate governance, in accordance with the recommendations of the Federal German Government Commission on the German Corporate Governance Code, which GFG has voluntarily decided to comply with.

In August 2020, the Supervisory Board and Management Board issued a declaration of compliance for GFG as part of its reporting on fiscal year 2020. This is published within the Investor Relations section on our website ir.global-fashion-group.com/websites/globalfashion/English/1052/declaration-of-compliance.html. The few deviations from the German Corporate Governance Code are described in the declaration.

1.3 DECLARATION OF COMPLIANCE

In this statement, GFG reports in accordance with Article 68 ter of the Law of 19 December 2002 on the business and companies' register as well as the companies' accounting and annual accounts (the "2002 Law"). The Company is a Luxembourg société anonyme (S.A.), which is listed solely on the Frankfurt Stock Exchange in Germany. The Company is not subject to the "Ten Principles of Corporate Governance" applicable to companies listed in Luxembourg. In addition, as a company incorporated and existing under the laws of Luxembourg, the Company is not required to comply with the respective German Corporate Governance Code (the "Code") applicable to German stock corporations. However, as the Company's shares are listed on the Frankfurt Stock Exchange, the Management Board and Supervisory Board have decided to follow, on a voluntary basis and to the extent consistent with applicable Luxembourg corporate law and Global Fashion Group's corporate structure, the recommendations of the Code regarding the principles of good corporate governance.

Compliance with the Corporate Governance Code

The corporate governance rules of the Company are based on applicable Luxembourg laws, the Company's Articles of Association and its internal regulations, and the rules of procedure of the Management Board and Supervisory Board.

The Management Board and the Supervisory Board diligently addressed compliance with the guidance of the Code in fiscal year 2020. From the submission of the previous declaration of conformity in August 2019 until the publication of the new version of the Code dated December 16, 2019 and which was published by the Federal Ministry of Justice in the official section of the Federal Gazette on March 20, 2020 GFG complied with the recommendations of the Code in the version dated 24 April 2017 and from March 20, 2020 onwards GFG complied with the recommendations of the new version of the Code dated December 16, 2019. The Management Board and Supervisory Board applied the Code, on a voluntary basis, decided to issue a statement to a certain extent comparable to that required for stock corporations organised in Germany pursuant to Section 161 of the German Stock Corporation Act (Aktiengesetz) and commented on the limited number of exceptions. The declaration is published on the Company's website ir.global-fashion-group.com.

DECLARATION OF CONFORMITY

The Management Board and Supervisory Board of the Company issued the following joint declaration of conformity in August 2020:

Declaration of Compliance with the German Corporate Governance Code

Global Fashion Group S.A. (**"GFG"** or the **"Company"**) is a Luxembourg société anonyme (S.A.), which is listed solely on the Frankfurt Stock Exchange in Germany. GFG is not subject to the "Ten Principles of Corporate Governance" applicable to companies listed in Luxembourg. Furthermore, as a company incorporated and existing under the laws of Luxembourg, GFG is not required to report on compliance with the German Corporate Governance Code (the **"Code"**) applicable to listed German stock corporations.

Nevertheless, as GFG regards the Code to be an important foundation for responsible corporate governance, the Management Board and Supervisory Board of GFG have decided to follow, on a voluntary basis and to the extent consistent with applicable Luxembourg corporate law and GFG's corporate structure, the recommendations of the Code regarding the principles of good corporate governance.

The Management Board and Supervisory Board of the Company declare that GFG has decided to comply with the recommendations of the Code in its version dated December 16, 2019, published by the Federal Ministry of Justice in the official section of the Federal Gazette on March 20, 2020, with the following deviations since their announcement and will continue to comply with them to the same extent in the future:

- **Recommendation B.3 of the Code:** The current members of the Management Board were appointed for a maximum period of five (5) years in line with the previous version of the Code which was in effect when they were appointed in May 2019. We have amended our rules of procedures to ensure that future first-time appointments shall be for a period of not more than three (3) years.

- **Recommendation C.5 of the Code:** One of the members of the Management Board is also the chairman of the Supervisory Board of a non-group listed company. The appointment of the member to the Management Board of GFG and the non-group listed company supervisory board were made before the Code came into effect on March 20, 2020, in line with the former Code. The appointment as both a member of the Management Board and chairman of a non-group listed company's supervisory board has not given rise to any conflicts or work management issues to date. The Supervisory Board of GFG considers the case-by-case assessment of the compatibility of both roles to be more appropriate.

- **Recommendation D.5 of the Code:** Due to its relatively small size of six members, the Supervisory Board does not find it necessary to form a nomination committee as decisions that would normally be charged to a nomination committee can be made quickly and efficiently by the entire Supervisory Board.

- **Recommendation F.2 of the Code:** In order to ensure high-quality financial reporting, the recommended publication periods may not in all cases be complied with. However, we are constantly seeking to improve our reporting system and intend to comply with the reporting periods of the Code in the near future.

- **Recommendation G.1 bullet point 1 and 3 of the Code:** While annual bonuses and the size of grants under the 2019 LTIP are capped at certain percentages of base salary, there is no cap with regard to the Company's share price once restricted stock units (**"RSUs"**) or Performance Stock Units (**"PSUs"**) or Call Options are vested and delivered. In the opinion of the Supervisory Board, such a cap would not be appropriate as it would interrupt the intended alignment of interests between the shareholders and the Management Board members. The Supervisory Board believes that the Management Board members should, in this regard, participate in any increase in the value of the Company to the same extent as any other shareholder would participate. The Supervisory Board has also not set a maximum total remuneration for the overall fixed and/or variable compensation. In addition, certain components of the

Management Board variable compensation granted before the IPO and after the IPO as a one-off grant are linked to continuous employment with no financial and non-financial performance criteria attached to it. All long-term variable compensation granted since 1 January 2020 has performance criteria attached to it.

- **Recommendation G.3 of the Code:** The Supervisory Board uses an appropriate peer group of other relevant entities to compare the remuneration of the Management Board, however such peer group has not been disclosed as representatives of the common market in which GFG operates evolve at a fast pace and as such, the peer group is periodically reviewed and updated by the Supervisory Board. Consequently, at present the Supervisory Board does not intend to disclose the peer group.

- **Recommendation G.4 of the Code:** The diversified footprint where GFG operates, combined with the large number of employees and its localised market approach to defining remuneration, makes it difficult for GFG to establish an average remuneration for GFG for the purposes of comparing the remuneration of the Management Board. GFG targets to provide remuneration packages that are both competitive externally and proportionate internally.

- **Recommendation G.7. of the Code:** Certain components of the Management Board variable compensation granted before the IPO and after the IPO as a one-off grant are linked to continuous employment with no financial and non-financial performance criteria attached to it. All long-term variable compensation granted since 1 January 2020 has performance criteria attached to it.

- **Recommendation G.11 of the Code:** The Supervisory Board can retain a payment under the short term incentive plan but there is no ability to reclaim any amounts paid since applicable laws regulating the employment agreements of the Management Board members prevent reclaiming earnings already paid.

- **Recommendation G.12 of the Code:** The 2019 LTIP gives the Supervisory Board the discretion to accelerate vesting of a portion of granted RSUs and PSUs in the case of early termination without cause or a change of control, redundancy, retirement, death, illness and other similar circumstances. The Supervisory Board believes this to be an adequate element of the Management Board members' variable compensation.

- **Recommendation G.13 of the Code**: The employment agreements of the Management Board members (which govern their remuneration) have an indefinite term and can be terminated without cause with a six- or nine-month notice period or, with immediate effect, if the respective Management Board member is paid the pro-rata portion of his base salary and contractual benefits (excluding any bonus) for the relevant notice period (**"Payment in Lieu of Notice"**). In the case of Payment in Lieu of Notice, the payment to the respective Management Board member is limited to the pro-rata portion of his base salary and contractual benefits (excluding any bonus) for the relevant notice period. Given this contractual set-up, the Supervisory Board believes that no further cap is required. The 2019 LTIP provides for accelerated vesting of a portion of granted RSUs and PSUs in the case of early termination without cause or a change of control, the value of which – depending on the Company's share price – can exceed the caps recommended by the Code. The Supervisory Board believes this to be an adequate element of the Management Board members' variable compensation.

Since the submission of the declaration of conformity in August 2019 and until the publication of the new version of the German Corporate Governance Code on 20 March 2020, GFG complied with the recommendations of the German Corporate Governance Code in the version dated 24 April 2017 with the following exceptions:

- **No. 3.8 para. 3 of the Code:** The D&O policy for the members of the Management Board and the Supervisory Board does not provide for any deductible. The Company takes the view that such deductible itself is generally not suitable to increase the performance and sense of responsibility of the Management Board and the Supervisory Board members.

- **No. 4.2.1 sentence 1 of the Code:** The current Management Board does not have a chair or spokesperson. The Supervisory Board believes that the three members of the Management Board can work together efficiently and collegially without any member performing such a function.

- **No. 4.2.3 para. 2 sentences 3, 4, 7 and 8 of the Code:** Not all variable components of the Management Board compensation follow the recommendations of the Code. For example, forward-looking performance targets apply to the annual bonuses and vesting of performance stock units (**"PSUs"**) under the Company's new long-term incentive plan (the **"2019 LTIP"**), but these targets are determined at the beginning of each year for the relevant fiscal year (sentence 3). The Supervisory Board deems the annual assessment adequate, since the Company is still a young enterprise operating in growth markets whose business performance is therefore difficult to predict. Further, the annual bonus scheme, the 2019 LTIP and the Company's current long-term incentive plan (the **"Current Plan"**) do not contain explicit rules requiring the consideration of negative developments (i.e. negative developments are only taken into account in the sense that the relevant targets may not be achieved), and vesting of awards partly occurs based solely upon continuous employment (sentence 4). Additionally, applicable performance targets and comparison parameters may not in all cases be as demanding and relevant as required by the Code (sentence 7), and the number of vesting awards can partly, in exceptional cases, be adjusted when the level of target achievement would not adequately reflect relevant performance (in either a positive or negative sense) due to extraordinary influences (sentence 8). The Supervisory Board believes the overall compensation for the Management Board members to be appropriate and well-balanced, and that further consideration of positive or negative developments is not required. Ex-post amendments in exceptional circumstances seem reasonable to ensure adequate and equitable compensation.

- **No. 4.2.3 para. 2 sentence 6 of the Code:** While annual bonuses and the size of grants under the 2019 LTIP are capped at certain percentages of base salary, there is no cap with regard to the Company's share price once restricted stock units RSUs or PSUs vest or vested call options (granted under the Current Plan) are exercised. In the opinion of the Supervisory Board, such a cap would not be appropriate as it would interrupt the intended alignment of interests between the shareholders and the Management Board members. The Supervisory Board believes that the Management Board members should, in this regard, participate in any increase in the value of the Company to the same extent as any other shareholder would participate. There is also no cap for the overall fixed and/or variable compensation.

- **No. 4.2.3 para. 4 and 5 of the Code:** The employment agreements of the Management Board members (which govern their remuneration) have an indefinite term and can be terminated without cause with a six- or nine-month notice period or, with immediate effect, if the respective Management Board member is paid the pro-rata portion of his base salary and contractual benefits (excluding any bonus) for the relevant notice period (**"Payment in Lieu of Notice"**). In the case of Payment in Lieu of Notice, the payment to the respective Management Board member is limited to the pro-rata portion of his base salary and contractual benefits (excluding any bonus) for the relevant notice period. Given this contractual set-up, the Supervisory Board believes that no further cap is required. The 2019 LTIP provides for the Supervisory Board with the

discretion to accelerate vesting of a portion of granted RSUs and PSUs in the case of early termination without cause or a change of control, the value of which – depending on the Company's share price – can exceed the caps recommended by the Code. The Supervisory Board believes this to be an adequate element of the Management Board members' variable compensation.

- **No. 5.3.3 of the Code:** Due to its relatively small size of six members, the Supervisory Board does not find it necessary to form a nomination committee as decisions that would normally be charged to a nomination committee can be made quickly and efficiently by the entire Supervisory Board.
- **No. 7.1.2 sentence 3 of the Code:** In order to ensure high-quality financial reporting, the recommended publication periods may not in all cases be complied. However, we are constantly seeking to improve our reporting system and intend to comply with the reporting periods of the Code in the near future.

Luxembourg, August 2020

1.4 BOARD COMPOSITION AND GOVERNANCE STRUCTURE

The governance structure of the Company consists of the Management Board and the Supervisory Board.

The Management Board is responsible for managing the Company, and the Supervisory Board is responsible for carrying out the permanent supervision and control of the Management Board without being authorised to interfere with such management. The Management Board is vested with the broadest powers to act in the name of the Company and to take any actions necessary or desirable to fulfil the Company's corporate purpose with the exception of certain matters set out in the Articles of Association and the Supervisory Board Rules of Procedure which require approval of the Supervisory Board or the Company's shareholders. The Management Board and Supervisory Board cooperate closely for the benefit of the Company. The Chairman of the Supervisory Board has regular contact with the Management Board and advises it on strategy, planning, business development, and the Management Board informs the Chairman of the Supervisory Board without delay of matters of fundamental importance for the Company.

The corporate governance rules of the Company that govern the Management Board and Supervisory Board are based on applicable Luxembourg laws, GFG's Articles of Association and its internal regulations, in particular the Management Board Rules of Procedure, the Supervisory Board Rules of Procedure and the German Code of Corporate Governance.

The Company's Business Conduct and Ethics Policy applies to all employees, directors and officers worldwide and contains ethical and legal standards that employees, directors and officers must adhere to. Under the Business Conduct and Ethics Policy, employees, directors and officers are required to comply with all laws and policies including but not limited to, the Anti-Bribery and Anti-Corruption Policy, the Gifts & Hospitality Policy, the Sanctions Policy and the Insider Trading Compliance Policy. The details are set out in internal policies and guidelines.

Working Practices of the Management Board

The Management Board is responsible for managing the Company in accordance with the applicable legal provisions, the Articles of Association of the Company (the "Articles of Association") and the Management Board Rules of Procedure. It is obligated to act in the Company's corporate interest and to increase its long-term business value. The Management Board develops the Company's strategy, discusses and agrees on it with the Supervisory Board and ensures that it is implemented. It is also responsible for appropriate risk management and control. The Management Board provides the Supervisory Board with timely and comprehensive information about all issues of relevance to the Company and must inform the Chairman of the Supervisory Board of any important event or business matter that might have a significant impact on the situation of the Company without undue delay. The age limit for the Management Board is set as 69 years in the Management Board Rules of Procedure.

The Management Board performs its management function as a collective body. Notwithstanding their overall responsibility for management, the individual members of the Management Board manage the areas assigned to them on their own responsibility within the framework of the Management Board's resolutions. For fiscal year 2020, the allocation of responsibilities among the members of the Management Board is defined in the Management Board Rules of Procedure, according to which the members of the Company's Management Board are responsible for the following areas:

Co-CEO: Christoph Barchewitz

- Commonwealth of Independent States – Lamoda
- Latin America – Dafiti
- Communications
- International Brand Partnerships
- Legal & Governance, Risk & Compliance ("GRC")

Co-CEO: Patrick Schmidt

- Australia and New Zealand – THE ICONIC
- South East Asia – ZALORA
- People & Culture
- Sustainability
- Technology

CFO: Matthew Price

- Accounting
- Financial Reporting
- Financial Planning & Analysis
- Internal Audit
- Investor Relations
- Tax & Treasury

The Management Board takes joint responsibility for the overall management of the Company irrespective of the split of business areas. Its members work collaboratively and inform each other regularly about any significant measures and events within their areas of responsibility. The Management Board meets at least once per calendar quarter, and additional meetings are convened, if required.

Composition of the Management Board

According to the Articles of Association of the Company, the Management Board shall be composed of at least two members. The Supervisory Board determines the number of Management Board members and appoints the members of the Management Board for a maximum term of office of five years (which has been appended for future appointments to three years). The Management Board currently consists of the two Co-CEO's and the CFO. The Management Board does not currently have a chairman.

The Supervisory Board acknowledges and appreciates the importance of diversity. A diverse composition of management and supervisory bodies can promote new perspectives in decision-making processes and discussions and help to further improve performance. The Supervisory Board and Management Board did not apply a specific diversity concept with respect to the Management Board and executive management team for Financial Year 2020. The Supervisory Board and Management Board considers that the executive management team and employee base globally is highly diverse. The Supervisory Board has defined a diversity target for at least one female representative to be appointed to the Management Board to be achieved by 1 January 2025. In addition, the Management Board defined a diversity target of maintaining a 50/50 gender balance on the GFG Executive team (which it currently meets) until 1 January 2025. The Supervisory Board has concluded a first succession plan for the replacement of the Management Board during Financial Year 2020. The Supervisory Board and Management Board will work together on further refining the succession plan during Financial Year 2021.

Working practices of the Supervisory Board

The Supervisory Board advises and supervises the Management Board in its management of the Company. It is responsible for the permanent supervision and control of the Management Board. It works closely with the Management Board for the benefit of the Company and is involved in all decisions of fundamental importance to the Company.

The rights and duties of the Supervisory Board are governed by legal requirements, the Articles of Association, the Supervisory Board Rules of Procedure and the Management Board Rules of Procedure. It appoints and removes the members of the Management Board and is responsible for ensuring that long-term succession planning is undertaken by the Management Board.

The work of the Supervisory Board takes place in meetings as well as separate committee meetings whose chairs provide the entire Supervisory Board with regular updates on the committee's activities. Pursuant to the Supervisory Board Rules of Procedure, the Supervisory Board shall hold at least one meeting in each calendar quarter and additional meetings should be convened as necessary.

Composition of the Supervisory Board

The Supervisory Board must consist of at least three members in accordance with the Articles of Association. The members of the Supervisory Board are appointed and removed at the general meeting of shareholders which determine the term and compensation. Members of the Supervisory Board can only be appointed for a term that doesn't exceed five years but can be reappointed for successive terms.

The Supervisory Board Rules of Procedure sets targets for its composition and sets a profile of skills that are required for members of the Supervisory Board. According to this profile, members of the Supervisory Board shall have the required knowledge, abilities and expert experience to fulfil his/her duties properly and they must be familiar with the sector in which the Company operates. At least one member must have knowledge in the field of auditing and accounting. Each member shall ensure that they have enough time to perform their mandate. At least three members of the Supervisory Board must have reasonable international experience and diversity shall be considered - an appropriate number of women shall be considered. In addition, the Supervisory Board has defined a diversity target of maintaining a 50/50 gender balance on the Supervisory Board until 1 January 2025. At least three members must not have a board position, consulting or representation duties with main suppliers, lenders or other business partners of the Company, and Supervisory Board members shall not exercise directorships or similar positions or advisory tasks for material competitors of the Company. In addition, no fewer than two members shall be independent, and no more than two former members of the Management Board shall be members of the Supervisory Board. In addition to their Supervisory Board mandate with the Company, members of the Supervisory Board who are members of the Management Board of a listed company, or equivalent, should not hold more than two further Supervisory Board mandates in listed non-group entities that make similar requirements. The age limit for members of the Supervisory Board is set as 69 years.

At the extraordinary meeting of the shareholders held on 31 May 2019, shareholders appointed the following six members to the Supervisory Board subject to approval of the prospectus by the Commission de Surveillance du Secteur Financier (the "CSSF"), which took place on 17 June 2019 for a period ending at the expiration of the general meeting of shareholders approving the 2021 financial results:

- Cynthia Gordon – Chairman of the Supervisory Board and member of the Sustainability Committee;
- Georgi Ganev – Vice Chairman of the Supervisory Board;
- Alexis Babeau – Member of the Supervisory Board and Chairman of the Audit Committee;
- Victor Herrero – Member of the Supervisory Board, Chairman of the Sustainability Committee and Member of the Audit Committee;
- Carol Shen – Member of the Supervisory Board and the Sustainability Committee; and
- Laura Weil – Member of the Supervisory Board and the Audit Committee.

The Chairman of the Supervisory Board is an independent supervisory chair in line with the recommendations of the Code. During Financial Year 2020, the Supervisory Board has acted amongst others through the Audit Committee and the Sustainability Committee. The Company deviated from the recommendations of the Code as the Supervisory Board due to its relatively small size of six members did not find it necessary to form a nominations committee.

Working practices of the Audit Committee

The Chairman of the Audit Committee has specific knowledge and experience in applying accounting principles and internal control procedures. Neither the Chairman of the Supervisory Board nor former members of the Company's Management Board whose term ended less than two years ago are eligible to be appointed as Chairman of the Audit Committee. All members of the Audit Committee are financially literate and at least two members have in-depth knowledge of accounting and the financial reporting principles required. All of the members of the Audit Committee are independent.

The Audit Committee oversees the accounting and financial reporting processes of the Company and the integrity of the financial statements and publicly reported results, the adequacy and effectiveness of the risk management and internal control frameworks and the choice, effectiveness, performance and independence of the internal and external auditors.

The Audit Committee also monitors the process of preparing financial information, reviews and discusses the audited financial statements with the Management Board members and the Independent Auditor, and provides a recommendation to the Supervisory Board regarding whether audited financial statements should be included in the annual report. In addition, the Audit Committee reviews the half yearly and quarterly financial statements and prepares a recommendation for the appointment of the Independent Auditor to the Supervisory Board. The Audit Committee also reviews the performance of the Independent Auditor.

Composition of the Audit Committee

For Financial Year 2020, the members of the Audit Committee were:

- Alexis Babeau (Chairman);
- Victor Herrero; and
- Laura Weil.

Working practices of the Sustainability Committee

The Sustainability Committee assists the Supervisory Board with oversight of its responsibilities in connection with the Company's sustainability policies and practices. In particular, it makes recommendations to the Supervisory Board regarding the Company's policy and performance in relation to health & safety, diversity and inclusion and compliance with laws concerning environmental and social matters and review their implementation. In addition, the Sustainability Committee reviews and approves the Company's sustainability strategy, objectives, key results and policies and approves for submission to the Supervisory Board the Company's annual sustainability report submitted to it by the Management Board. All of the members of the Sustainability Committee are independent.

Composition of the Sustainability Committee

For Financial Year 2020, the members of the Sustainability Committee were:

- Victor Herrero (Chairman);
- Carol Shen; and
- Cynthia Gordon.

1.5 ANNUAL GENERAL MEETING AND SHAREHOLDERS

The shareholders of GFG exercise their rights, including their right to vote, at an Annual General Meeting (**"AGM"**). Each share in the Company grants one vote.

The AGM is required to be held within the first six months of the fiscal year, and the agenda along with the reports and documents required for the AGM are to be published on the Company's website ir.global-fashion-group.com.

Certain matters set out in the Articles of Association require the approval of shareholders. Resolutions on matters that require shareholder approval are adopted at the AGM, including, increasing/reducing the Company's share capital or authorised capital, appointment and removal of members of the Supervisory Board and the independent auditors, resolutions on allocation of the remainder of any annual net profit.

To facilitate the personal exercise of their voting rights, GFG makes available a proxy who is bound by instructions and who may also be contacted during the AGM. The invitation to the AGM explains how instructions may be given ahead of the meeting. In addition, shareholders may arrange to be represented at the Annual General Meeting by a proxy of their choice.

1.6 TAKEOVER LAW

Composition of subscribed capital

As of 31 December 2020, the share capital of the Company amounts to €2,138,367.16, and is divided into 213,836,716 common shares with a nominal value of €0.01 each. The common shares are fully paid-up. The Company holds common shares in dematerialised form and all future common shares to be issued by the Company will be issued in dematerialised form.

Restrictions on voting rights or the transfer of shares

The Company's common shares in dematerialised form are freely transferable through book entry transfers in accordance with the legal requirements for dematerialised shares.

Each common share carries identical rights and obligations, save for the common shares held by the Company in treasury, from which the Company derives no rights. As of 31 December 2020, the Company held 182,378 common shares in treasury.

As part of the Company's IPO in 2019, the Company's pre-IPO shareholders had previously entered into lock-up agreements with the underwriters that supported the IPO. In these lock-up agreements, the pre-IPO shareholders agreed they will not, either directly or indirectly, offer, pledge, allot, distribute, sell, contract to sell, sell any option or contract to purchase, purchase any option to sell, grant any option, right or warrant to purchase, transfer or otherwise dispose of, directly or indirectly, any common shares of the Company for a period of 12 months after the first day on which the Company's shares traded on the Frankfurt Stock Exchange without the prior consent of the Company and the underwriters. However, during the period starting on the 180th day following the first day of trading of the Company's Shares on the Frankfurt Stock Exchange and ending twelve months after the first day of trading of the Company's Shares on the Frankfurt Stock Exchange, the pre-IPO shareholders were permitted to sell in aggregate up to 20% of their pre-IPO shareholding. This

restriction was subject to limited exceptions. The same lock-up requirement applied to common shares purchased by certain members of the Supervisory Board as part of the IPO. Members of the Management Board had agreed to substantially similar lock-up provisions in respect of their stock options over common shares in the Company and similar instruments. The lock-up restrictions relating to the Company's IPO expired on 2 July 2020.

Equity Interests in the Company That Exceed 5% of Voting Rights

On the basis of the voting rights notifications received by the Company during the financial ended 31 December 2020 in accordance with Article 11, Section 6 of the Luxembourg Transparency Law and Section 40, Paragraph 1 of the German Securities Trading Act (WpHG), the following direct or indirect shareholders in the capital of the Company reach or exceed 5% of the voting rights:

Name of Shareholder	Details	Percentage of holding	Date of declaration
Kinnevik AB	Indirectly holds 36.99% of the voting rights in the Company through Invik S.A. who directly holds 36.99%.	36.99%	21 Dec 2020
Baillie Gifford & Co	Indirectly holds 6.38% of the voting rights of the Company through Baillie Gifford Overseas Ltd who directly holds 6.38%.	6.38%	23 Nov 2020
Zerena GmbH	Indirectly holds 14.82% of the voting rights of the Company, through Rocket Internet SE who directly hold 14.57% and a further 0.25% through the holdings of Rocket Middle East GmbH, MKC Brillant Services GmbH and Bambino 53. V V GmbH.	14.82%	19 Nov 2020
Zerena GmbH	Indirectly holds 16.06% of the voting rights of the Company, through Rocket Internet SE who directly hold 15.79% and a further 0.27% through the holdings of Rocket Middle East GmbH, MKC Brillant Services GmbH and Bambino 53. V V GmbH.	16.06%	16 Nov 2020
Tengelmann Verwaltungs- und Beteiligungs GmbH	Indirectly holds 5.30% of the voting rights of the Company, through Tengelmann Ventures GmbH and TEV Global Invest II GmbH	5.30% [1]	2 Sep 2020

[1] The Company received a subsequent notification on 2 September 2020 from Tengelmann Verwaltungs und Beteiligungs GmbH which confirmed that it indirectly held 4.85% of the voting rights of the Company, through Tengelmann Ventures GmbH and TEV Global Invest II GmbH.

The Company was not notified of any other direct or indirect capital investments that reach or exceed 5% of the voting rights of the Company during the financial year ended 31 December 2020. Further, the distribution of voting rights included above may have changed within the reportable thresholds.

Legal Requirements and Provisions of the Articles of Association Governing the Appointment and Dismissal of Members of the Management Board, and Amendments to the Articles of Association

The Management Board must consist of at least two persons in accordance with Article 13.1 of the Articles of Association. In all other respects, the Supervisory Board determines the number of Management Board members. The Supervisory Board appoints the members of the Management Board on the basis of Luxembourg Company Law and Article 15 of the Articles of Association for a term of office lasting no longer than five years. Reappointments for successive years are permitted. To ensure compliance with the Code, the Supervisory Board Rules of Procedure were amended to ensure that future appointments of members of the Management Board are for a maximum term of three years. The Supervisory Board is entitled to revoke the appointment of a Management Board member for cause (pursuant to Article 15.3 of the Articles of Association).

Changes to the Articles of Association must be agreed at a general meeting of shareholders. Unless a higher majority is required by binding legal requirements or the Articles of Association, resolutions proposed at the AGM are passed by a simple majority of votes cast in accordance with Article 11.2 of the Articles of Association. According to Article 11.5 of the Articles of Association, a vote passed by a majority of at least two thirds of the votes validly cast at a general meeting at which a quorum of more than half of the Company's capital is represented is required in order to amend the Articles of Association. Abstentions and nil votes shall not be taken into account.

The Company is authorised to amend the wording of the Articles of Association after carrying out capital increases from authorised capital or after the expiry of the corresponding authorisation, option, or conversion period.

Authority of the Management Board to Issue and Buy Back Shares

Authorised Capital

As at 31 December 2020, pursuant to Article 6.1 of the Articles of the Association, the Company's authorised capital, excluding the issued share capital, is €1,648,687.01 represented by 164,868,701 common shares with a nominal value of €0.01 each. Pursuant to Article 6.2 of the Articles of Association, during a period of five years from the date of any resolutions to create, renew or increase the authorised capital pursuant to Article 6.2, the Management Board, with the consent of the Supervisory Board, is authorised to issue shares, to grant options to subscribe for shares and to issue any other instruments giving access to shares within the limits of the authorised capital to such persons and on such terms and subject to the limitations set out in the Special Report of the Management Board of the Company with respect to the authorised share capital dated 19 May 2020 (the "Special Board Report"). The issue of such instruments will reduce the available authorised capital accordingly.

The Special Board Report also sets out circumstances in which the powers under the authorised capital could be used if convening a general shareholders' meeting would be undesirable or not appropriate. For example, such circumstances could arise when there is a financing need or if the convening of a shareholders' meeting would lead to an untimely announcement of a transaction, which could be disadvantageous to the Company.

As at 1 January 2020, the issued share capital of the Company amounted to €2,147,655.17, and was divided into 214,765,517 common shares with a nominal value of €0.01 each, with 193,288,579 common shares being held in dematerialised form and 21,476,938 common shares being held in registered form. Only common shares in dematerialised form were admitted to trading on the Frankfurt Stock Exchange.

On 30 March 2020, the Company:

- issued 76,310 new common shares to pre-IPO shareholders in connection with the Share Redistribution carried out by the Company prior to its IPO in 2019 [1] ; and
- converted 1,422,377 common shares held in registered form to dematerialised form on behalf of a pre-IPO shareholder that was incapable of holding shares in dematerialised form at the time of the Company's IPO.

On 26 June 2020, following the conclusion of the Company's 2020 AGM, the Company cancelled 20,054,561 of its treasury shares that were held in registered form. Following the cancellation, the Company held 182,378 common shares in treasury, each in dematerialised form. Following 26 June 2020, the Company no longer had any common shares in registered form in issue.

On 3 July 2020, the Company issued:

- 226,888 new common shares in connection with the roll-up of existing and former managers, founders, employees, business angels and supporters of the Group in connection with a legacy long-term incentive program;
- 486,294 new common shares in connection with various legacy call option agreements with certain former or current senior management members, key employees and supporters of the Group; and
- 1,836,268 new common shares to satisfy the Company's legacy and existing long-term incentive programs.

On 18 Novemer 2020, the Company issued 16,500,000 new common shares in connection with a private placement of shares to institutional investors.

As at 31 December 2020, the issued share capital of the Company amounts to €2,138,367.16, and is divided into 213,836,716 common shares with a nominal value of €0.01 each. All of the Company's common shares are held in dematerialised form and are admitted to trading on the Frankfurt Stock Exchange.

Pursuant to Article 6.3 of the Articles of Association, the Company's authorised capital may be increased or reduced by a resolution of a general meeting of shareholders adopted in the manner required for an amendment to the Articles of Association. The authorisations in Articles 6.2 and 6.3 of the Articles of Association may be renewed through a resolution of a general meeting of shareholders adopted in the manner required for an amendment of the Articles of Association and subject to the provisions of the Luxembourg Company Law, each time for a period not exceeding five years.

Treasury Shares

According to Article 7.1 of the Articles of Association, the Company may, to the extent and under the terms permitted by law, repurchase its own shares and hold them in treasury. Prior to the Company's 2020 AGM, the Company held 20,236,939 common shares in treasury, 20,054,561 of which were being held for cancellation. At the Company's 2020 AGM, the Company's shareholders resolved to cancel the 20,054,561 common shares that were being held in treasury. Following the conclusion of the 2020 AGM, and as at 31 December 2020, the Company held 182,378 common shares in treasury. In line with Luxembourg Company Law, the voting rights attached to the common shares held in treasury by the Company are suspended.

[1] Issued to those pre-IPO shareholders that were not capable of holding common shares in dematerialised form on 1 July 2019.

Without prejudice to the principle of equal treatment of shareholders in the same situation and the provisions of the Luxembourg Market Abuse Law, pursuant to Article 430-15 of the Luxembourg Company Law, the Company may acquire its own shares either itself or through a person acting in its own name but on the Company's behalf subject to the following statutory conditions:

- The authorisation to acquire shares is to be given by a general shareholders' meeting, which determines the terms and conditions of the proposed acquisition and in particular the maximum number of shares to be acquired, the duration of the period for which the authorisation is given,which may not exceed five years, and in the case of acquisition for value, the maximum and minimum consideration;

- The acquisitions must not have the effect of reducing the net assets of the Company below the aggregate of the subscribed capital and the reserves, which may not be distributed under the law or the Articles of Association; and

- Only fully paid-up shares may be included in the transaction.

At the time each authorised acquisition is carried out, the Management Board must ensure that the statutory conditions set out above are complied with.

Where the acquisition of the Company's own shares is necessary in order to prevent serious and imminent harm to the Company, no authorisation will be required from a general shareholders' meeting. In such a case, the next general shareholders' meeting must be informed by the Management Board of the reasons for and the purpose of the acquisitions made, the number and nominal values, or in the absence thereof, the accounting par value of the shares acquired, the proportion of the subscribed capital which they represent and the consideration paid for them.

No authorisation will likewise be required from a general shareholders' meeting in the case of shares acquired either by the Company itself or by a person acting in his/her own name but on behalf of the Company for the distribution thereof to employees. The distribution of any such shares must take place within twelve months from the date of their acquisition.

Pursuant to Article 430-16 of the Luxembourg Company Law, the acquisition of shares is also permitted in the following circumstances if such an acquisition would not have the effect of reducing the net assets of the Company below the aggregate of the subscribed capital and the Company's non-distributable reserves:

- Shares acquired pursuant to a decision to reduce the capital or in connection with the issue of redeemable shares;

- Shares acquired as a result of a universal transfer of assets;

- Fully paid-up shares acquired free of charge or acquired by banks and other financial institutions pursuant to a purchase commission contract;

- Shares acquired by reason of a legal obligation or a court order for the protection of minority shareholders, in particular, in the event of a merger, the division of the Company, a change in the Company's object or form, the transfer abroad of its registered office or the introduction of restrictions on the transfer of shares;

- Shares acquired from a shareholder in the event of failure to pay them up; and

- Fully paid-up shares acquired pursuant to an allotment by court order for the payment of a debt owed to the Company by the owner of the shares.

Generally, such acquired shares must be disposed of within a maximum period of three years after their acquisition or they must be cancelled. There are some statutory exceptions to this.

Material Agreements Entered into by the Company Providing for a Change of Control upon a Takeover Bid

The Company has not entered into any agreements of this kind.

Compensation Arrangements Agreed by the Company with the Members of the Management Board or Employees in the Event of a Takeover Bid

The Company has not entered into any agreements of this kind.

1.7 REMUNERATION REPORT AND OTHER DISCLOSURES

1.7.1 Remuneration of the Management Board

General Introduction

The remuneration report presents the principles of the remuneration system of the Management Board and Supervisory Board and provides the benefits granted and received during financial year 2020. As a company incorporated and existing under the laws of Luxembourg, the remuneration report of the Company has been prepared in accordance with the Luxembourg's 'Law of 24 May 2011 (as amended from time to time)' and the recommendations of the German Corporate Governance Code 2019 (the "Code") which the Company has decided to follow, on a voluntary basis and to the extent consistent with applicable Luxembourg corporate law and Global Fashion Group's corporate structure. Consequently, the appropriateness of the Company's remuneration for its directors follows the recommendation of the Code, except where the Company has declared a deviation in its declaration of conformity published jointly by the Supervisory Board and Management Board in August 2020. The Company has also adopted a remuneration policy during the 2020 financial year as discussed below.

Remuneration Policy

During the year, GFG shareholders approved the remuneration policy, which defines the remuneration system applicable to the members of the Management Board and Supervisory Board ("Remuneration Policy"). The remuneration system distinguishes between Management Board members and Supervisory Board members. Consistent with the Code, the criteria for determining the appropriateness of the remuneration of the directors of each body consist of the directors' individual responsibilities, performance, and usual level of remuneration for similar roles as well as the Company's economic conditions and future perspectives.

Remuneration Policy Components

The total remuneration of the Management Board members consists of a fixed component and benefits, a variable component that consists of a short-term incentive (i.e. an annual bonus) and a long-term incentive (i.e. in the form of share-based long term incentive plans "LTIP"), as well as fringe benefits and pension contributions.

Overall, the remuneration policy places an emphasis on the importance of variable remuneration, with a specific focus on long-term incentive, given that a positive outlook of the Company is synonymous with building a sustainable organisation for the long term as well as establishing an alignment of interest between the Management Board and the Company's shareholders.

Fixed Remuneration Components

Component	Purpose	Details	Performance Metrics
Fixed Annual Base Salary	Rewards for the Management Board member's individual responsibilities, skills, experience, performance and role to attract and retain talent.	The Supervisory Board considers a variety of factors including the Management Board members' individual responsibilities and performance, the usual level of remuneration for similar roles compared to the market, the Company's economic conditions and any other internal and external factors that the Supervisory Board determines relevant to achieve an appropriate base salary. Reviewed annually with effect generally from 1 January unless the Supervisory Board or contractual arrangements determine a different frequency or effectiveness. Non-performance based remuneration payable in twelve equal installments, in arrears.	Performance of the member of the Management Board in the preceding performance period is taken into account when salary is reviewed.
Pension Contributions	To contribute financially towards retirement benefits.	Defined contribution arrangement of a cash supplement paid with the monthly base salary. The level of pension contribution is above the minimum statutory requirements under applicable employment laws. The Supervisory Board retains the discretion to contribute the pension directly into a pension fund and to reduce contribution amounts to statutory requirements.	Not applicable.
Other benefits	To provide market-level benefits, to reflect and support the health and wellbeing initiatives of GFG.	Benefits include insurance policies (health, life and income protection, directors and officers ("D&O") without deductible payable by the Management Board member. Other standard benefits include the reimbursement of travel expenses.	Not applicable.

Variable Remuneration Components

Component	Purpose	Details	Performance Metrics
Annual Performance Bonus Plan	Aligns remuneration to Company strategy through rewarding the achievement of annual financial and strategic business targets and individual performance.	The annual performance bonus earned is based on performance results against predefined targets for the respective financial year, in line with the short-term development of the Company. Bonus payments are normally delivered in cash.	Measured over a one-year performance period based on company financial targets i.e. NMV, adjusted EBITDA, and cash flow, with a split of 25%/50%/25% as determined by the Supervisory Board for the 2020 Financial Year for consistency and individual performance objectives, which are predefined with the Supervisory Board at the beginning of the financial year taking into account the Company's financial and strategic objectives for the performance period. The weighting between company and individual performance is determined by contractual arrangements and the responsibilities of each position, currently 80% for company performance related measures and 20% for individual performance criteria. The short-term incentive bonus is capped as a percentage of the base salary, which the Supervisory Board may derogate from in exceptional circumstances pursuant and in compliance with the procedure set out in the remuneration policy.
2019 GFG Share Plan ("2019 LTIP")	To motivate long-term performance through the delivery of longer-term business plans, sustainable long-term returns for stakeholders and strategic priorities	The implementation of the 2019 LTIP was approved by the Supervisory Board on 20 August 2019 following the Company's IPO on 2 July 2019. Grants are awarded to the members of the Management Board in the form of Restricted stock Units ("RSUs") and Performance Stock Units ("PSUs"). The awards usually vest over a three year period and are subject to a holding period of four years from grant, in addition to being subject to malus and clawback provisions until the expiry of the holding period. Upon vesting of these awards and expiry of the holding period, the Management Board members will acquire either shares in the Company (one unit representing one share) which may be freely traded, subject to any required closed periods, or a cash payment of equivalent value at the election of the Supervisory Board. There is currently no policy or intention to settle in cash.	The vesting of PSUs is subject to the achievement of performance conditions determined by the Supervisory Board for the respective performance period. For 2020, PSU awards are subject to performance conditions of Net Merchandise Value ("NMV") growth year on year on a constant currency basis (for 50% of PSUs) and adjusted EBITDA margin (as a percentage of NMV) (for 50% of PSUs).

Component	Purpose	Details	Performance Metrics
2016 Long-Term Incentive Plan ("2016 LTIP")	Served as a tool to attract, motivate, and retain employees of the Company, pre-IPO	On 30 January 2015 the Company adopted its initial share incentive plan which was subsequently amended from time to time. Under the 2016 LTIP, grants are awarded in the form of synthetic stock options over shares or in the form of cash awards, in each case vesting or maturing, as applicable, in equal tranches on a quarterly basis. The 2016 LTIP also includes the right to participate in an internal liquidity event for the financial years 2018 and 2019 allowing the cash settlement of a limited number of vested awards under the 2016 LTIP and Legacy LTIP (as defined below). All synthetic stock options were converted into stock options at the level of GFG upon the IPO on the 2 July 2019. Each vested stock option entitles the holder to acquire one share in the Company upon payment of the exercise price. Options may only be exercised during prescribed exercise windows, subject to the observance of closed periods. As for the vested regional cash awards, these are awarded as Management Performance Score (MPS) units which convert into cash upon meeting the relevant performance criteria which were set pre-IPO. The MPS convert into cash based on the scores achieved. The scores are primarily based on NMV performance from 2015 to 2018. The synthetic stock options and regional cash awards are subject to forfeiture including in case of termination for serious grounds or serious fault. However, as the 2016 LTIP is a pre-IPO plan, vested awards are not subject to holding period. As at the end of the 2020 reporting period, all stock options and regional cash awards granted under the 2016 LTIP to the members of the Management Board pre-IPO are fully vested. No further grants will be made under the 2016 LTIP other than those already allocated to the Management Board members, as described above.	Not applicable.
Individual Call Options ("Legacy LTIP")	Incentive LTIP issued to the founders of the Company in line with the initial risk and commitment involved	In the time between 2011 and 2014, certain managers, employees, officers, supporters or their respective investment vehicles as trustors have entered into certain trust agreements relating to the trust participations in various entities, that are now subsidiaries of GFG, through certain entities acting as trustees (the "Subsidiary Trust Arrangements"). Following the IPO of 2 July 2019, these Subsidiary Trust Arrangements with GFG subsidiaries have been exchanged for fully vested participations on the level of GFG in the form of call options where each individual call option allows the holder to acquire one share in GFG upon payment of the nominal value. Consequently, a Management Board member has entered into an individual call option agreement and further exercised his right to liquidate the individual call options pursuant to the above-mentioned pre-IPO internal liquidity event relating to financial years 2019 and 2018. The Individual Call Options are subject to forfeiture including in case of termination for serious grounds or serious fault. However, as the Legacy LTIP is a pre-IPO plan, vested call options are not subject to holding period. No further grants will be made under the Legacy LTIP .	Not applicable.

Management Board Remuneration for the Financial year 2020

This section describes the remuneration of the Management Board in relation to their contribution and performance in financial year 2020.

In line with the Company's measure to mitigate the impact of COVID-19 on the business, the Supervisory Board, in agreement with the Management Board, determined that the salary review conducted for the 2020 financial year should not lead to a change in remuneration of the Management Board members during the reporting period.

The short-term incentive of the Management Board is assessed at the end of the reporting period based on the Company's financial targets (i.e. NMV, adjusted EBITDA and cash flow) and individual targets. Based on the financial and individual performance the Supervisory Board has determined the achievement to be 100% for financial year 2020.

As for the long-term variable remuneration, the number of units outstanding under the 2019 LTIP developed as follows during the 2020 reporting period.

Each component of the total remuneration of each member of the Management Board is reported below, presenting both benefits granted, and benefits received at the minimum and maximum remuneration achievable during the 2020 financial year, as well as the relative proportion of fixed and variable remuneration.

All components of the remuneration of the Management Board awarded during the reporting period are in line with the Company's Remuneration Policy and no derogation was applied pursuant to the policy. Further, the Company did not reduce or claw back in regards to the awards of the Management Board members during 2020.

2019 LTIP

	Christoph Barchewitz [1]		Patrick Schmidt [1]		Matthew Price [1]	
	RSUs	PSUs	RSUs	PSUs	RSUs	PSUs
Outstanding at the beginning of the reporting period	**310,800**	**207,198**	**310,800**	**207,198**	**188,160**	**94.080**
Granted during the reporting period	-	276,267 [2]	-	276,267 [2]	-	107,520 [2]
Vested during the reporting period	103,600	47,378 [3]	103,600	47,378 [3]	62,720	21,513 [3]
Forfeited/expired during the reporting period	-	21,688 [4]	-	21,688 [4]	-	9,847 [4]
Exercised during the reporting period	-	-	-	-	-	-
Outstanding at the end of the reporting period	310,800	461,777	310,800	461,777	188,160	191,753
Exercisable at the end of the reporting period	**-**	**-**	**-**	**-**	**-**	**-**

1 Appointment to the Management Board in June 2019.

2 The final number of units to be released will depend on the achievement of the pre-defined Performance Conditions over a one-year performance period.

3 Based on PSU performance conditions achievement at "on-target" level (i.e. 68.60%) during the performance period.

4 Represents the non-vested portion of the PSUs resulting from the performance conditions achieved versus maximum potential.

The total individual compensation of the Management Board in relation to financial year 2020 is set out below.

Christoph Barchewitz (Co-Chief Executive Officer)[1]
Year of Appointment to the Management Board: 2019

	Benefits Granted			Benefits Received	
In €[2]	2020 (Min.)	2020 (Max.)	2019	2020	2019
Fixed Remuneration	610,500	610,500	666,000	610,500	666,000
Fringe Benefits	30,958	30,958	25,848	30,958	25,848
Total (fixed components)	**641,458**	**641,458**	**691,848**	**641,458**	**691,848**
Short-Term Incentive	-	305,250	333,000	305,250[3]	317,744
Long-Term Incentive[4] (2019)	-	1,905,321	1,118,185	-	-
Total (variable components)	**-**	**2,210,571**	**2,143,033**	**305,250**	**317,744**
Pension Expense	61,050	61,050	66,600	61,050	66,600
Total Remuneration	**702,508**	**2,913,080**	**2,209,633**	**1,007,758**	**1,076,192**

1 Mr. Christoph Barchewitz was appointed as Co-CEO on the 01 February 2018

2 As the remuneration for Mr. Christoph Barchewitz is denominated in British pounds, exchange rates of 1£/1.1€ and 1£/1.2€ have been used for 2020 and 2019 respectively. The difference between 2019 and 2020 benefits received and benefits granted is due to the £/EUR exchange rate.

3 Based on a company performance achievement of 122% and a individual performance of 100% for 2020, resulting in an overall achievement of 100%.

4 The value of Long-Term Incentives are based on the fair value determined at the grant date. The first tranche of the grant under the 2019 LTIP which was made during the reporting period will vest on 30 April 2021 and remains subject to the holding period. The remaining tranches will vest on 30 April 2022 and 30 April 2023 and are subject to the holding period.

Patrick Schmidt (Co-Chief Executive Officer)[1]
Year of Appointment to the Management Board: 2019

	Benefits Granted			Benefits Received	
In €	2020 (Min.)[2]	2020 (Max.)[2]	2019	2020[2]	2019
Fixed Remuneration	575,000	575,000	575,000	575,000	575,000
Fringe Benefits	21,948	21,948	60,620	21,948	60,620
Total (fixed components)	**596,948**	**596,948**	**635,620**	**596,948**	**635,620**
Short-Term Incentive	-	287,500	287,500	287,500[3]	275,281
Long-Term Incentive[4] (2019)	-	1,905,321	1,118,185	-	-
Total (variable components)	**-**	**2,192,821**	**1,405,685**	**287,500**	**275,281**
Pension Expense	-	-	-	-	-
Total Remuneration	**596,948**	**2,789,770**	**2,041,305**	**884,448**	**910,901**

1 Mr. Patrick Schmidt was appointed as Co-CEO on the 01 February 2018.

2 The amounts disclosed in this column relate only to the benefits received in 2020 for financial year 2020. Any benefits received in 2020 relating to prior years where Mr. Patrick Schmidt was the Chief Executive Officer of The Iconic are reported in section " Benefits granted and received in 2020 for previous financial years". Such benefits received for prior years equate to €4,591,205 under the 2016 LTIP relating to Cash Awards and €1,100,984 under the Legacy LTIP.

3 Based on a company performance achievement of 122% and a individual performance of 100% for 2020, resulting in an overall achievement of 100%.

4 The value of Long-Term Incentives are based on the fair value determined at the grant date. The first tranche of the grant under the 2019 LTIP which was made during the reporting period will vest on 30 April 2021 and remains subject to the holding period. The remaining tranches will vest on 30 April 2022 and 30 April 2023 and are subject to the holding period.

Matthew Price (Chief Financial Officer)[1]
Year of Appointment to the Management Board: 2019

In €[2]	Benefits Granted			Benefits Received	
	2020 (Min.)	2020 (Max.)	2019	**2020**	2019
Fixed Remuneration	462,000	462,000	339,879	462,000	339,879[3]
Fringe Benefits	46,200	46,200	33,988	46,200	33,988
Total (fixed components)	508,200	508,200	373,867	508,200	373,867
Short-Term Incentive	-	231,000	177,663	231,000[4]	158,476
Long-Term Incentive[5] (2019)	-	741,530	606,502	-	-
Total (variable components)	-	972,530	784,166	231,000	158,476
Pension Expense	-	-	-	-	-
Total Remuneration	**508,200**	**1,480,730**	**1,158,033**	**739,200**	**532,343**

1 Mr. Matthew Price was appointed as CFO on the 09 April 2019.

2 As the remuneration for Mr. Matthew Price is denominated in British pounds, exchange rates of 1£/1.1€ and 1£/1.2€ have been used for 2020 and 2019 respectively. The difference between 2019 and 2020 benefits received and benefits granted is due to the £/EUR exchange rate.

3 Mr. Matthew Price was appointed as the Group Chief Financial Officer effective 9 April 2019. His fixed remuneration for 2019 is therefore prorated accordingly. Further, following his appointment to the Management Board in 2019, the fixed remuneration of Mr. Matthew Price was increased effective 1 September 2019 and is prorated accordingly.

4 Based on a company performance achievement of 122% and a individual performance of 100% for 2020, resulting in an overall achievement of 100%

5 The value of Long-Term Incentives are based on the fair value determined at the grant date. The first tranche of the grant under the 2019 LTIP which was made during the reporting period will vest on 30 April 2021 and remains subject to the holding period. The remaining tranches will vest on 30 April 2022 and 30 April 2023 and are subject to the holding period.

Included below is a breakdown of the pay-mix for the Management Board members for actual total remuneration received in the Financial Year 2020 as a relative proportion of fixed and variable remuneration displayed as comparison over the minimum and maximum granted benefit and the actual benefits received during the reporting period:

Management Board Remuneration Mix

	Benefits Granted		Benefits Received
	2020 (Min.)	2020 (Max.)	2020
Christoph Barchewitz			
Fixed Remuneration	100%	24%	70%
Variable Remuneration	0%	76%	30%
Patrick Schmidt[1]			
Fixed Remuneration	100%	21%	67%
Variable Remuneration	0%	79%	33%
Matthew Price			
Fixed Remuneration	100%	34%	69%
Variable Remuneration	0%	66%	31%

1 The benefits granted under the 2016 LTIP and Legacy LTIP and received by Mr. Patrick Schmidt during the reporting period are not included in the Management Board Remuneration Mix for 2020 as such benefits relate to the period of 2013-2018, inclusively, and are associated with Mr. Patrick Schmidt's role as Chief Executive Officer of The Iconic and not as the GFG Co-CEO or Management Board member (see section "Benefits granted and received in 2020 for previous financial years"). Such grants are not recurring events and no further grants will be made under the 2016 LTIP and Legacy LTIP. If the benefits granted and received under the 2016 LTIP and Legacy LTIP during the reporting period would be included, the remuneration mix for Mr. Patrick Schmidt will consist of 9% fixed remuneration and 91% variable remuneration.

The diverse footprint over which GFG operates, combined with more than 13,700 employees and its decentralised approach to defining appropriate remuneration, makes it difficult for the Company to establish an average remuneration for GFG for the purpose of comparing the remuneration of the Management Board. GFG strives to provide remuneration packages that are both competitive externally and proportionate internally. For comparison externally against peers that are comparable and representative of the common market in which GFG operates, the remuneration of the Management Board is in line with market median total cash levels.

The Management Board focuses on driving the long-term sustainable growth of the company aligning the interest with those of its stakeholders, including shareholders. The remuneration granted to the Management Board during the reporting period relating to financial year 2020 (excluding the remuneration relating to previous financial years granted to one member) aligned with our Remuneration Policy with a fixed remuneration component representing one third of compensation and two thirds in variable pay consisting of STI and LTI for benefits granted.

Our approach aims to ensure that annual compensation is competitive with the market whilst placing stronger emphasis on long term compensation components to enable our ongoing ability to attract, retain and motivate the members of the Management Board. The sufficient emphasis in long term compensation focuses the efforts of the Management Board on the achievement of objectives culminating in sustainable value creation and delivery of long-term returns for shareholders and other stakeholders. Our pay-out structure aligns fixed remuneration and performance-related remuneration with short- and long-term focuses of the company through deferred compensation and clawback and malus arrangements. The remuneration policy also ensures alignment to our company stance on upholding our vision, values and behaviours expected and supports a progressive and inclusive workplace.

Benefits granted and received in 2020 for previous financial years

As previously disclosed in the 2019 Annual Report[1] the Company intended to make certain awards to a member of the Management Board under pre-IPO long-term incentive plans. Such awards were made to Mr. Patrick Schmidt during the reporting period and the vast majority relate to previous financial years 2013 to 2018 during which he held the role of Chief Executive Officer of our ANZ business THE ICONIC. A smaller portion relates to his role of Co-CEO of Global Fashion Group during financial years 2018, 2019 and 2020.

[1] On Page 45 and 46

The afore-mentioned awards include Synthetic Stock Options under the 2016 LTIP with strike prices ranging from €0.01 to €7.99, Regional Cash Awards under the 2016 LTIP converting into cash based on an achieved level of a Management Performance Score (MPS) and Individual Call Options under the Legacy LTIP.

The number of Synthetic Stock Options granted during the reporting period under the 2016 LTIP relating to financial years 2018, 2019 and 2020 are set out in the table below. As the Synthetic Stock Options relate largely to previous financial years and to quarters already elapsed, they have been granted fully vested with the exception of 77,055 options which completed vesting by 31 December 2020.

2016 LTIP: Synthetic Stock Options[1] Patrick Schmidt (Co-Chief Executive Officer)[2]

	2020				
Exercise Price (in €)					
Outstanding Number of Options at the beginning of the reporting period	**€0.01**	**€1.00**	**€5.99**	**€6.15**	**€7.99**
Granted during the reporting period	-	553[3]	-	-	-
Vested during the reporting period	157,565	0	62,825	250,899	199,675
Forfeited/expired during the reporting period	157,565	0	62,825	250,899	199,675
Exercised during the reporting period	-	-	-	-	-
Outstanding at the end of the reporting period	-	-	-	-	-
Exercisable at the end of the reporting period	157,565	553	62,825	250,899	199,675
Total Remuneration	**157,565**	**553**	**62,825**	**250,899**	**199,675**

[1] All stock options reported in this table are "synthetic" options by definition except the 553 stock options outstanding at the beginning and at the end of the reporting period. Post IPO, all "synthetic" options have ceased to be synthetic and therefore the distinction between synthetic and non-synthetic has ceased to exist. Consequently, for simplicity, the table refers to Synthetic Stock Options but this invariably covers both.

[2] The Synthetic Stock Options granted to Mr. Patrick Schmidt bring his remuneration in line with the one of Co-CEO Mr. Christoph Barchewitz who was granted a similar grant in size and value prior to the IPO .

[3] This relates to stock options granted to Mr. Patrick Schmidt in 2015 relating to 2015-2018 inclusively when he was Chief Executive Officer of THE ICONIC. The stock options were fully vested at the start of the reporting period.

The Synthetic Stock Options reported above hold a maximum benefit of €3,008,316 based on fair market value at time of grant which is similar to the maximum benefit applicable to Mr. Christoph Barchewitz relating to the same financial years of 2018, 2019 and 2020 as reported in page 206 the Company's IPO prospectus.

During the reporting period, 409,199 matured Regional Cash Awards with a minimum value of €1 each were granted and received by Mr. Patrick Schmidt in relation to his role as CEO of THE ICONIC which he held during financial years 2015 to 2018. The Regional Cash Award units converted to a value of €4,591,205 as a result of the application of the pre-IPO defined management performance scores (MPS) of 12.48 and 2.75 which in turns are largely based on THE ICONIC NMV performance during 2015-2018. Mr. Patrick Schmidt received the value of €4,591,205 during the reporting period in connection with such Regional Cash Awards.

During 2020, Mr. Patrick Schmidt was granted 125,644 fully vested Individual Call Options relating to Mr. Patrick Schmidt's role as CEO of THE ICONIC for the years 2013 to 2015.

The options were exercised by Mr. Patrick Schmidt during the reporting period pursuant to his participation in the pre-IPO Internal Liquidity Events resulting in a value of €1,100,984 received by Mr. Patrick Schmidt in 2020.

The table below represents all the afore-mentioned benefits granted and received by Mr. Patrick Schmidt in 2020 relating to previous financial years.

All the afore-mentioned benefits granted under the 2016 LTIP and Legacy LTIP received by Mr. Patrick Schmidt during the reporting period are excluded from the Management Board Remuneration Mix for 2020 presented in the previous section *"Management Board Remuneration for Financial Year 2020"* as such benefits were granted in 2020 but were intended already prior to the IPO as reported in the Company's prospectus and 2019 Annual Report. Such grants are not recurring events and no further grants will be made under the 2016 LTIP and Legacy LTIP. If we include the benefits granted and received under the 2016 LTIP and Legacy LTIP during the reporting period, the remuneration mix for Mr. Patrick Schmidt will consist of 9% fixed remuneration and 91% variable remuneration.

Patrick Schmidt (Co-Chief Executive Officer)[1]
Year of Appointment to the Management Board: 2019

	Benefits Granted			Benefits Received	
In €	2020 (Min.)	2020 (Max.)	2019	2020	2019
Long-Term Incentive[2]	409,199	8,697,253	-	5,692,189	-
2016 LTIP	409,199	7,596,269	-	4,591,205	-
Synthetic Stock Options[3]	-	3,005,064	-	0	-
Cash Awards[4]	409,199	4,591,205	-	4,591,205	-
Legacy LTIP[5]	-	1,100,984	-	1,100,984	-
Total (Long-Term Incentive)	**409,199**	**8,697,253**	**-**	**5,692,189**	**-**

1 Mr. Patrick Schmidt was appointed as Co-CEO on the 01 February 2018.Prior to that, he held the role of CEO of THE ICONIC from 2013 until January 2018.

2 The numbers disclosed under the Long Term Incentive relate to the contribution of Mr. Patrick Schmidt to prior financial years but for which the grants and their receipt took place during the reporting period 2020.

3 The value of 2016 LTIP Synthetic Stock Options are based on the fair value determined at the grant date. The grant which was made during the reporting period relates in large part to previous financial years 2018 and 2019 and a small portion relates to 2020. Such grant brings the remuneration of Mr. Patrick Schmidt for such financial years in line with the one of Mr. Christoph Barchewitz who received a similar grant prior to the IPO. All synthetic stock options are fully vested at 31 December 2020.

4 This Cash Award was granted and received during the reporting period but relates entirely to the contribution of Mr. Patrick Schmidt to prior financial years 2015-2018 as Chief Executive Officer of THE ICONIC.

5 This Legacy LTIP award was granted and received during the reporting period but relates entirely to the contribution of Mr. Patrick Schmidt to prior financial years 2013-2015 as Chief Executive Officer of THE ICONIC. During the reporting period these vested award was liquidated in full by Mr. Patrick Schmidt following his participation in the pre-IPO Internal Liquidity Events.

1.7.2 Supervisory Board Remuneration for Financial Year 2020

The remuneration of the members of the Supervisory board is established by the Shareholders of the Company in accordance with its Articles of Association.

The remuneration of the Supervisory Board members was approved at the Annual General Assembly of Shareholders held on 26 June 2020, in which it was approved:

- that each member of the Supervisory Board shall receive an annual compensation of €35,000;
- the Chairman of the Supervisory Board shall receive an additional annual compensation of €45,000;
- the Vice Chairman of the Supervisory Board shall receive an additional annual compensation of €25,000;
- the Chair of the Audit Committee shall receive an additional annual compensation of € 40,000;
- the members of the Audit Committee shall receive an additional annual compensation of €10,000;
- the Chair of the Sustainability Committee shall receive an additional annual compensation of €35,000; and
- the members of the Sustainability Committee shall receive an annual compensation of €10,000.

The remuneration is payable in monthly installments through the reporting period. The table below sets out the total remuneration paid to each Supervisory Board member individually for the 2020 financial year.

Supervisory Board member individually for the Financial Year 2020

Board Member	Supervisory Board	Audit Committee	Sustainability Committee	Total Remuneration for Financial Year 2020
Cynthia Gordon	Chairman	-	Member	€90,000. Cynthia Gordon has waived her entitlement to remuneration for the reporting period. However, this waiver can be removed for future reporting periods.
Georgi Ganev	Vice Chairman	-	-	€60,000. Georgi Ganev has waived his entitlement to remuneration for the reporting period. However, this waiver can be removed for future reporting periods.
Alexis Babeau	Member	Chairman	-	€75,000
Victor Herrero	Member	Member	Chairman	€80,000
Carol Shen	Member	-	Member	€45,000
Laura Weil	Member	Member	-	€45,000

Additionally, GFG reimburses the Supervisory Board members their expenses related to their Supervisory Board mandate. GFG also provides directors and officers insurance coverage for the Supervisory Board members without any deductible payable by the Supervisory Board member.

1.8 FINANCIAL REPORTING

At the AGM on 26 June 2020, Ernst & Young ("EY") were re-elected as the independent auditor of the separate and consolidated financial statements. In preparation, Ernst & Young presented a statement of compliance with the relevant ethical requirements on independence and disclosed that there are no business, financial, personal or other relationships between the auditor, its governing bodies and audit managers, on the one hand, and the Company and its directors, on the other, which could give cause to doubt the auditor's independence.

GROUP MANAGEMENT REPORT

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GROUP MANAGEMENT REPORT

FUNDAMENTAL INFORMATION ABOUT THE GROUP

2.1 BUSINESS MODEL AND GROUP STRUCTURE

- Leading fashion and lifestyle destination in our 17 countries of operation.
- Global business with deep local roots.
- Connecting one billion potential consumers with thousands of global, local and own brands via four well established ecommerce platforms.

Business model

Global Fashion Group is the leading fashion and lifestyle destination across its 17 countries of operation and four main geographic regions: Latin America (LATAM), the Commonwealth of Independent States (CIS), South East Asia (SEA) and Australia and New Zealand (ANZ). As a global business with deep local roots in markets with diverse cultures and lifestyles, this diversity is at the heart of the customer proposition and gives real meaning to the Company's Purpose of 'True Self-Expression'. From its people to customers and partners, the Company exists to empower everyone to express their true selves. Covering the entire value chain of an online retailer, GFG provides customers with an inspiring and seamless shopping experience from discovery to delivery.

GFG connects a population of one billion potential consumers with thousands of global, local and own brands via four well-established ecommerce platforms, each operated under an individual brand name: Dafiti (in Brazil, Argentina, Chile and Colombia), Lamoda (in Russia, Belarus, Kazakhstan and Ukraine), ZALORA (in Singapore, Hong Kong, Indonesia, the Philippines, Malaysia, Taiwan and Brunei) and THE ICONIC (in Australia and New Zealand). In markets with low online penetration and high growth opportunities, GFG sets the benchmark in online fashion and lifestyle, with the Vision "To be the #1 destination for fashion & lifestyle in growth markets". The Group's deeply rooted local insights help to provide inspiring and seamless customer experiences and the Company is committed to doing this responsibly by being people and planet positive across everything it does.

The Group's customers are young, diverse, highly engaged and digitally native. They are predominantly female, and aged between 18 and 45 years. This customer segment demonstrates an openness to purchasing products online, their high level of engagement, their high rate of mobile adoption, and their expected brand loyalty as they mature and their purchasing power grows. With approximately 47 million social media followers across the top-five social media platforms in our markets, GFG's customers love interacting with its content and apps.

GFG offers customers an assortment that is both expansive and relevant, reflecting the scale and diversity of its markets. Covering all key fashion and lifestyle categories such as apparel, footwear, accessories, kids and sportswear, across a mix of thousands of global, local and own brands, tailored to meet the aesthetic, cultural, sizing and price preferences of its diverse customer base, the Group's assortment includes high-profile product lines

that are co-developed with celebrities and local influencers, and exclusive merchandise from some of the world's biggest fashion brands.

Products are sourced from brand partners via two business models: Retail, where the inventory of products sold to customers is owned by the Group, and Marketplace, where brand partners list their products on GFG's apps and websites. During FY20, Marketplace share grew by 10.3 percentage points, achieving a 31% share of NMV. As the only online fashion and lifestyle platform of scale across its markets, GFG facilitates market entry for these brands and helps them overcome the traditional challenges of customer acquisition, logistics, infrastructure, geography and regulatory processes. GFG assists its brand partners in developing their overall ecommerce capabilities by providing distinct Platform Services. These include: 'Operations by GFG' (fulfilment services for products that brands sell via Marketplace or on their own online channels), 'Marketing by GFG' (marketing services paid for by brands to promote their product) and 'Data by GFG' (data analytics with respect to customers, traffic and product).

The Group's operational infrastructure is fashion-specific, highly efficient and scaled for growth. GFG operates nine regional fulfilment centres with a total storage capacity of over 36 million items. Fulfilment practices are locally tailored to each market and include a mix of own and third-party last mile delivery, as well as local value-added services such as try-on in Russia. Payment options are also tailored to local customer preferences, with over 40 options available across GFG markets. Customer support is provided in house 24/7 in the majority of markets and in eleven different languages. This commitment to delivering an outstanding shopping experience to customers has yielded a consistently high net promoter score ("NPS") of around 80 over the last three years.

While the entire business is underpinned by technology, it is the highly diverse team of more than 13,700 people — with a passion for fashion and lifestyle and strong capabilities across all of the disciplines needed to execute the business model — with a unique combination of art and science that brings about GFG's compelling customer proposition.

GFG's data science teams are at the forefront of innovation, creating smart solutions from deep and relevant insights. The Group's technology teams then use these insights to build apps that leverage these insights to help improve decision-making across the business on a daily basis. Based on these foundations, GFG's buying and merchandising teams can plan, schedule and trade assortments to match consumer preferences and offer new impulses for style discovery. This proposition is then delivered to customers via apps that offer inspiration and style at your fingertips, through personalised browsing, engaging content and relevant product recommendation. Once an order is placed, flexible and fast end-to-end delivery solutions track it from the moment of purchase until arrival into the customer's hands, supported by 24/7 customer service teams.

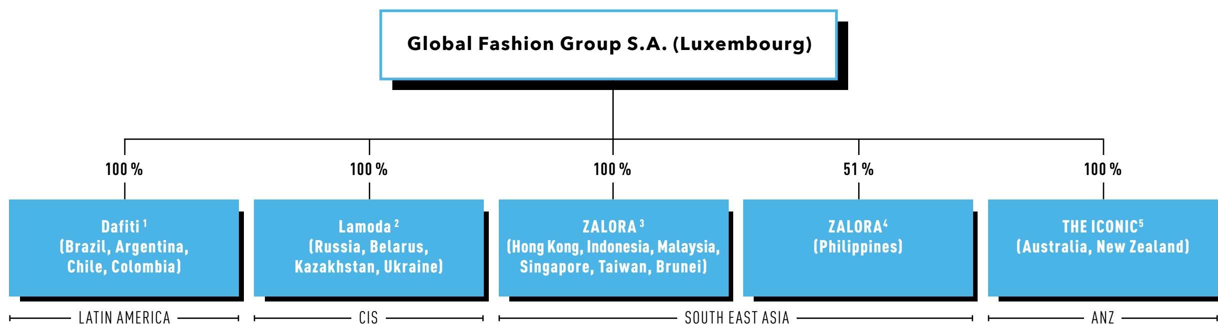
GFG's teams also combine strong global expertise with deep local know-how, with more than 99% of colleagues based in countries of operation.

Group structure

Global Fashion Group S.A. is a stock corporation (société anonyme) under the laws of the Grand Duchy of Luxembourg and registered in the Luxembourg Trade and Companies Register (RCS B 190.907). GFG is domiciled in Luxembourg with its registered office located at 5, Heienhaff L-1736 Senningerberg. Please refer to section 1.6 of the Group Annual Report for composition of subscribed capital and own shares and refer to section 1.7 for shares awarded to employees.

The Company is the parent company of the Group. The Group comprises all subsidiaries whose financial and business policies can be controlled by the Company, either directly or indirectly. The Group's business is conducted by the Company and its various subsidiaries.

As at 31 December 2020, 76 entities were consolidated in the consolidated financial statements of the Group. See note 7 in the notes to the consolidated financial statements for more information.



1 *Dafiti* operations are conducted by GFG Comercio Digital Ltda. in Brazil, BFOOT S.R.L. in Argentina, Bigfoot ChileSpA in Chile and Bigfoot Colombia SAS in Colombia.

2 *Lamoda* opertions are conducted by Kupishoes LLC in Russia, Belarus and Kazakhstan and Fashion Delivered LLC in Ukraine.

3 *ZALORA* operations are conducted by ZALORA (Hong Kong) Ltd. in Hong Kong, PT Fashion Eservices Indonesia in Indonesia, Jade E-Services Malanysia SDN BHD in Malaysia and Brunei and Jade E-Services Singapore Pte. Ltd. in Singapore and Taiwan.

4 *ZALORA* Philippines operations are conducted by BF Jade E-Services Philippines Inc.

5 *THE ICONIC* operations are conducted by Internet Services Australia 1 Pty Ltd. in Australia and New Zealand.

Business segments

The Group consists of four operating segments, which also comprise its reportable segments: LATAM, CIS, SEA and ANZ.

Management reporting was changed in Q2 2020 to include a more granular view of the previous APAC segment, and is now reported under two segments: SEA, representing the operating activities of the ZALORA business and ANZ, which represents the operating activities of THE ICONIC. The respective results for 2019 have been re-presented accordingly. Each operating business of the Group is the leading online fashion retailer in its respective region[1].

[1] Source: Euromonitor International

LATAM

GFG operates under the Dafiti brand, launched in 2011, in Brazil, Argentina, Chile and Colombia.

CIS

GFG operates under the Lamoda brand, launched in 2011, in Russia, Belarus, Kazakhstan and Ukraine.

SEA

GFG operates under the ZALORA brand, launched in 2012, in Singapore, Hong Kong, Indonesia, the Philippines, Malaysia, Taiwan and Brunei.

ANZ

GFG operates under THE ICONIC banner, which was launched in late 2011, in Australia and New Zealand.

2.2 CORPORATE STRATEGY AND TARGETS

Guided by its purpose of 'True Self-Expression' and vision of being the #1 fashion and lifestyle destination in its markets, GFG is the leading player in 17 high-growth markets, where fashion and lifestyle spending is expected to benefit from positive demographic changes and an accelerating shift from offline to online.

Our purpose is "True Self-Expression"

COVID-19 has had a significant impact on the global fashion and lifestyle sector. The latest data from Euromonitor indicates that in 2020 these 17 markets accounted for €251 billion of the global market for fashion and lifestyle (online and offline combined), down from €320 billion in 2019. Ecommerce has benefited from changes in customer behaviour with the online fashion and lifestyle market in GFG served regions growing over 40% in 2020 to €32 billion.

The Company's experience during 2020 demonstrates that the online fashion and lifestyle market provides the market leaders with significant competitive advantages.

GFG intends to leverage its market-leading positions, scale, local know-how and operational excellence through four strategic priorities:

1. Inspiring and seamless customer experience

Category expansion is a source of penetration upside

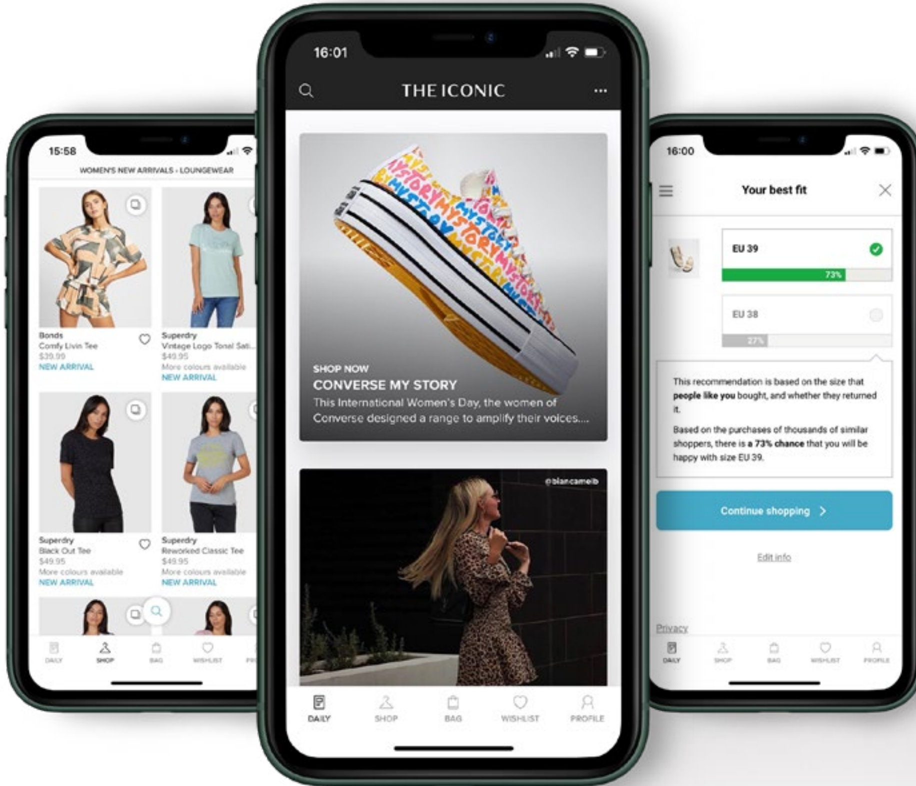
The primary driver for category expansion is an improvement in the customer experience, listening carefully to customers and expanding into categories that they indicate are in demand. In addition, GFG leverages its existing technology, fulfilment and customer service infrastructure to expand into adjacent product categories and segments, such as accessories, beauty, kids and home, where penetration remains significantly below that of apparel or footwear. The Group is also broadening its sportswear offering by adding additional merchandise to grow this rapidly evolving category.

Enhancing the customer experience by leveraging technology and innovation

GFG creates an inspiring and seamless shopping experience for its customers, offering an unparalleled, relevant and broad assortment across fashion and lifestyle categories. Based on its vast and rich data, the Group provides customers with a highly personalised and inspiring shopping experience. As more data is collected, products can be further tailored to optimise the assortment offered, including private label, and improve the personalisation, convenience and presentation of products.

The Group sees opportunities to improve customer convenience by enhancing its operational infrastructure. For example, in Brazil, most returns are currently handled by the local mail service, which requires customers to queue at a local post office to post the items to be returned. GFG believes that the lack of a more convenient return service negatively affects conversion rates. Accordingly, Dafiti is working with delivery partners to establish drop-off points that provide customers with a more convenient way of returning products.

GFG benefits from strong customer and brand partner flywheel effects. Its assortment and customer experience attract a growing number of new customers and has the opportunity to increase repeated orders by existing customers, which helps the Group benefit from economies of scale. In turn, it can make more investments into selection, which increases relevance with key brands. Increased relevance with brands enables the Group to include better products in its assortment and achieve higher margins. These effects are reinforced by the utilisation of technology and investments in data analytics.



GFG creates an inspiring and seamless shopping experience for its customers

2. Strategic partner of choice for brands

Partnership models enhance business scalability

For brand partners, GFG offers instant access to highly engaged audiences in large and growing fashion markets, along with flexible and tailored support in selling their products to customers. The Group purchases products from them in the anticipation they will enjoy strong demand across markets, but also give brands access to the GFG Marketplace, where they act as third-party sellers via GFG's apps and websites.

Third-party Marketplace sellers are supported with additional services, such as content production, warehousing, delivery and customer service. Marketplace allows GFG to provide a broader assortment of products, including new products with an unpredictable sell through rate. The Group earns commission, set as a percentage of the relevant sales price, which increases with the level of services provided. In 2020, the average Marketplace commission was 31% (2019: 32%).

As products sold through Marketplace are not purchased in advance, GFG incurs insignificant costs of sales and does not bear inventory risk. Depending on what services are provided to the respective brand e.g. warehousing and/or delivery, the Group may incur fulfilment expenses.

Reported revenue from the sale of products is significantly lower in Marketplace. Accordingly, shifts in the relative proportion of sales to Marketplace would lead to a decrease in revenue as a percentage of NMV, but an increase in gross margin. In order to eliminate the impact of shifts between Retail and Marketplace sales, the Group regards the development of NMV, which reflects the value of goods sold over its platform, as a key performance metric, irrespective of which model those sales came from.

3. Scalable operations and proprietary technology

Grow the Platform Services business

The Group leverages its infrastructure to support brands that sell products through their own websites but are unable to fulfil those customer orders, by providing ancillary services such as storage or delivery, or media solutions to market their brands, derived from the traffic coming to GFG's platforms. GFG intends to deepen the services offered, enabling stronger relationships with current brand partners and to attract new brand partners to join the GFG ecosystem. Increased participation of Platform Services allows the Group to better utilise its existing resources, and generate additional revenue without incurring significant additional expenses.

Potential to expand and adapt the Group's geographic footprint

Changes in the various regional markets in which the Group operates are closely monitored, as are geographic expansion opportunities, though they are not core to the Company's growth strategy. However, with operations built for scale and capable of expansion, entry into adjacent or nearby markets within an existing region could be a possibility at some point in the future.

Growth through technology

Advances in technology, including app innovation and proprietary machine-learning algorithms, drive continued growth by increasing efficiency and automation in digital marketing, product, shipping, pricing, catalogue, sorting and inventory reordering. Management believes that key trends in fashion ecommerce include warehouse automation, seamless partner integration, customer experience improvements and artificial-intelligence based optimisation. New technology will reduce friction and drive loyalty through improved size and fit guidance and will further facilitate shopping and delivery, thus enhancing operational efficiency.

Technology drives greater personalisation, more engaging customer front-ends, modular solutions for brands and efficient operations in the back-end. The Group's scalable, custom-built technology platforms are integrated across regional operations and reflect the global and local nature of GFG. A predominantly in-house technology platform was developed in a localised manner with technology stacks tailored to each major market. This enhances flexibility and enables the business to quickly respond to local expectations and regulatory requirements. A growing global toolkit of advanced centralised solutions, including our global Marketplace platform for brands (SellerCenter), pricing tools and business intelligence tools works with the Group's localised technology stacks.

Further enhance our financial profile

Over time, the Company intends to further improve its financial profile, including driving market share with a long-term target for organic annual NMV growth of 25% on a constant currency basis. The Group continues to increase the share of Marketplace to expand selection and reduce inventory risk, with an additional benefit of an increased gross margin. The Group also focuses on further improving unit economics, increasing customer loyalty and driving customer order frequency. Further drivers include operating leverage of administrative expenses, as well as investments into technology and fulfilment infrastructure to improve the customer experience and operating efficiency, improving the Company's profitability.

4. People and Planet Positive. Worldwide.

The implementation of the Group's People and Planet Positive commitments has remained a key priority during the year and in the GFG People & Planet Positive Report 2020, released alongside this report, the Group significantly steps up its transparency of its activities in this area.

The Group's ethical trade framework has continued to be implemented despite the physical limitations created by COVID-19, with supplier training on the Group's standards also continuing and the own-brand factory lists of each region now available online. Significant progress has been made across the Group on the transition to environmentally preferred packaging, mapping the Group's carbon footprint and increasing the volume of waste recycled. Own-brand ranges made of more sustainable materials are now available in SEA, complementing those already available in ANZ. A sustainable shopping edit, which curates products with a benefit to humans, animals or the environment when compared with conventional products, is now available in all regions and there has been a significant increase in the assortment available that meet these specific criteria. The Group formalises its Diversity, Inclusion and Belonging framework for the first time and releases associated targets. More information on GFG's commitments are reported separately in the Group's People & Planet Positive Report, which is published alongside this report and covers:

- Our approach to our People & Planet Positive agenda, including strategy and materiality;
- Our People, including diversity, inclusion and belonging and responsible workplace;
- Our Supply Chain, including Ethical Trade;
- Our Operations;
- Our Community; and
- Governance, Risk & Compliance.

OTHER NON-FINANCIAL INFORMATION

Other non-financial information, such as environmental, social, human rights and the fight against corruption, is also contained in the Group's People & Planet Positive Report which is available on our website.

2.3 INTERNAL MANAGEMENT SYSTEM

The Management Board is responsible for steering the Group both on a segmental level (i.e. LATAM, CIS, SEA and ANZ) and at a consolidated Group level.

The Group's key performance indicators include NMV, Revenue, Adjusted EBITDA and Capex along with the number of Active Customers, NMV per Active Customer, the number of Orders, Order Frequency and the Average Order Value.

2.4 EMPLOYEES

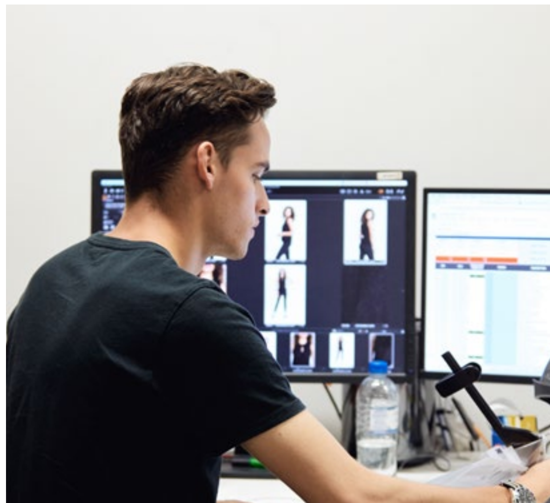
At the end of 2020, the GFG team consisted of 13,751 employees (2019: 12,828), representing a year-on-year increase of 7%. The average headcount increased to 13,291 employees, driven mainly by the development of warehouse, fulfilment and delivery capabilities across the Group.

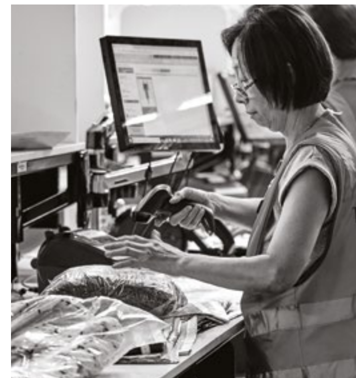
2.5 RESEARCH AND DEVELOPMENT

An experienced global team of more than 900 engineers, product managers and data scientists develop, operate and maintain a scalable, custom-built technology platform that is integrated across the operations within each region, and reflects both the global and local nature of the Group's business. Technology stacks are tailored to each major market, and provide substantial flexibility, enabling GFG to efficiently respond to local business expectations and regulatory requirements.

In order to continuously strengthen the team's presence in each region, a global technology talent pool is maintained.

An experienced global team of more than 900 engineers, product managers and data scientists develop, operate and maintain a scalable, custom-built technology platform.





REPORT ON ECONOMIC POSITION

2.6 MACROECONOMIC AND SECTOR-SPECIFIC ENVIRONMENT

GFG operates in the online fashion and lifestyle market in 17 countries. The Group's revenue and profitability depend on the conditions and outlook of these markets, including macroeconomic conditions, the overall fashion and lifestyle sector, and within this sector, development of the online channel.

The COVID-19 pandemic has had a significant impact on global activity. A notable effect to general economic activity during 2020 was a reduction in productivity as surviving businesses increased necessary workplace safety and hygiene practices. For economies that had less success in controlling the virus, strict lockdown measures imposed further strains on economic activity. The impact of government interventions affected macroeconomic conditions across our markets at different times and with different consequences throughout 2020. According to IMF estimates, real GDP experienced negative growth in all four of our geographic reporting segments. In Australia, Brazil and Russia, the largest countries by revenue in the Group, GDP contracted by 2.5%, 4.5% and 3.6% respectively[1] . The economic outlook for 2021 suggests multiple vaccine approvals and the launch of vaccination programmes in some countries will support a recovery, but this optimistic outlook has been softened by surges in virus cases, increased transmissibility from new strains and further national lockdowns in late 2020. Positive real GDP growth is expected for every country of operation in 2021.

Since GFG's operations are predominantly in countries outside of the eurozone, the majority of its revenues and costs are denominated in currencies other than the euro (EUR). GFG is therefore exposed to fluctuations in the values of these currencies relative to the euro. In 2020, GFG's largest net foreign currency exposures were to the United States dollar (USD), pound sterling (GBP), Russian ruble (RUB), Australian dollar (AUD) and the Brazilian real (BRL).

While GFG's reported revenues and NMV are impacted by changes in the value of foreign currencies relative to the euro, in 2020 more than 86% of our cash flows in our four operating segments were naturally hedged, as local currency revenues are typically matched against a local currency cost base.

Within GFG's footprint, online sales in the fashion and lifestyle sector are expected to outperform the overall sector, with an annual growth rate of 13% from 2020 to 2024. With a market volume of €32 billion in 2020, online sales comprised only 13% of total spend in the fashion and lifestyle sector. Given online penetration of the fashion and lifestyle sector was 31% in the US, 30% in China and 22% in Western Europe in 2020, we believe this indicates significant headroom to grow online penetration in our markets[2].

[1] Source: IMF World Economic Outlook Update, January 2021.

[2] Source: Euromonitor International.

The overall fashion and lifestyle sector in GFG's geographic footprint is expected to develop favourably with an estimated annual growth rate of 10% from 2020 to 2024. This growth rate is considerably higher than the annual growth rate forecast of 6% over the same period for developed markets such as the United States ("US") and Western Europe[3]. This growth rate differential is driven by the demographic trends in our regions, which include a relatively fast growing population and an expanding middle class with growing purchasing power.

GFG's markets are at an earlier stage in the structural shift of fashion and lifestyle spend from offline to online than either the US and Western Europe, and there are several factors in our markets that support this ongoing shift:

- A population that is on average younger than that in the US and Western Europe, and has favourable smartphone and online shopping habits;
- A significantly smaller bricks-and-mortar fashion retail offering in our markets;
- The demonstration that other verticals have already reached higher online penetration levels, with consumer electronics and appliances achieving good growth in their categories; and
- The ongoing dismantling of traditional barriers to ecommerce adoption such as: low consumer trust in online shopping, underdeveloped delivery infrastructure, and the lack of online presence by international brands.

Given GFG's early entry into its markets, it has the opportunity to be one of the major beneficiaries of these developments. GFG is the market leader in its sector and footprint, and will continue to focus on growth and gaining further market share.

[3] Source: Euromonitor International.

2.7 SIGNIFICANT EVENTS IN THE REPORTING PERIOD

While the Group was trading in line with management expectations until mid-March, results were negatively impacted across each of the regions at different times by the COVID-19 pandemic and currency headwinds. GFG then experienced a strong recovery in sales from late April, which was driven by strong performance in CIS and LATAM and increased Marketplace participation. Initially, ANZ saw soft trading but this recovered significantly over the balance of the year and ANZ delivered positive growth for FY20. GFG's major fulfilment centres in Australia, Malaysia, Brazil and Russia operated without interruptions. Only fulfilment centres in Argentina and the Philippines were temporarily closed, for around c.70 days in aggregate, resulting in a minor financial impact as order deliveries were delayed until the re-openings in late April.

A Year of operating in a world with COVID-19

The Group rapidly adapted by focussing on the health and safety of its employees and customers, working closely with brand partners to maximise the relevance of the assortment offered, pivoting toward "lockdown" categories, driving increased Marketplace adoption and accelerating customer acquisition, with 7.7 million new customers shopping on GFG platforms for the first time in 2020. As a result, Active Customers increased by c.50% more in 2020 than they did in 2019 to 16.3 million. Customers made 42 million orders, which were fulfilled under stringent health&safety measures often surpassing those imposed by local authorities.

There were no material rental concessions or lease modifications during the year and there was no significant increase in credit risk linked to trade receivables despite the backdrop of economic uncertainty in GFG markets.

On 18 November 2020, the Group increased its issued share capital, with 16.5 million new common shares being placed with institutional investors at a placement price of €7.30 per share.

The Group received net proceeds of €119.4 million from the share issue. The net proceeds are intended to be used to further accelerate the delivery of the Group's mid-term growth strategy by additional investments in its customer value proposition, technology platform, delivery infrastructure and for general corporate purposes.

2.8 FINANCIAL PERFORMANCE

The variance in revenue and margin over the course of the year reflects the seasonality of fashion sales and the variable impact of COVID-19 across the year. The Group's presence in the northern hemisphere (CIS), southern hemisphere (Australia, New Zealand and Brazil) and also countries that cross the equator including South East Asia and Colombia, smooth out the seasonal risks of being concentrated in one geography. New season collections drive most sales in the second and fourth quarters, with the first and third quarters focusing on end-of-season sales and stock clearance.

The Group's first full year of Adjusted EBITDA profit

The results for the year ended 31 December 2020 show continued strong revenue growth and the Group's first full year of Adjusted EBITDA profit. Please refer to section 4 for the Group consolidated financial statements.

Results of operations

In €m	For the year ended 31 Dec 2020	2019	% change
Revenue	1,359.7	1,346.0	1.0
Cost of sales	(773.5)	(806.2)	4.1
Gross profit	**586.2**	**539.8**	**8.6**
Selling and distribution expenses	(447.7)	(455.2)	1.6
Administrative expenses	(194.4)	(193.4)	(0.5)
Other operating income	7.2	15.1	
Other operating expenses	(14.4)	(27.5)	
Net impairment losses of financial assets	(1.7)	(3.9)	
Loss before interest and taxes	**(64.8)**	**(125.1)**	**48.2**
Result from investment in associate	(0.1)	3.2	
Finance income	2.1	18.5	
Finance costs	(46.3)	(14.7)	
Result from indexation of IAS 29 Hyperinflation	1.2	1.6	
Loss before tax	**(107.9)**	**(116.5)**	**7.4**
Income taxes	(4.5)	(28.1)	
Loss for the year	**(112.4)**	**(144.6)**	**22.3**

Adjusted EBITDA bridge

In €m	For the year ended 31 Dec 2020	2019	% change
Earnings before interest and taxes	(64.8)	(125.1)	48.2
Depreciation and amortisation[1]	66.3	61.6	
EBITDA	1.5	(63.5)	102.4
Share-based payment expenses	14.9	5.2	
One-off costs and income[2]	-	21.2	
Adjusted EBITDA	**16.4**	**(37.1)**	**144.2**

[1] Including depreciation on IFRS 16 right-of-use assets.

[2] One-off costs and income include costs relating to the IPO, historical tax adjustments, costs relating to the wind-down of Lost Ink Limited and non-trading income.

Key Group Figures

GFG's key performance indicators include NMV, Revenue, Adjusted EBITDA, Capex, along with the number of Active Customers, the NMV per Active Customer, number of Orders, Order Frequency and Average Order Value. See section 7.1 Financial Definitions for key performance indicator definitions.

Financial summary and key performance indicators

	For the year ended 31 Dec 2020	2019
Financial performance		
Revenue (€m)	1,359.7	1,346.0
Growth at constant currency (%)	*15.3%*	*17.2%*
Gross Profit (€m)	586.2	539.8
Loss before interest and taxes (EBIT) (€m)	(64.8)	(125.1)
Loss for the year (€m)	(112.4)	(144.6)
Adjusted EBITDA (€m)	16.4	(37.1)
Adjusted EBITDA (as % of revenue)	1.2%	(2.8%)
Capex (€m)	48.7	72.1
Financial position and cash flow		
Net working capital (€m)	(1.4)	(12.0)
Cash and cash equivalents (€m)	366.1	277.3
Pro-forma cash (€m)	372.4	300.8
Group KPIs		
NMV (€m)	1,958.2	1,777.8
Growth at constant currency (%)	*25.7%*	*23.0%*
Active Customers (in millions)	16.3	13.1
NMV/Active Customer (€)	120.3	136.1
Number of Orders (in millions)	42.0	34.6
Order Frequency	2.6	2.6
Average Order Value (€)	46.6	51.3

Growth of Revenue

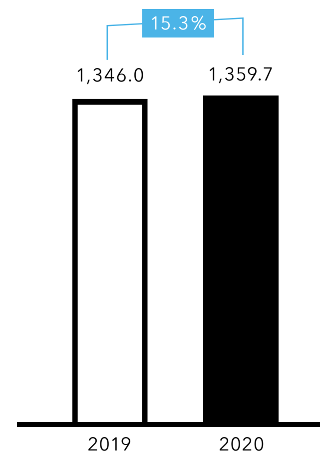
The strong growth in NMV delivered solid revenue growth. In 2020, revenue grew by 15.3% on a constant currency basis, increasing by €13.7 million to €1,359.7 million (2019: €1,346.0 million).

GFG continues to be at the forefront of defining what an inspiring customer experience looks like in its markets. In 2020, GFG's strategy of offering a broad assortment evolved with a significant increase in Marketplace participation, more exclusive global brand collaborations and continuing to offer customers increasing ways of shopping sustainability.

GFG benefited from lower return rates during the year as a result of lockdown measures introduced by governments across the markets in which GFG operates and as a result of a mix shift into categories less likely to be returned e.g., from occasion wear to sports and homewares. The approximate benefit to fulfillment costs from these lower return rates during the year was €5-6 million.

Technology innovations focused on app functionality continue to deliver new levels of customer engagement and strengthen GFG's app-first approach. Apps generated 59% of NMV in the year, up 8 percentage points compared to 2019.

Growth of revenue [1] (€m)



[1] Constant currency basis

Improvements to Adjusted EBITDA

While not statutory measures under IFRS, management considers Adjusted EBITDA and Adjusted EBITDA margin as key performance indicators to assess the underlying operating performance of the business. See the Financial Definitions in Section 7.1 for further details.

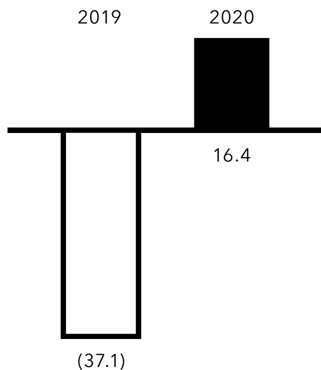
In 2020, the Group generated Adjusted EBITDA of €16.4 million (2019: €37.1 million loss). Adjusted EBITDA margin was 1.2% (2019: (2.8)%), as a result of increased Marketplace participation, a small improvement to the retail gross margin, sales to newly acquired customers, reduced marketing costs during the pandemic and further leverage of technology and administrative costs as the business continues to grow.

Adjusted EBITDA excludes an expense for share-based payments of €14.9 million (2019: €5.2 million). The increase in the share-based payment expense for the year relates to the awards being linked to the Group share price which improved by 340% over 2020.

Loss for the year

In 2020, loss for the year decreased by 22% to €112.4 million (2019: loss €144.6 million). Within loss for the year, finance costs were €46.3 million (2019: €14.7 million) driven mainly by foreign currency exchange losses of €31.9 million (2019: foreign currency exchange gain of €13.3 million). Losses before interest and taxes of €64.8 million improved by 48% compared to 2019.

Analysis of Adjusted EBITDA (€m)



Growth of NMV

In 2020, NMV grew by 25.7% on a constant currency basis, to €1,958.2 million (2019: €1,777.8 million).

The growth in NMV was as a result of an increase of 25% in Active Customers to 16.3 million, and NMV per Active Customer rising by 1% on a constant currency basis to €120, underpinned by our leading customer experience.

Customer orders were up by 21% to 42.0 million (2019: 34.6 million) in FY 2020, and on average customers purchased 2.6 times per year (2019: 2.6 times), a decrease of 3%.

Technology innovations focused on app functionality have delivered new levels of customer engagement and strengthened GFG's app-first approach. 59% of NMV in 2020 was generated through our apps (2019: 50%), an increase of 8 percentage points compared to last year.

Marketplace now 31% of NMV

Marketplace continues to show strong growth, and now represents 31% of NMV, an increase of 10 percentage points compared to last year.

2.8.1 Report by Segment

The Group is organised into four main business segments; LATAM (Dafiti), CIS (Lamoda), SEA (ZALORA) and ANZ (THE ICONIC). The column 'Other' includes headquarter and other business activities.

Segment Growth for the Year

NMV growth was strong across all regions. CIS and LATAM delivered strongest NMV growth of 32.3% and 30.9% respectively. SEA and ANZ delivered 27.0% and 4.8% growth on a constant currency basis.

The highest revenue growth was seen in SEA and LATAM, at 21.2% and 20.8%, respectively, on a constant currency basis. CIS and ANZ also delivered revenue growth of 17.4% and 0.5%, respectively. Revenue growth was lower than NMV growth for the year in all segments due to the acceleration of Marketplace participation, driven mainly by LATAM, CIS and ANZ.

CIS delivered the highest growth in gross margin, increasing 4.7 percentage points year-on-year, driven by a 4.1 percentage point improvement due to Marketplace share. LATAM gross margin increased by 3.2 percentage points also as a result of increased Marketplace participation, with retail margin neutral compared to last year. SEA gross margin improvement of 0.8 percentage point was split equally between Retail and Marketplace. ANZ gross margin improved by 1.3 percentage points with 0.8 percentage points due to increased Marketplace share.

Segment Results of the Group Year 2020

In €m	LATAM	CIS	SEA	ANZ	Total Fashion Business	Other	Reconciliation	Total
Revenue	372.7	453.3	274.9	259.2	1,360.1	23.3	(23.7)	1,359.7
Gross profit	164.7	213.2	88.8	121.2	587.9	21.9	(23.6)	586.2
% Margin	44.2	47.0	32.3	46.8				43.1
Net Merchandise Value	575.3	686.9	342.2	353.8	1,958.2			1,958.2

Segment Results of the Group Year 2019

In €m	LATAM	CIS	SEA	ANZ	Total Fashion Business	Other	Reconciliation	Total
Revenue	401.4	442.9	237.6	263.8	1,345.7	27.8	(27.5)	1,346.0
Gross profit	164.6	187.2	74.9	120.2	546.9	19.7	(26.8)	539.8
% Margin	41.0	42.3	31.5	45.5				40.1
Net Merchandise Value	557.8	598.7	276.3	345.1	1,777.8	-	-	1,777.8

2.8.2 Cash flows

The liquidity and cash position of the Group is presented in the following summary consolidated statement of cash flows:

In €m	For the year ended 31 Dec 2020	2019
Net cash generated from/ (used in) operating activities	**30.3**	**(68.9)**
Net cash (used in)/from investing activities	**(33.5)**	**63.5**
Net cash from financing activities	**106.5**	**169.5**
Change in cash and cash equivalents	103.3	164.1
Exchange-rate related and other changes in cash and cash equivalents	(14.5)	8.2
Cash and cash equivalents at the beginning of the year	277.3	105.0
Cash and cash equivalents at the end of the year	**366.1**	**277.3**

Cash flow benefit from first full year of EBITDA profitability

In 2020, GFG generated cash flow from operating activities of €30.3 million (2019: used €68.9 million). The improvement on cash used in operations was mainly driven by the cash benefit of the first full year of EBITDA profitability, movements in VAT and other tax receivables, deferred income and liabilities from store credit and the reduction of inventory intake, partially offset by changes in foreign currency exchange rates.

Net cash outflow from investing activities is due to the additions made during the year to property, plant and equipment and intangible assets, partially offset by movements in restricted cash. Similar investments In 2019 were partially offset by the net cash inflow from the disposal of the Middle East business. During the year, the Group acquired property, plant and equipment with a total cost of €28.9 million (2019: €45.8 million). These investments primarily relate to assets in the course of construction and office and IT equipment. The Group acquired intangible assets with a total cost of €20.6 million (2019: €20.9 million) of which €13.7 million (2019: €19.9 million) were internally developed intangible assets capitalised in accordance with the recognition criteria of IAS 38, Intangible Assets.

Net cash from financing activities relates primarily to inflows from the share placement in November of €119.4 million. This was partially offset by IFRS 16 lease payments of €22.5 million (2019: €20.5 million).

2.8.3 Financial position

The Group's financial position is shown in the following interim condensed consolidated statement of financial position.

Assets

In €m	For the year ended 31 Dec 2020	2019	Change
Non-current assets	468.5	552.3	(15.2)%
Current assets	704.6	652.2	8.0%
Total assets	**1,173.1**	**1,204.5**	**(2.6)%**

Equity and Liabilities

In €m	For the year ended 31 Dec 2020	2019	Change
Equity	619.4	649.5	(4.6)%
Non-current liabilities	104.8	98.9	6.0%
Current liabilities	448.9	456.1	(1.6)
Total equity and liabilities	**1,173.1**	**1,204.5**	**(2.6)%**

Total assets of the Group decreased by €31.4 million when compared with 31 December 2019, primarily due to unfavourable changes to foreign currency exchange rates. Right of use assets relating to leases entered into by the Group increased compared to the prior year due to lease additions across fulfillment centres, office space and pick-up points.

The net book value of right-of-use assets as at 31 December 2020 was €104.3 million (2019: €95.2 million). Total lease liabilities of €113.7 million (2019: €106.1 million), net of lease repayments and interest, are split between non-current and current lease liabilities on the consolidated statement of financial position.

In 2020, Capex additions were €48.7 million (2019: €72.1 million) and primarily related to the Group's continuous investment in its delivery and fulfilment infrastructure, assets in the course of construction, and office and IT equipment along with intangible assets.

Inventories decreased by €38.1 million to €195.9 million (2019: €234.0 million), €37.7 million of which relates to the devaluation of key trading currencies.

Pro-forma cash increased from €300.8 million to €372.4 million as a result of proceeds from the November capital raise. Net proceeds of €119.4 million were partially offset by capital expenditure and operational outflows during the year. Included within the year end pro-forma cash balance is €6.3 million (2019: €23.5 million) of restricted cash related to the Group's debt facilities. Equity decreased by €30.1 million, primarily as a result of losses incurred for 2020 and negative translation adjustments. This was partially offset by increased share premium following the capital raise in November.

Non-current liabilities increased to €104.8 million (2019: €98.9 million), €94.2 million (2019: €82.9 million) of which represents the non-current portion of lease contracts under IFRS 16, discounted to present value.

At 31 December 2020, current liabilities were €448.9 million (2019: €456.1 million), a decrease of €7.2 million. Trade payables and other financial liabilities decreased by €27.8 million, reflecting the impact of seasonality on the

Group's working capital, partially offset by an increase in non-financial liabilities of €18.9 million. The effect of foreign currency exchange rate changes on trade payables and other financial liabilities during the year was a decrease of €46.6 million.

2.9 COMPARISON OF ORIGINAL GROUP GUIDANCE AND ACTUAL 2020 FIGURES

2020 has been a strong year for the Group, as it has delivered on its market guidance for the year, which was upgraded twice, on all key performance metrics. The table below summarises the actual results versus guidance.

FY 2020

In €m	FY 2020	Guidance	
Revenue (€m)	1,359.7	€1.3bn	✓
NMV (€m)	1,958.2	Over €1.9bn	✓
Growth (%)	26%	Around 25%	✓
Adj. EBITDA (€m)	16.4	At least €10 million	✓
Adj. EBITDA margin (%)	1.2%		✓
Capex (€m)	48.7	Around €45 million	✓

2.10 OVERALL ASSESSMENT OF THE ECONOMIC POSITION BY THE MANAGEMENT BOARD

The Management Board is pleased with the positive business developments in the 2020 financial year, and the adaptability of our teams during the pandemic. The Group increased its Revenue and NMV in line with management guidance and the Group became profitable at an Adjusted EBITDA level for the first time on a full year basis.

2.11 REPORT ON POST BALANCE SHEET EVENTS

On 3 March 2021, Global Fashion Group S.A. launched an offering of approximately €375 million Convertible Bonds. The Convertible Bonds are expected to be issued by the Company on or around 15 March 2021, at 100% of their principal amount with a denomination of €100,000 each and will be redeemed at their principal amount on 15 March 2028, unless previously converted, redeemed or repurchased and cancelled. The bonds were successfully placed on 4 March 2021.

There are no other events subsequent to the year end that would require a disclosure in the consolidated financial statements.

REPORT ON RISKS AND OPPORTUNITIES

- GFG operates a risk management approach anchored to the ISO 31000 standard. Through this approach risks are identified, evaluated, treated and monitored in accordance with the Group's risk appetite and objectives.
- GFG has implemented a range of controls over financial reporting which are reviewed through an annual programme of self-assessment, with further independent validation conducted by the Internal Audit team.
- In addition to areas that present a risk to the Group achieving its objectives, GFG seeks to identify, through its risk management process, areas that may present business opportunities.

GFG acknowledges that risks are an ordinary and inherent part of conducting business and the realisation of shareholder value. GFG seeks to identify, understand and proactively manage risks in order to realise its business objectives and minimise volatility.

GFG recognises that risk management is an integral part of good corporate governance and business practice, and that it underpins good decision making, the efficient allocation of resources and ultimately the successful execution of its strategy.

Following the IPO in July 2019, GFG is currently rationalising and optimising its risk management approach. Periodic reviews of the Risk Management strategy are undertaken to ensure that the Management Board are comfortable that the approach continues to be in line with expectations.

2.12 RISK MANAGEMENT

GFG Risk Management Framework

GFG adopts the ISO 31000:2018 methodology for Enterprise Risk Management. This risk management system can be broadly characterised into three parts:

1. Principles of Risk Management;

2. Risk Management Framework; and

3. Risk Management Process.

1. Principles of Risk Management

The purpose of risk management is the creation and protection of value.

It improves performance, encourages innovation and supports the achievement of our objectives. This is the benchmark for risk management that GFG has set for itself and will be referred back to at every step of the process.

GFG's risk management principles align with this benchmark and provide guidance on the characteristics of effective and efficient risk management, communicating its value and explaining its intention and purpose across the Group.

At their essence the principles allow GFG to manage the effect of uncertainty on its objectives.

2. Risk Management Framework

The purpose of the framework is to assist GFG in integrating risk management into its significant activities and functions.

The components of the framework and the way in which they interact are customised to the needs of the Group and driven to success through leadership and commitment. This can take many forms but is best described as a dedication to implementing all components of the framework supported by the provision of adequate resources.

The framework emphasises that risk management is a core responsibility and articulates a PDCA risk management cycle:

P – Plan (Design)

D – Do (Implement)

C - Check (Evaluate)

A - Act (Improve/Integrate)

This establishes a simple but effective motion for risk management that emphasises its on-going nature and the need for continuous adaptation and improvement.

3. Risk Management Process

The risk management process involves the systematic application of the risk management approach i.e. identifying, analysing, evaluating, treating, monitoring and recording risk. This is completed annually.

Risk Identification

In order to identify risks and opportunities, a range of techniques are employed to uncover uncertainties that may affect one or more objectives. These include, but are not limited to threats & opportunities, changes in internal or external context, indicators of emerging risks, limitations and biases.

When identifying risk, GFG looks at the cause, risk and consequence in order to form a complete understanding of the nature of risk before factoring in any control measures that may already be in place. In this way the identification phase provides a holistic view on each and every risk.

Risk Analysis

Once identified, risks are then analysed to provide a meaningful comprehension of the nature and characteristics of said risks, including an analysis of the level of risk. This is achieved by plotting each risk on a matrix applied consistently across the Group.

Risk Evaluation

Following prudent analysis, risks are then evaluated in order to support decision making with regard to any actions that need to be taken. Evaluation will identify what actions are required, if any, and initiate the formulation of a treatment plan.

Risk Treatment

Risk treatment follows an iterative process described below:

- Selecting adequate risk treatment options
- Implementing risk treatment
- Assessing the effectiveness of risk treatment
- Adjusting risk treatment, as required

Selecting the most appropriate risk treatment option(s) is achieved by balancing the benefit of the treatment against the cost and effort of implementation whilst maintaining line of sight to the Group's objectives.

Risk Monitoring & Recording

The risk management process is underpinned by monitoring and reporting, which ensures adequate oversight, transparency and the provision of best available information in the decision making process.

It is for these reasons that GFG is committed to monitoring and recording its risk management activities at every level of the Group.

GFG employs a risk management platform in which all risks, risk sponsors, risk owners and treatments are recorded and tracked. This ensures operational efficiency while also allowing for the measurement and review of progress against objectives.

The Group adopts a GRC (Governance, Risk & Compliance) committee structure both regionally and centrally, which oversees the risk management process and its outputs while also driving reporting upstream and downstream. These committees meet quarterly at a minimum, are chaired by the relevant CEO and assume responsibility for the output of the risk reviews.

This structure is further supported by the Group's Internal Audit function, which provides independent, objective assurance over the approach to and outputs of the risk management process. This additional layer of control ensures GFG is engaged in a cycle of continuous improvement and alleviates its biases and subjectivities from its risk management practices.

2.13 RISKS AND OPPORTUNITIES REPORT

GFG is committed to the management of material risks. This section outlines the principal uncertainties identified through the most recent risk review process in 2020. These are not set out in any particular order and GFG recognises that risks can and will evolve over time.

Strategic and external risks

Country risk: Geopolitical and Macro-economic

The Group's businesses are concentrated across several emerging markets, that GFG considers as having the greatest potential for growth in fashion ecommerce. With this comes exposure to a certain degree of country risk, as each territory has its own unique geo-political, socio-economic, and legislative/regulatory environment.

Key mitigating activities/ initiatives

- Continuous monitoring of the geo-political, socio-economic, and regulatory regimes within each territory
- Proactive engagement with thought leaders, industry peers, legal and regulatory authorities and other relevant bodies
- Remaining abreast of and having a voice in material developments impacting in country operations

Competition

The fashion ecommerce industry is characterised by intense competition, and GFG's regions face increasing competitive pressure from local and established global online players.

Key mitigating activities/ initiatives

- Continuous assessment and evaluation of the competitive environment, remaining abreast of competitor performance and aspirations
- Continued focus on protecting the current position and unique selling points of the regional businesses
- Pooling of experience and sharing of best practice across the Group
- Building and developing strong long-term relationships with brands and partners to unlock strong commercial exchange

Operational risks

Health, Safety and Wellbeing	Operating in diverse and geographically dispersed locations, GFG recognises and prioritises the health, safety and wellbeing of all its people in fulfilling their duties, particularly those operating in our fulfilment and delivery operations. **Key mitigating activities/ initiatives** • Governance and reporting of health & safety matters with clear leadership accountabilities • Investment in health & safety capability in local operations to provide practical and applicable procedure and policy • Networked global response team to the COVID-19 pandemic with policies, tools and resources • Establishment of wellbeing initiatives and safe working from home procedures
Major disruption to critical infrastructure	There is a risk of interruption to one or more business processes due to disruption to a fulfilment center or critical technology infrastructure which impacts operational performance. **Key mitigating activities/ initiatives** • Cloud infrastructure to minimise risk and impact of outages • Development of business continuity and crisis management plans, stress and scenario testing and periodic review of exposures and controls at critical sites • Risk transfer via insurance programmes
Cyber and information security	Cyber and information security risk continues to be an increasingly ubiquitous risk. GFG relies on leveraging its customer data to better understand and serve its customers. Cyber security attacks are increasing in both number and sophistication. GFG intends to develop its defence mechanisms to reflect this. **Key mitigating activities/ initiatives** • GFG's operating regions run systems and applications on physically segmented infrastructure with role-based access control and region-level isolation, providing natural risk isolation should there be a breach in one system • Investment in information security systems, capability and resources • Continual improvement with respect to security practices and policies • Periodic penetration testing to identify strengths and weaknesses

Social & Environmental Sustainability	GFG develops and manufactures products for its private label brands in a number of emerging markets where there is a risk that social and environmental conditions in the factories, mills or farms in our supply chain do not align with GFG's ethical trade standards. Specific risks include modern slavery, inadequate health and building safety standards, high levels of overtime and non-payment of wages and benefits. There is also the risk that the development of the materials which make up our private label products have a negative impact on the environment in terms of water and energy usage, carbon emissions and chemical run off. Third party brands carried on GFG's platforms may have similar risks present in their supply chain of which GFG has lower visibility. Finally, a transparent ethical and sustainable supply chain is a positive differentiator in the market, and aligns to the values and expectations of our customers and employees. In some markets, a proportion of our workforce is sourced via third-party labour agencies who are responsible for the ongoing management of the terms and conditions of employment. Hence there is a risk that these agencies do not meet GFG Group standards in terms of the treatment of workers. Specific risks noted in relation to agency workers include non-payment of wages and benefits, retention of passports, payment of recruitment fees and poor accommodation standards. Lastly, environmental risks exist in GFG's own operations, including a risk that they breach environmental regulations. The increasing impact of climate volatility and rising frequency and severity of extreme weather events, such as floods, hurricanes or fires, may pose a risk to our operations or that of our suppliers and therefore have an impact on business continuity. In the long term, the broader impacts of climate change may impact the cost and accessibility of materials used to manufacture products or other resources needed to operate GFG's business. **Key mitigating activities/ initiatives** • Comprehensive GFG Corporate Sustainability governance and standards by the GFG Supervisory Board Sustainability Committee and quarterly reporting to this forum on performance • Clear management accountability and responsibility for implementation of the group sustainability strategy and appropriate resourcing of these programmes in each operating market • Rigorous ethical trade standards in place for the private label supply chain, including auditing of all factories and adopting improvement plans or termination where applicable; standards reviewed and updated on an annual basis • Assessments of third party brand performance on sustainability and ESG and engagement with poorer performers to address gaps identified • Audits of third party labour agencies routinely carried out, adopting improvement plans or termination where applicable; standards reviewed and updated on an annual basis • Comprehensive environmental management programmes, which measure and mitigate GFG's impacts, and transition of operations, private label products and packaging to have a lower environmental footprint The full and extensive list of work carried out in this space is captured in the GFG Sustainability Report released in parallel with this report.

Financial risks

Budget and planning	The fashion ecommerce business in the developing markets in which GFG operates is highly volatile and subject to influence by a variety of variables and external factors. As such, business performance can be challenging to anticipate and accurately budget for. GFG recognises that a budget and forecast must continually evolve with the business. **Mitigating activities/ initiatives** • Strong budgeting disciplines and continuous process improvement • Robust control framework and recourse mechanisms • Focus on monitoring of key budget inputs and establishing output KPIs coupled with periodic review of performance
Funding and liquidity	The Group has historically been in a loss making position and as such has had to inject capital at regular intervals into the regional businesses. The Group successfully raised €120 million in additional capital through a share placement in November 2020 and continues to work towards becoming cash flow neutral. **Mitigating activities/ initiatives** • Close monitoring of the utilisation of cash and cash forecasts as part of the financial management reporting process • Secure project based financing for major capital expenditure • Execute local working capital facilities to manage local cash and forex • Focus on strong cost controls, to improve operating cash position

Compliance and Regulatory risks

Compliance with laws, regulations, and standards	As a Group that operates across twenty countries, each with a unique regulatory and legislative regime, GFG is continually subject to the risk of non-compliance with local laws and regulations. In addition, many of our territories have legislative systems which are at varying levels of maturity. **Mitigating activities/ initiatives** • Investment in legal and compliance capability in each region, with monitoring via Regional and Group GRC Committees and centralised Global Legal and GRC Function • Periodic in-depth review of material compliance obligations • Continuous review of changes to international and domestic legislation and assessment of the impact on the Group's business model

Management is satisfied that no risk, individual or collective, is currently considered to threaten the Group or Company as a going concern. Management believes that it has taken all necessary precautions to address existing risks and reduce their possible impact. Management have not identified any material uncertainties that cast a significant doubt on the Group's or Company's ability to continue as a going concern over a period of at least 12 months.

Opportunities

While GFG faces several risks, there are also many opportunities for the Group. The primary opportunities identified are:

Macroeconomic developments: Management believe that growth opportunities in GFG's markets will be driven by several macroeconomic, demographic and operational tailwinds that will increase customer's online purchasing for fashion and lifestyle, including urbanisation, growing disposable incomes, increasing customer engagement with mobile and other digital devices, and improved last-mile delivery capabilities. These tailwinds increase both the demand for fashion and lifestyle products, and grow the share of ecommerce within this sector.

Moreover, the prevalence of COVID-19 has seen a shift in consumer spend from offline to online. As a pure play ecommerce business, GFG is well positioned to benefit from this pattern of activity.

Category and segment expansion: Significant scope exists for GFG to continue rolling out all fashion and lifestyle categories across its regions and grow its market share. Adding relevant brands and growing assortment width is expected to increase NMV/Active Customer as GFG becomes a one-stop destination for fashion and lifestyle. Additionally, GFG has the opportunity to expand its coverage across price levels and other market-specific white spots.

Furthermore, changes in customer purchasing behaviour in light of shifting priorities and necessities, as influenced by responses to COVID-19, have been internalised to ensure categories remain relevant and reflect emerging customer wants and needs. This has seen an acceleration of expansion into categories such as home, kids and beauty.

Technology: Further innovation in technology will enable GFG to create an even more engaging shopping experience. Data analytics can be used to create an assortment catalogue that is increasingly curated and personalised for each customer. A localised approach to front-end technology, which allows us to be closer to the customer, creates an effective environment for innovation to be developed locally and then shared across the Group, once proven and successful. There are also opportunities for GFG to further centralise certain tools or platforms, thereby simplifying the IT landscape and reducing maintenance and costs, although over dependence is acknowledged as an associated risk.

Geographic expansion: GFG's platforms have been built for scale and could support a potential expansion into new markets. In particular, there are opportunities for GFG to expand into countries that are adjacent to its existing footprint in SEA and LATAM. Any potential geographic expansion would be focused on markets that offer similar growth opportunities to GFG's existing regions. These include markets that are relatively nascent in terms of ecommerce penetration, that offer an early mover advantage, have sizable populations with attractive demographics and that could be served by GFG's existing operating infrastructure.

2.14 REPORT ON EXPECTED DEVELOPMENTS AND OUTLOOK

In 2021, GFG aims to grow NMV by over 25 per cent, delivering between €2.3-2.4 billion in NMV and in the region of €1.5 billion revenue at 31 December 2020 exchange rates.

GFG also plans to make a modest improvement on profitability in 2021. Capex investment will be in the region of €60 million.

Luxembourg, 28 February 2021

On behalf of the Supervisory Board

Cynthia Gordon

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3. INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Global Fashion Group S.A.
5, Heienhaff
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Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Global Fashion Group S.A. and its subsidiaries (the "Group" or "GFG") from section 4.1 to section 5, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the EU Regulation N° 537/2014, the Law of 23 July 2016 and ISAs are further described in the "Responsibilities of the "réviseur d'entreprises agréé" for the audit of the consolidated financial statements" section of our report. We are also independent of the Group in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Revenue recognition and returns allowances

Risk Identified
The Group's revenue is mainly generated from retail sales of fashion products to direct customers through GFG's applications and websites. For retail sales, revenue corresponds to the amount of the consideration GFG expects to receive as exchange for transferring the promised goods or services net of sales deductions including returns, taxes and duties. Historical rejections and returns rates are used to anticipate future rejections and returns in order to deduct such anticipated returns from revenue leading to net revenue. The customers have the option to return merchandise free of charge within the revocation period granted in the various countries in which GFG operates.

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GFG's management estimates expected returns based on assumptions and judgments in particular based on customer demographics by country, timing and method of payments, product category and service level, taking into consideration the seasonal effects and historical trend.

Due to the high transaction volume of the sales of merchandise, the generally possible risk of fictitious revenue and the uncertain estimate of expected returns, we consider the occurrence and measurement of revenue from the delivery of merchandise to be a key audit matter.

Our answer
Our audit procedures over revenue and related returns allowances included, among others:

- We documented our understanding of the revenue recognition process, performed walkthroughs over each class of revenue transactions and evaluated the design and implementation of the related controls. We have further proceeded to test the operating effectiveness of the controls where it was concluded that the related controls are adequately designed and implemented.

- We understood and assessed IT controls in place for the systems in scope, assisted by our information technology specialists. We tested the operating effectiveness of controls around management of access rights, and evaluated respective ISAE reports from the respective service providers. The aggregate IT conclusion was such that evaluated systems support revenue recognition process.

- We tested the end-to-end reconciliation from the e-commerce platform to the general ledger.

- We reviewed the appropriateness and proper accounting treatment of revenue recognition in accordance with IFRS 15.

- We tested on a sample basis the credit notes issued during the year, in addition to these issued subsequent to year end and validated that the reversal of revenue is appropriate and supported by adequate evidence.

- We performed sales cut off testing and checked that the revenue is recognised when goods have been delivered to customers.

- We read the terms of coupons issued and discounts allowed and we tested the allocation of cash received from the customers between the fair value of goods sold and coupons.

- We tested the arithmetical accuracy of the computation of the provision on sales returns.

- We tested the reasonableness of the assumptions of the provision on sales returns based on historical fact patterns and trends in each of the significant locations.

- We tested the accuracy of customer bill generation on a sample basis and tested a sample of the credits and discounts applied to customer bills.

- We traced cash receipts for a sample of customers back to the customer invoices and to the general ledger to cover the completeness assertion over the revenue and related returns.

- We vouched from general ledger a sample of transactions to the related customer invoices and delivery slips in order to cover the existence assertion over revenue and related returns.

- We performed correlation testing and we obtained audit supporting evidence (delivery slips, invoices, payment receipts) for a test of sales based on mathematical statistical assumptions regarding the existence of revenue.

- We performed substantive analytical procedures on revenue based on our industry knowledge, forming an expectation of revenue based on key performance indicators.

- We assessed the adequacy of the provision for impairment of trade receivables, including the reasonableness of the methodology used to compute the provision, and analyzing individual significant long outstanding balances.

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- We assessed the adequacy of the Group's disclosures in respect of the accounting policies on revenue recognition, revenue and receivables disclosures as disclosed in Note 3 and Note 25 to the consolidated financial statements.

2. Inventories and inventory allowances

Risk Identified

The merchandise inventory of GFG is continuously subject to risks associated with existing and potential future excess stocks, which are sold with high discounts through distance retail or are disposed of outside of distance retail. Write downs on estimated future excess stocks as well as existing excess stocks are calculated at the end of the reporting period and recognised in the consolidated financial statements.

Significant judgement is required in assessing the appropriate level of the provision for slow moving and/or obsolete inventory. Such judgements include management's expectations of forecast inventory demand, supply chain, fulfilment, plans to dispose of inventories at a lower cost. As a result, we consider the measurement of inventories and inventory allowances to be a key audit matter.

Our answer

Our audit procedures over inventories and inventory allowances included, amongst others:

- We assessed the compliance of GFG's accounting policies in relation to inventory and inventory allowances with International Financial Reporting Standards as adopted by the EU.

- We observed physical inventory counts at major locations to ascertain the condition of inventory and performed testing on a sample of items to assess the cost basis and net realisable value of inventory.

- We checked the clerical accuracy of the computation and the reasonableness of the assumptions of provision for slow moving and obsolete inventories as at 31 December 2020.

- We have also read inventory management report to identify slow moving or obsolete inventories.

- We obtained a detailed analysis by category of inventory provision and checked its reasonableness based on past historical experience and data.

- Within the scope of the inventory valuation, GFG's management considers the expected sell through of merchandise for various sales channels and seasons. We compared the timing of the sell through using past data with actual sales and examined any significant deviations or irregularities in detail.

- We assessed the adequacy of the Group's disclosures in respect of the accounting policies on inventories and the inventory allowances in Note 3 and Note 16 to the consolidated financial statements.

3. Non identification of impairment on Goodwill and other intangible assets

Risk Identified

GFG accounted for a material amount of goodwill generated from business combinations on its statement of financial position. Goodwill is carried at cost less accumulated impairment losses, if any and is allocated to cash-generating units (CGUs). In addition, GFG accounted for a material amount of intangible assets consisting of trademarks and customer relationships arising from business combinations.

As of 31 December 2020, goodwill amounts to €147.6 million and intangible assets to €120.3 million.

These amounts are material to the consolidated financial statements. In addition, the impairment assessment process includes significant judgements and is based on assumptions derived from the Group's business plan which are affected by expected future market or economic conditions. As a result, we consider the measurement of goodwill and intangibles assets to be a key audit matter.

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Our answer
Our audit procedures over non-identification of impairment on Goodwill and other intangible assets included, amongst others:

- We assessed the Group's determination of CGUs based on our understanding of the nature of the Group and its operations, and assessed whether this was consistent with the internal reporting of the business.
- We assessed the historical accuracy of management's estimates and budget.
- We assessed the reasonableness of the cash flow forecasts from the business plan, taking into account our knowledge of the business and relevant external information.
- We involved our valuation experts to assist us with our assessment of the WACC, expected inflation rates and terminal growth rates and the appropriateness of the model used.
- We recomputed the value in use of each CGU prepared by Management and compared with the carrying value in order to determine whether an impairment exists. When applicable we tested the clerical accuracy of the computation of the impairment.
- We assessed the Group's sensitivity analysis on the CGUs in two main areas being the discount rate and growth rate assumptions.
- We assessed the adequacy of the Group's disclosures in respect of the accounting policies on goodwill and intangible assets in Note 3 and Note 14 to the consolidated financial statements.

4. Recognition of direct and indirect tax contingencies and tax positions

Risk Identified
Income and indirect tax positions were significant to our audit because the assessment process is complex and involves a high degree of judgment and the amounts involved are material to the consolidated financial statements as a whole. Legislators and tax authorities may change territoriality rules or their interpretation for the application of value-added tax ("VAT") or similar indirect taxes on transactions, which may lead to significant additional payments for past and future periods. In addition, court decisions are sometimes ignored by competent tax authorities or overruled by higher courts, which could lead to higher legal and tax advisory costs and create significant uncertainty.

Moreover, the nature of the Group's business model, involving delivering goods and services to customers in territories where the Group may have limited physical presence, could lead to tax authorities challenging the allocation of taxable income resulting in a higher tax burden for the Group.

Management exercises judgment in assessing the level of provision required for both indirect and income taxation when such taxes are based on the interpretation of complex tax laws. The future actual outcome of the decisions concerning these tax exposures may result in materially higher or lower amounts than the amounts included in the accompanying Consolidated Financial Statements.

Our answer
Our audit procedures over recognition of direct and indirect tax contingencies and tax positions included, amongst others:

- We assessed the appropriateness of management's assumptions and estimates in relation to uncertain tax positions, and we considered the advice received by management from external parties to support their position. We have involved our tax specialists, where

relevant, to consider management's assessment of the tax positions and related provision/liability accruals when necessary.

- We further assessed the recoverability of indirect tax receivables and the completeness of indirect tax payables in light of current laws and regulations and their related interpretations.

- We also assessed the adequacy of the Group's disclosures in respect of the Tax contingencies and Tax positions as set out in Notes 30 and 31 of the accompanying Consolidated Financial Statements.

Other information

The Supervisory Board is responsible for the other information. The other information comprises the information included in the consolidated management report on section 2 and the corporate governance statement on section 1.3 to section 1.8 but does not include the consolidated financial statements and our report of "réviseur d'entreprises agréé" thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Supervisory Board and those charged with governance for the consolidated financial statements

The Supervisory Board is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS as adopted by the European Union, and for such internal control as the Supervisory Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Supervisory Board is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Supervisory Board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for presenting and marking up the consolidated financial statements in compliance with the requirements set out in the Delegated Regulation 2019/815 on European Single Electronic Format ("ESEF Regulation").

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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Responsibilities of the "réviseur d'entreprises agréé" for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with the ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. 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 consolidated financial statements.

As part of an audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.

- Obtain 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Supervisory Board.

- Conclude on the appropriateness of Supervisory Board'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the consolidated 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 report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate

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to 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 those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Our responsibility is to assess whether the consolidated financial statements have been prepared in all material respects with the requirements laid down in the ESEF Regulation.

Report on other legal and regulatory requirements

We have been appointed as "réviseur d'entreprises agréé" by the General Meeting of the Shareholders on 26 June 2020 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 7 years.

The consolidated management report on section 2 is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements. The accompanying corporate governance statement on section 1.3 to section 1.8 is the responsibility of the Supervisory Board. The information required by article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

We confirm that the prohibited non-audit services referred to in EU Regulation No 537/2014 were not provided and that we remained independent of the Group in conducting the audit.

We have checked the compliance of the consolidated financial statements of the Group as at 31 December 2020 with relevant statutory requirements set out in the ESEF Regulation that are applicable to financial statements. For the Group it relates to:

- Financial statements prepared in a valid xHTML format;
- The XBRL markup of the consolidated financial statements using the core taxonomy and the common rules on markups specified in the ESEF Regulation.

In our opinion, the consolidated financial statements of Global Fashion Group S.A. as at 31 December 2020, identified as "annual report", have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation."

Other matter

The corporate governance statement includes, when applicable, the information required by article 68ter paragraph (1) points a), b), e), f) and g) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Olivier Lemaire

Luxembourg, 11 March 2021

POLO SPORT
12 M. YACHT

CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

In €m	Note	2020	2019
Revenue	25	1,359.7	1,346.0
Cost of sales		(773.5)	(806.2)
Gross profit		**586.2**	**539.8**
Operating (expenses)/income			
Selling and distribution expenses	26,27	(447.7)	(455.2)
Administrative expenses	26,27	(194.4)	(193.4)
Other operating income	28	7.2	15.1
Other operating expenses	28	(14.4)	(27.5)
Net impairment losses on financial assets[1]		(1.7)	(3.9)
Loss before interest and tax (EBIT)[2]		**(64.8)**	**(125.1)**
Result from investment in associates	9	(0.1)	3.2
Finance Income	29	2.1	18.5
Finance Costs	29	(46.3)	(14.7)
Result from indexation of IAS 29 Hyperinflation	34	1.2	1.6
Loss before tax		**(107.9)**	**(116.5)**
Income taxes	30	(4.5)	(28.1)
Loss for the year		**(112.4)**	**(144.6)**
Loss for the year attributable to:			
Equity holders of the parent		(107.2)	(137.0)
Non-controlling interests		(5.2)	(7.6)
Loss for the year		**(112.4)**	**(144.6)**
Loss per share (€)			
Basic and diluted, loss for the year attributable to ordinary equity holders of the parent (€)	11	(0.5)	(1.0)

1 Net impairment losses of financial assets are calculated by considering expected credit losses of financial assets and include write-offs, additions to provisions, usage of provisions and income from the reversal of provisions.

2 EBIT is calculated as loss for the year before income taxes, finance income, finance costs, result from indexation of IAS29 hyperinflation as well as before results from investment in associates.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

In €m	2020	2019
Loss for the year	**(112.4)**	**(144.6)**
Other comprehensive loss		
Item that will be subsequently reclassified to profit or loss		
Exchange differences on translation to presentation currency net of tax	(51.8)	(2.9)
Net other comprehensive (loss)/income for the year, net of tax	(51.8)	(2.9)
Total comprehensive loss for the year, net of tax	(164.2)	(147.5)
Total comprehensive loss for the year attributable to:		
Equity holders of the parent	(156.4)	(139.2)
Non-controlling interests	(7.8)	(8.3)
Total	**(164.2)**	**(147.5)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

ASSETS

In €m	Note	31 Dec 2020	31 Dec 2019
Non-current assets			
Property, Plant and Equipment	12	89.1	106.7
Right of Use Asset	13	104.3	95.2
Goodwill	14	147.6	184.4
Other Intangible Assets	14	120.3	141.2
Investments in associates	9	-	0.1
Other financial assets	17	6.6	24.1
Income tax receivables		0.3	0.2
Other non-financial assets	15	0.3	0.4
Total non-current assets		**468.5**	**552.3**
Current assets			
Inventories	16	195.9	234.0
Trade and other receivables	17	80.2	52.1
Other financial assets	17	19.5	16.7
Income tax receivables		3.1	2.2
Other non-financial assets	15	39.8	69.9
Cash and cash equivalents	18	366.1	277.3
Total current assets		**704.6**	**652.2**
Total assets		**1,173.1**	**1,204.5**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2020 (continued)

EQUITY AND LIABILITIES

In €m	Note	31 Dec 2020	31 Dec 2019
Equity			
Common share capital	19	2.1	2.1
Share premium	19	303.6	184.4
Treasury shares	19	(7.5)	(7.7)
Capital reserves	19	2,102.2	2,102.2
Other reserves		0.3	0.3
Share-based payment reserves	19,20	128.3	117.1
Accumulated Deficit		(1,822.9)	(1,715.4)
Foreign currency translation reserve		(90.9)	(41.7)
Equity attributable to holders of the parent		615.2	641.3
Non-controlling interests	19	4.2	8.2
Total equity		**619.4**	**649.5**
Non-current liabilities			
Lease liabilities	13	94.2	82.9
Provisions	22	2.5	3.4
Deferred tax liabilities	30	7.5	12.2
Non-financial liabilities	24	0.6	0.4
Total non-current liabilities		104.8	98.9
Current liabilities			
Borrowings	21	10.2	5.4
Lease liabilities	13	19.5	23.2
Trade payables and other financial liabilities	23	283.8	311.6
Provisions	22	22.9	24.3
Income tax liabilities	24, 30	31.1	29.1
Non-financial liabilities	24	81.4	62.5
Total current liabilities		448.9	456.1
Total liabilities		553.7	555.0
Total equity and liabilities		**1,173.1**	**1,204.5**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

In €m	Note	Common share capital	Share premium	Convertible preference shares	Treasury shares
		Attributable to Shareholders of the Company			
As at 1 January 2020		2.1	184.4	-	(7.7)
Loss for the year		-	-	-	-
Other comprehensive loss		-	-	-	-
Total comprehensive loss for the year		-	-	-	-
Share-based payments	20	-	-	-	-
Adjustment for Hyperinflation	34	-	-	-	-
Proceeds from issued share capital	19	0.2	120.2	-	-
Transaction costs on issue of shares	19	-	(1.0)	-	-
Treasury share cancellation	19	(0.2)	-	-	0.2
Capital contributions		-	-	-	-
Balance at 31 December 2020		**2.1**	**303.6**	**-**	**(7.5)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

In €m	Note	Common share capital	Share premium	Convertible preference shares	Treasury shares
		Attributable to Shareholders of the Company			
As at 1 January 2019		0.7	-	0.8	(7.5)
Loss for the year		-	-	-	-
Other comprehensive loss		-	-	-	-
Total comprehensive loss for the year		-	-	-	-
Share-based payments	20	-	-	-	-
Adjustment for Hyperinflation	34	-	-	-	-
Share conversion [1]	19	0.8	-	(0.8)	-
Proceeds from issued share capital	19	0.6	188.6	-	
Transaction costs on issue of shares	19	-	(4.2)	-	
Acquisition of treasury shares	19	-	-	-	(0.2)
Other adjustment		-	-	-	-
Balance at 31 December 2019		**2.1**	**184.4**	**-**	**(7.7)**

1 Conversion of convertible preference shares to common share capital. See note 19.

Attributable to Shareholders of the Company							
Capital reserves	Other reserves	Share-based payments reserves	Accumulated deficit	Foreign currency translation reserve	Total	Non-controlling interest	Total equity
2,102.2	0.3	117.1	(1,715.4)	(41.7)	641.3	8.2	649.5
-	-	-	(107.2)	-	(107.2)	(5.2)	(112.4)
-	-	-	-	(49.2)	(49.2)	(2.6)	(51.8)
-	**-**	**-**	**(107.2)**	**(49.2)**	**(156.4)**	**(7.8)**	**(164.2)**
-	-	11.2	-	-	11.2	-	11.2
-	-	-	(0.3)	-	(0.3)	-	(0.3)
-	-	-	-	-	120.4	-	120.4
-	-	-	-	-	(1.0)	-	(1.0)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	3.9	3.9
2,102.2	**0.3**	**128.3**	**(1,822.9)**	**(90.9)**	**615.2**	**4.2**	**619.4**

Attributable to Shareholders of the Company							
Capital reserves	Other reserves	Share-based payments reserves	Accumulated deficit	Foreign currency translation reserve	Total	Non-controlling interest	Total equity
2,102.2	0.3	111.3	(1,581.0)	(39.5)	587.3	16.5	603.8
-	-	-	(137.0)	-	(137.0)	(7.6)	(144.6)
-	-	-	-	(2.2)	(2.2)	(0.7)	(2.9)
-	**-**	**-**	**(137.0)**	**(2.2)**	**(139.2)**	**(8.3)**	**(147.5)**
-	-	5.8	-	-	5.8	-	5.8
-	-	-	3.4	-	3.4	-	3.4
-	-	-	-	-	-	-	-
-	-	-	-	-	189.2	-	189.2
-	-	-	-	-	(4.2)	-	(4.2)
-	-	-	-	-	(0.2)	-	(0.2)
-	-	-	(0.8)	-	(0.8)	-	(0.8)
2,102.2	**0.3**	**117.1**	**(1,715.4)**	**(41.7)**	**641.3**	**8.2**	**649.5**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

In €m	Note	2020	2019
Cash flows from operating activities			
Loss for the year before tax		(107.9)	(116.5)
Adjustments for:			
Depreciation of property, plant and equipment and right-of-use assets	27	42.2	39.3
Amortisation of intangible assets	27	24.1	22.3
Share-based payment expense	20	14.9	5.2
Interest income	29	(2.1)	(5.2)
Interest costs	29	14.0	14.5
Share of losses of investments accounted for using equity method	9	-	1.7
Foreign currency losses/(gains)		24.6	(14.3)
Other non-cash transactions		6.0	2.5
Changes in Provisions		0.5	14.8
Gains from disposal of associated entities	9	-	(4.9)
Cash from/(used in) operations before changes in working capital		**16.3**	**(40.6)**
Decrease/(increase) in inventories		0.5	(39.5)
(Increase)/decrease in trade receivables		(39.3)	3.9
Increase in trade payables		26.3	39.1
Changes in other receivables and other payables		50.5	(15.8)
Cash flows from/(used in) operations		**54.3**	**(52.9)**
Cash outflow from share-based payments arrangements	20	(10.4)	(3.3)
Income taxes paid	30	(2.7)	(2.5)
Interest received		2.2	5.3
Interest paid		(13.1)	(15.5)
Net cash flow from/(used in) operating activities		**30.3**	**(68.9)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(28.9)	(45.8)
Proceeds from sale of property, plant and equipment		2.1	0.7
Cash inflow from disposal of subsidiaries and associated companies	9	-	114.3
Acquisition of intangible assets and capitalised development expenditures		(20.6)	(20.9)
Disposal of Intangibles		0.2	-
Cash inflow from other securities, deposits and transfer of restricted cash		13.7	15.2
Net cash flow (used in)/from investing activities		**(33.5)**	**63.5**

In €m	Note	2020	2019
Cash flows from financing activities			
Proceeds from borrowings and other financial liabilities	21	8.2	5.6
Repayment of borrowings	21	(2.5)	(0.4)
Capital contributions from shareholders (net of transaction costs)		3.9	-
Proceeds from issuance of common shares	19	120.4	189.0
Transaction costs on issuance of shares	19	(1.0)	(4.2)
Payments under lease liabilities	13	(22.5)	(20.5)
Net cash flow from financing activities		**106.5**	**169.5**
Cash and cash equivalents at the beginning of the year		277.3	105.0
Effect of exchange rate changes on cash and cash equivalents		(14.5)	8.2
Cash and cash equivalents at the end of the year	18	**366.1**	**277.3**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

General information

The consolidated financial statements present the operations of Global Fashion Group S.A. ('GFG S.A.'). GFG S.A. is hereinafter referred as the 'Company'. The Company and its subsidiaries are referred to as 'Global Fashion Group', the 'Group' or 'GFG'.

GFG S.A. is a stock corporation (société anonyme) under the laws of the Grand Duchy of Luxembourg and is registered in the Luxembourg Trade and Companies Register: RCS B 190.907. GFG is domiciled in Luxembourg with its registered office located at 5, Heienhaff L-1736 Senningerberg. Since 2 July 2019, the shares of the Company are traded on the regulated market (Prime Standard) of the Frankfurt Stock Exchange.

The consolidated financial statements were approved and authorised for issue by the supervisory board on 28 February 2021. The shareholders will ratify the approval of the financial statements at the annual general meeting.

Business activities

The Group's principal business activity is fashion and lifestyle e-commerce and associated ancillary services such as marketing, technology, payment, warehousing, and logistics services. The Group offers a wide assortment of leading international and local fashion brands, as well as a selection of own label brands. The Group operates in growth markets through four e-commerce platforms across four regions in 17 countries under the following labels: Dafiti (LATAM), Lamoda (CIS), ZALORA (SEA) and THE ICONIC (ANZ). Please refer to note 6 for more details on our segmental disclosures.

While the Group was trading in line with management expectations until mid-March, results were negatively impacted across each of the regions at different times by the COVID-19 pandemic and currency headwinds. GFG then experienced a strong recovery in sales from late April, which was driven by strong performance in CIS and LATAM and increased Marketplace participation. Initially, ANZ saw soft trading but this recovered significantly over the balance of the year and ANZ delivered positive growth for FY20. GFG's major fulfilment centres in Australia, Malaysia, Brazil and Russia operated without interruptions. Only fulfilment centres in Argentina and the Philippines were temporarily closed, for around 30 and 40 days respectively, resulting in a minor financial impact as order deliveries were delayed until the re-openings in late April.

The Group rapidly adapted by focussing on the health & safety of its employees and customers, working closely with brand partners to maximise the relevance of the assortment offered, pivoting toward 'lockdown' categories, driving increased Marketplace adoption and accelerating customer acquisition, with 7.7 million new customers shopping on GFG platforms for the first time in 2020.

There were no material rental concessions or lease modifications during the period and there was no significant increase in credit risk linked to trade receivables despite the backdrop of economic uncertainty in our markets.

On 18 November 2020, the Group increased its common share capital, by the partial utilisation of its authorised capital. Shareholders' subscription rights were excluded. 16,500,000 new common shares, each with a nominal value of €0.01, were placed with institutional investors at a placement price of €7.30 per share. The shares carry full dividend rights for the financial year 2020.

The Group received net proceeds of €119.4 million from the share issue. The proceeds are intended to be used to further accelerate the delivery of the Group's mid-term growth strategy by additional investments in its customer value proposition, technology platform, delivery infrastructure and for general corporate purposes.

The variance in revenue and margin over the course of the year reflects the seasonality of fashion sales and the variable impact of COVID-19 across the year. The Group's presence in the northern hemisphere (CIS); southern hemisphere (Australia, New Zealand and Brazil) and also countries that cross the equator including South East Asia and Colombia, smooths out the seasonal risks of being concentrated in one geography. New season collections drive most sales in the second and fourth quarter, with the first and third quarter focusing on end of season sales.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and adopted by the European Union ("EU"). The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented except as further explained in note 5. As Argentina became a hyperinflationary economy in 2018, IAS 29 has been applied since then.

The consolidated financial statements are prepared on a historical cost basis, unless otherwise stated. The consolidated and company financial statements have been prepared on a going concern basis of accounting.

The consolidated financial statements are presented in euro ("€"), unless otherwise stated and all values are rounded to the nearest million with a fractional digit in accordance with a commercial rounding approach, except when otherwise indicated. This may result in rounding differences as well as percentage figures presented may not exactly reflect the absolute figures they relate to.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as of 31 December 2020 and 2019. Subsidiaries are those investees that the Company controls because (i) it has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns.

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests form a separate component of the Group's equity.

Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the owners of the Group and to the non-controlling interests.

The Company 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group receivables, liabilities, and results relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. In such a case, the carrying amounts of the shares attributable to the owners of the parent and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between this adjustment and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent.

In case a change in the ownership interest of a subsidiary results in a loss of control, the net assets and the non-controlling interests have to be derecognised. At this time, the gain or loss is derived from the difference between the sum of proceeds from the divestment, the fair value of any retained interest in the former subsidiary and the non-controlling interest to be derecognised, and the divested net assets of the subsidiary. Additionally, any amounts recognised in other comprehensive income in relation to the divested subsidiary are reclassified to profit or loss in case the respective standard on which basis they were initially recognised requires such a recycling. The resulting gains or losses are recognised in the income statement.

Business combinations

The acquisition method is used to account for business combinations. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are generally measured at their fair values at the acquisition date, irrespective of the extent attributable to non-controlling interests.

The Group measures non-controlling interests that represent present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree.

Goodwill is calculated by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interests in the acquiree, and fair value of an interest in the acquiree held immediately before the acquisition date. Any remaining excess of the acquisition cost over the fair value of the net assets is recognised as goodwill. Any negative amount from the calculation explained before ("negative goodwill" or "bargain purchase") is recognised in the income statement, after management reassesses whether it has identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred to former owners, including fair value of assets or liabilities from contingent consideration arrangements. The consideration excludes acquisition related costs such as advisory, legal, valuation, and similar professional services. Transaction costs associated with the acquisition are recognised as expenses within general administration costs unless incurred for issuing equity or debt instruments. Costs of issuing equity instruments are recognised in equity and costs of issuing debt instruments are included in the carrying amount of the debt instrument and recognised in profit or loss as part of the interest expense over the life of the debt instrument.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in its associates are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. Subsequently, the carrying amount of the investment is adjusted to recognise the investor's share of profit or loss and its share of changes in the investee's other comprehensive income. The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. Distributions received from the investee reduce the carrying amount of the investment.

Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit.

The financial statements of the associates are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss within 'Share of profit of an associate' in the statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss. See note 9 for details.

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of the Company as well as the reporting currency of the Group is the euro ("€"). In selecting the functional currencies of the entities in the Group, judgement is required to determine the currency that has the biggest influence on the sales prices for goods. This is typically determined by assessing which country's competitive forces and regulations impact the sales prices the most.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions as well as from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the statement of profit or loss.

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate on the date of that statement of financial position;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income (foreign currency translation reserve).

Application of IAS 29 Financial Reporting in Hyperinflationary Economies

The Argentinian economy has been considered to be hyperinflationary as of Q3 2018, as its cumulative inflation rate over three years has exceeded 100 per cent.

The carrying amounts of non-monetary assets and liabilities have been adjusted to reflect the change in the general price index from the date of acquisition to the end of the reporting period. The price index used at the reporting date was Instituto de Capacitación Profesional ("ICP").

All items recognised in the income statement have been restated by applying the change in the general price index from the dates when the items of income and expenses were initially earned or incurred to the end of the reporting period.

At the beginning of the first period of application (1 January 2018), the components of equity, except retained earnings, have been restated by applying a general price index from the dates the components were contributed or otherwise arose.

These restatements have been recognised directly in equity as an adjustment to opening retained earnings. Restated retained earnings have been derived from all other amounts in the restated statement of financial position. At the end of the first period and in subsequent periods, all components of equity, have been and will be, restated by applying a general price index.

As the presentation currency of the Group is that of a non-hyperinflationary economy, comparative amounts have not been adjusted for changes in the price level or exchange rates in the current year. Difference between the closing equity of the previous year and the opening equity of the current year is recognised in other comprehensive income as a translation adjustment. See note 34 for further information.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

A financial asset is recognised at the date when the Group becomes a party to the contractual provisions of the instrument. The Group's financial assets comprise of loans and trade and other receivables and financial assets at fair value through profit and loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades), are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

At initial recognition, all financial assets are measured at fair value plus, unless the financial asset is measured subsequently at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Financial assets are included in current assets, except for those which maturities are greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Fair value measurement

Fair value is the price that would be received to sell an asset or is paid to transfer a liability in an orderly transaction between market participants at the measurement date. Transaction costs are not included in the fair value. They are accounted for as prescribed by the applicable accounting standard. The fair value of non-financial assets is determined as the best use from a market perspective which may differ from current use of the asset.

The Group uses measurement techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. In the measurement of financial assets and liabilities, the credit default risk is taken into account.

The fair values for assets and liabilities included in the consolidated financial statements are classified based on a three-level hierarchy. The classification is based on the input parameters of the lowest category that is material to the fair value measurement:

Level 1: Fair values based on quoted prices in active markets.

Level 2: Fair values that are determined on the basis of valuation techniques which use inputs that are substantially based on observable market data.

Level 3: Fair values that are determined on the basis of valuation techniques which use inputs that are not based on observable market data.

Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. An entity develops unobservable inputs using the best information available in the circumstances, which might include the entity's own data, taking into account all information about market participant assumptions that is reasonably available.

Management has assessed that the carrying amounts of trade and other receivables, trade and other payables, other current financial assets and other current financial liabilities approximate fair value due to the short-term maturities of these instruments.

Initial classification and subsequent measurement

The Group classifies financial assets at initial recognition as financial assets measured at amortised cost, or financial assets measured at fair value through profit or loss.

Financial assets measured at amortised cost

A financial asset that meets both of the following conditions is classified as a financial asset measured at amortised cost.

a) The financial asset is held within the Group's business model whose objective is to hold assets in order to collect contractual cash flows.

b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

   'Principal' is the fair value of the financial asset on initial recognition and 'interest' is consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. When assessing the contractual terms, the Group considers contingent events that would change the amount or timing of cash flows; terms that may adjust the contractual interest rate, including variable-rate features; prepayment and extension features; and terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

After initial recognition, the carrying amount of the financial asset measured at amortised cost is determined using the effective interest method, net of impairment loss.

Within the Group, such financial assets are represented by receivables against payment service providers, trade receivables, security deposits and other receivables.

Fair value through profit or loss financial assets (FVTPL)

When a financial asset does not fall in the above-mentioned category, a financial asset is classified as "at fair value through profit or loss" and measured at fair value with changes in fair value recognised in profit or loss as "finance gain" or "finance loss".

The put option on the investment in an associate in Namshi Holding Limited, which was disposed of in 2019, was the only instrument classified as FVTPL (see note 9 for details).

Impairment of financial assets

All financial assets to which impairment requirements apply carry a loss allowance estimated based on expected credit losses ("ECLs"). ECLs are a probability-weighted estimate of the present value of cash shortfall over the expected life of the financial instrument.

In the Group, the impairment requirements apply to financial assets measured at amortised cost.

Trade receivables and contract assets

The Group uses a practical expedient to calculate the expected credit losses on its trade receivables and contract assets using a provision matrix. The Group uses historical credit loss experience (adjusted if necessary for changes in macroeconomic conditions) to estimate the lifetime expected credit losses.

The impairment provisions calculated using the above provision matrix shall be recorded on a separate allowance account.

All trade receivables, which are longer than 345 days overdue, or specifically impaired (e.g. insolvency of the customer), are deemed not recoverable. Such trade receivables are recognised as fully impaired and written off. These balances were immaterial for the current and prior financial year. The write-off constitutes a derecognition event whereby the gross carrying amount of such trade receivables is reduced against the corresponding amount previously recorded on the allowance account.

Other financial assets

The ECLs for all other financial assets are recognised in two stages:

- For financial assets for which there has not been a significant increase in credit risk since initial recognition, the Group recognises credit losses which represent the life time shortfalls that would result if a default occurs in the 12 months after the reporting date or a shorter period if the expected life of a financial instrument is less than 12 months.
- For those financial assets for which there has been a significant increase in credit risk since initial recognition, a loss allowance reflects credit losses expected over the remaining life of the financial asset.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets of the Group to which the general approach applies are low credit risk as no significant increases in credit risk have occurred. Low credit risk only applies to cash, cash equivalents and restricted cash, which is presented within other financial assets. This exposure is addressed by distributing its financial assets over multiple financial institutions with good credit ratings and investing in money market funds with a AAA rating (according to Fitch).

The Group recognises in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised. See note 32 for further information.

De-recognition

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or the Group has transferred substantially all the risks and rewards of the asset.

Financial liabilities

A financial liability is recognised when the Group becomes a party to the contractual provisions of the instrument. All financial liabilities are measured on initial recognition at fair value net of directly attributable transaction costs.

The Group's financial liabilities include trade and other liabilities and loans and borrowings. All financial liabilities of the Group are classified at initial recognition as other financial liabilities. Please see notes 21 and 23 for further details.

The Group analysed the terms and conditions of financial instruments that were convertible into common shares of the Group to determine its appropriate classification under IAS 32 Financial Instruments: Presentation as equity, a financial liability or as a compound instrument that contains both a liability and an equity component.

Subsequent measurement
All financial liabilities of the Group are subsequently measured at amortised cost using the EIR method, as described below:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance expense in the statement of profit or loss. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Fees paid to establish loan facilities are deferred and recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates. See note 21 for further details.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the EIR.

De-recognition
A financial liability is derecognised when the obligation under the liability is settled, cancelled, or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss. See note 23 for details.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposits held with banks and other short-term highly liquid investments with original maturities of three months or less, for which the risk of changes in value is considered to be insignificant. See note 18 for details.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses, where required. Costs of minor repairs and maintenance are expensed when incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposals, determined by comparing the net disposal proceeds with the carrying amount are recognised in profit or loss for the year within other operating income or expenses.

Depreciation on items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The assets' residual values, methods of depreciation and useful lives are reviewed at the end of each reporting period and adjusted prospectively, if appropriate.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Classes of tangible assets

	Useful lives in years
Office/IT equipment	3–5
Warehouse	10
Motor Vehicles	5–8

Please refer to note 12 for details.

Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
  - the Group has the right to operate the asset; or
  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group elected to apply the practical expedient and applied IFRS 16 only to contracts that were previously identified as leases in accordance with IAS 17 and IFRIC 4. The Group elected to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered low value, being below €5,000.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate which is a weighted average based on underlying lease liabilities.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on consumer price index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that is reasonably certain to be exercised;
- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. Please refer to note 13 for details.

Goodwill

Goodwill is carried at cost less accumulated impairment losses, if any. Goodwill is allocated to the cash-generating units ("CGUs"), or Groups of CGUs, that are expected to benefit from the synergies of the business combination.

The Company tests CGUs to which goodwill has been allocated for impairment at least annually and whenever indicators of impairment exist. An impairment loss with respect to goodwill is not subsequently reversed.

Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the disposed operation, generally measured on the basis of the relative values of the disposed operation and the portion of the cash-generating unit which is retained. Please refer to note 14 for details.

Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets (trademarks and customer relationships) acquired in a business combination is their fair value at the acquisition date. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Usually, internally generated intangible assets are not capitalised and expenditure is reflected in profit or loss for the period in which the expenditure is incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred.

Intangible assets are amortised over the useful economic life and assessed for impairment whenever there is an indication that the carrying amount may not be recoverable and the intangible asset may therefore be impaired. The amortisation period and the amortisation method for an intangible asset are reviewed at least at the end of each reporting period. The amortisation expense on intangible assets is recognised in the consolidated statement of profit or loss, in the expense category that best suits the function of the intangible assets.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss, when the asset is derecognised.

The Group's intangible assets have definite useful lives and primarily include capitalised software, licences and rights as well as trademarks and customer relationships.

Intangible assets are amortised using the straight-line method over their useful lives:

Classes of other intangible assets

	Useful lives in years
Acquired software licenses	1–5
Internally developed software	3–5
Website Costs	3–5
Trademark	15
Customer relationships	6–16

Please refer to note 14 for details.

Inventories

Inventories comprise raw materials and supplies, finished goods and merchandise. Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Regionally, the cost of inventory is calculated using the weighted average cost method or the first-in-first-out method.

Write-downs to net realisable value are made to allow for all risks from slow-moving or obsolescent goods and/or reduced saleability and are included within cost of sales.

When the circumstances that previously caused inventory to be written down below cost no longer exist, the write down is reversed. See note 16 for details.

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that any non-financial asset may be impaired. The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. If market capitalisation is lower than the carrying value of equity, the market considers the Group's value is less than the carrying value and an impairment trigger is met. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill is tested for impairment at least annually and whenever there are indicators for impairment. Management has used a two-level impairment testing approach including (i) a CGU-level test with partial allocation of corporate overhead costs and (ii) a higher-level test of the consolidated Group recoverable amount including a full allocation of corporate overhead costs.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs of disposal and value in use. For the purposes of impairment testing, assets are grouped together into CGUs, the smallest identifiable Group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill arising from business combinations is allocated to the CGUs that are expected to benefit from the synergies of the business combination.

In assessing value in use, the Discounted Cash Flow ("DCF") approach is used as the primary valuation method. The estimated future cash flows are discounted to their present value using a risk adjusted discount rate that reflects a current market-based assessment of the time value of money and the risks specific to the asset and its forecasts. We derive our discount rates using a capital asset pricing model.

The Group bases its value-in-use calculations on detailed budgets and forecasts, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. Internally developed budgets and forecasts generally cover a period of three years. These are then trended over an additional seven years to reflect the early development stage of the CGUs and their high growth potential over a full ten-year horizon. To calculate the terminal value of the CGUs, the terminal year cash flows is capitalised into perpetuity using CGU-specific perpetual growth rates ("PGR").

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

A previously recognised impairment loss for non-financial assets other than goodwill is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Please refer to note 14 for further details.

Prepayments

Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition.

Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Please see note 19 for further details.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A best estimate is made of the amount of the provision taking into account all identifiable risks arising from the obligation. Provisions with a residual term of more than twelve months are discounted. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the income statement, net of any reimbursement. Refer to note 22 for more details.

Share-based payments

The Group operates equity-settled and cash-settled share-based payment plans, under which Group companies receive services from directors and employees as consideration for equity instruments of the Company or one of its subsidiaries or a right to receive a share-based cash payment.

Equity-settled share-based payments

The total amount to be expensed for services received is determined by reference to the grant date fair value of the share-based payment award made. For share options granted, the grant date fair value is determined using the Black-Scholes option valuation formula. For equity settled restricted stock units issued as part of the 2019 Share Plan (see note 20 for explanation), the grant date fair value is determined with reference to the observed publicly available share price of GFG S.A. on the relevant date.

The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of the number of awards that will eventually vest, with a corresponding credit to equity. Estimated forfeitures are revised if the number of awards expected to vest differ from previous estimates. Differences between the estimated and actual forfeitures are accounted for in the period it occurs.

For awards with graded-vesting features, each instalment of the award is treated as a separate grant. This means that each instalment is separately expensed over the related vesting period. Some instalments vest only upon the occurrence of a specified exit event (e.g. IPO) or 12 months after such an event and under the condition the employee is still employed with the Company. These instalments are expensed over the expected time to such vesting event and recorded in employee benefit expense. Exit conditions linked with continued service are considered non-market vesting conditions. No expense is recognised for awards that do not ultimately vest.

The Group starts recognising a compensation expense from the beginning of the service period, even when the grant date is subsequent to the service commencement date. During the period between service commencement date and grant date, the share-based payment expense recognised is based on an estimated grant date fair value of the award. Once the grant date has been established, the estimated fair value is revised so that the expense recognised is based on the actual grant date fair value of the equity instruments granted.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense that would have resulted had the terms not been modified, given the original terms of the awards are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification. Expenses for awards that are cancelled are accelerated. Replacement awards that are not designated as such are accounted for as new grant.

Cash-settled share-based payments
The fair value of the amount payable to employees with respect to cash-settled share-based payments are recognised as an expense over the vesting period. The fair value is measured initially and at each reporting date until the settlement date, with changes in fair value recognised in employee benefits expense. The fair value is determined using the Black-Scholes model, or revalued using the latest publicly available share price of GFG S.A. for cash settled units issued as part of the 2018 Employee share option plan. The approach used to account for vesting conditions when measuring equity-settled transactions also applies to the cash-settled awards. Please refer to note 20 for further details.

Revenue recognition

The Group generates revenues mainly from the sale of fashion and lifestyle products online through its retail websites. Revenue is recognised at a point in time when control of the asset is transferred to the customer, i.e. on delivery of the goods or services.

The Group entities generally offer customers a possibility to return any unused goods within a specified period of time (usually 30 days) and receive a full refund in form of cash or store credit. In such cases revenue is recognised only to the extent that is highly probable that a significant reversal will not occur when the uncertainty associated with the right of return is subsequently resolved. The remaining consideration is recognised as a refund liability. The Group determines the amount of revenue and the amount of refund liability using the expected value method, representing the sum of probability weighted outcomes. A corresponding right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

The Group evaluates whether it is principal or agent with respect to its performance obligations. When the Group is primarily obligated in a transaction, is subject to inventory risk, has latitude in establishing prices and selecting suppliers, the Group acts as principal and records revenue at the gross sales price. The Group records the net amounts as commissions earned if it is not primarily obligated and do not have latitude in establishing prices namely in its marketplace business (note 25). Such amounts earned are determined using a fixed percentage of the transaction value, a fixed-payment schedule, or a combination of the two.

Coupons and loyalty points, except as those explained below, and discounts are deducted from the transaction price.

If as a part of sale transactions, the Group issues coupons or loyalty points to the customers which can either be used as an incremental discount to other available discounts in future transactions or that provide a customer loyalty status are accounted for as a material right representing an additional performance obligation. The consideration received is allocated based on the relative stand-alone selling prices between the sold goods and the additional performance obligation.

The stand-alone selling price of the material right is estimated reflecting:

a) the discount that the customer would be entitled to, adjusted for any discount that the customer could receive without using the loyalty program (i.e. any discount available to any other customer) and

b) the likelihood that the customer will use the loyalty points.

The amount allocated to the loyalty points is recognised as revenue when the customer uses the material right or when they expire.

The Group also issues discount coupons to its employees on a monthly basis which represent a form of remuneration for their services and aims to build loyalty. In such cases, revenue from sales to employees is accounted for on a gross basis while the amount of discounts provided to employees is included in employee benefit expenses in the period the coupons are redeemed.

Refund liabilities

Refund liabilities are estimated on the basis of historical returns and are recorded so as to allocate them to the same period in which the original revenue is recorded. These liabilities are reviewed regularly and updated to reflect management's latest best estimates, although actual returns could vary from these estimates.

Right of return assets

The Group presents the expected returns of goods, based on historical return rates, on a gross basis in the statement of profit or loss and reduces revenue by the full amount of sales that it estimates will be returned. The dispatch of goods that is recorded in full upon dispatch of the goods is then corrected by the estimated amount of returns.

The Group also presents expected returns on a gross basis in the statement of financial position. In this context, a right to recover possession of goods from expected returns is recognised in other non-financial assets. The amount of the asset corresponds to the cost of the goods delivered for which a return is expected, taking into account the costs incurred for processing the return and the losses resulting from disposing of these goods.

Cost of sales

Cost of sales consists of the purchase price of consumer products, inbound shipping charges and certain personnel expenses. The inbound shipping charges to receive products from the suppliers of the Group are included in inventory, and recognised as cost of sales upon sale of products to the Group's customers. The cost of merchandise sold to the customers is calculated using the weighted average cost method or the first-in-first-out method.

Selling and distribution expenses

Selling and distribution expenses include fulfilment and marketing costs.

Fulfilment costs represent costs incurred in operating and staffing the Group's fulfilment and customer service centres, including costs attributable to receiving, inspecting, and warehousing inventories; picking, packaging, and preparing customer orders for shipment, including packaging materials; payment processing and related transaction costs. Fulfilment costs also include outbound shipping costs, content and e-production costs, and amounts paid to third parties that assist the Group in fulfilment and customer service operations.

Marketing costs consist primarily of targeted online advertising, television advertising, public relations expenditures, and payroll and related expenses for personnel engaged in marketing, business development, and selling activities.

Administrative expenses

Administrative expenses include technology and buying expenses, and other administrative expenses.

Technology and content expenses consist principally of technology infrastructure expenses and payroll and related expenses for employees involved in application, product, and platform development, category expansion, editorial content, buying, merchandising selection, systems support, and digital initiatives, as well as costs associated with the computer, storage, and telecommunications infrastructure used internally.

Employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits (such as health services) are accrued in the period in which the associated services are rendered by the employees of the Group. Employees are eligible for discount coupons provided to them on a monthly basis. The cost of these coupons is included in employee benefits and subject to social security and tax contributions. The Company recognises a liability and an expense for bonus plans to employees and key management personnel based on a formula and Group performance targets when contractually obliged.

Income taxes

Income taxes have been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within operating expenses.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred taxes are recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred taxes are not accounted for if they arise from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred taxes are determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax liabilities are recognised on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability, where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the Group is unable to control the reversal of the temporary difference for associates.

Deferred tax assets are recognised on deductible temporary differences and tax loss carry forwards arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities. The deferred tax assets and liabilities must relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where there is an intention to settle the balances on a net basis.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Management makes estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Other disclosures to the Group's exposure to risk and uncertainties are included in the Capital Management and Financial Risk Management sections. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Estimating variable consideration for returns

The Group estimates variable considerations to be included in the transaction price for the sale of goods with rights of return. The Group determines the amount of revenue using the expected value method. The expected value method is the sum of probability weighted outcomes in a range of possible consideration amounts. Historical purchasing patterns and the refund entitlements of customers are used in estimating the expected consideration amounts.

Determination of the net realisable value of inventories

The cost of inventories may not be recoverable if those inventories are damaged, if they have become wholly or partially obsolete, or if their selling prices have declined.

The provision for obsolete inventories reflects management's estimate of losses expected by the Company, calculated on the basis of experience as well as past and anticipated market performance. Estimates are based on information available as of the reporting date and management judgement about the expected sales volumes and margins after the reporting date. The expectation of volumes of loss-making sales and losses to be incurred is based on historical data adjusted for the results of management's analysis of retail industry developments and expected changes in customers' behaviour. Customer behaviour is analysed on a seasonal and geographical basis.

Each reporting date, management makes an assessment of slow moving inventory/non-moving inventory, based on inventory which is not sold for a period of six months, and makes adequate provision for such unsold inventory and makes adequate impairments for such unsold inventory reflecting the decline of the net realisable value.

Inventory balance is categorised depending on the season to which it relates to. The inventory valuation allowance reflects management's estimate of losses expected to be incurred by the Group as a result of sales of stock belonging to the particular season and sell-through rate.

Net realisable value is calculated as estimated selling price less the estimated costs necessary to make the sale. However, the extensive usage of discounts and frequent changes in prices with respect to market conditions makes estimation of selling prices on an item by item basis impracticable. Assessment of net realisable value is carried out on a product line level and all inventory balances are categorised as follows: footwear, clothes and accessories. For further information we refer to note 16.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Provided the recognition criteria for deferred tax assets are met, an asset is only recognised to the extent of existing deferred tax liabilities. Any excess of deferred tax assets is not recognised due to the startup phase of the Group and the related loss history. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Statutory tax and customs legislation, which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged by tax authorities. We reconsidered the Group's tax risks in the context of the application of IFRIC 23 starting the year ended 31 December 2019. For further information, we refer to note 31.

The Group operates in certain countries where the tax systems, regulations and enforcement processes have varying stages of development creating uncertainty regarding application of tax law and interpretation of tax treatments. The Group is also subject to regular tax audits in the countries where it operates. When there is uncertainty over whether the taxation authority will accept a specific tax treatment under the local tax law, that tax treatment is therefore uncertain. The resolution of tax positions taken by the Group, through negotiations with relevant tax authorities or through litigation, can take several years to complete and, in some cases, it is difficult to predict the ultimate outcome. Therefore, judgment is required to determine provisions for taxes.

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, the Group assumes that a taxation authority with the right to examine amounts reported to it will examine those amounts and have full knowledge of all relevant information when making those examinations.

The Group has a process in place to identify its uncertain tax positions. Management then considers whether or not it is probable that a taxation authority will accept an uncertain tax treatment. On that basis, the identified risks are split into three categories (i) remote risks (risk of outflow of tax payments are 0% to 20%), (ii) possible risks (risk of outflow of tax payments are 21% to 49%) and probable risks (risk of outflow is more than 50%). The process is repeated regularly by the Group.

If the Group concludes that it is probable or certain that the taxation authority will accept the tax treatment, the risks are categorized either as possible or remote, and it determines the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. The risks considered as possible are not provisioned but disclosed as tax contingencies in the Group consolidated financial statements while remote risks are neither provisioned nor disclosed.

If the Group concludes that it is probable that the taxation authority will not accept the Group's interpretation of the uncertain tax treatment, the risks are categorized as probable, and it reflects the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates by generally using the most likely amount method – the single most likely amount in a range of possible outcomes.

If an uncertain tax treatment affects both deferred tax and current tax, the Group makes consistent estimates and judgments for both. For example, an uncertain tax treatment may affect both taxable profits used to determine the current tax and tax bases used to determine deferred tax.

If facts and circumstances change, the Group reassesses the judgments and estimates regarding the uncertain tax position taken. Please refer to note 31 for our analysis of uncertain tax positions.

Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available. The primary inputs into the IBR calculations are available base rates such as local government bond yields. Company-specific spreads are overlaid to the base rates, as well as corporate spreads and security adjustments as needed.

Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of warehouses, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate)

- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate)
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the lease assets.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next three years and include significant future investments (including the commitments disclosed in note 31) that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the PGR used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in note 14.

Fair value determination of share-based payment plans

Estimating the fair value for share-based payment transactions generally requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. For share options, this estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and risk-free rate. The Group initially measures the cost of cash-settled transactions with employees using the Black-Scholes model in order to determine the fair value of the liability incurred. For cash-settled share-based payment transactions, the liability needs to be remeasured at the end of each reporting period up to the date of settlement, with any changes in fair value recognised in profit or loss. This requires a reassessment of the estimates used at the end of each reporting period. For the measurement of the fair value of equity-settled transactions with employees, the Group uses the Black-Scholes model to value options by reference to observable market inputs on the date in which the grant date is achieved. The options are then not remeasured at the end of each reporting period.

Since GFG became listed the share price input in those models will be derived from the Company's quoted share price at the reporting date. Measurement is thus subject to the market driven volatility of the share price. Other inputs may not be directly observable and therefore still need to be estimated.

The assumptions and models used for estimating the fair value for share-based payment transactions are disclosed in note 20.

5. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these consolidated financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2019, with the exception of the following.

The following standards and interpretations were effective 1 January 2020 but do not have a significant effect on the results or financial position of the Group:

Standard	Effective date
Amendments to references to the Conceptual Framework in IFRS Standards	1 January 2020
Amendments to IFRS 3: Definition of Business	1 January 2020
Amendments to IAS 1 and IAS 8: Definition of Material	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS7: Interest Rate Benchmark Reform	1 January 2020
IFRS 16 Covid-19-Related Rent Concessions	1 June 2020

The following standards and interpretations which are not yet effective are not expected to have a material effect on the results or financial position of the Group:

Standard	Effective date	Effects
Interest Rate Benchmark Reform – Phase 2	1 January 2021	No significant effect expected
Amendments to IAS 16 prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use	1 January 2022	No significant effect expected
Amendments to IAS 37 regarding the costs to include when assessing whether a contract is onerous	1 January 2022	No significant effect expected
Amendments to IFRS 9 resulting from Annual Improvements to IFRS Standards 2018–2020 (fees in the '10 per cent' test for derecognition of financial liabilities)	1 January 2022	No effect expected
Amendments to IFRS 3 updating a reference to the Conceptual Framework	1 January 2022	No effect expected
Amendments to IFRS 1 resulting from annual Improvements to IFRS Standards 2018–2020 (subsidiary as a first-time adopter)	1 January 2022	No effect expected
IAS 41 Agriculture – Taxation in fair value measurements	1 January 2022	No effect expected
IFRS 17: Insurance Contracts	1 January 2023	No effect expected
Amendments to IAS 1 regarding the current or non-current classification of liabilities	1 January 2023	No significant effect expected

The Group plans to adopt new standards once effective.

6. SEGMENT INFORMATION

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker ("CODM") and for which discrete financial information is available. Transfer prices between operating segments are on an arm's length basis.

Previously, the Group has reported to the CODM and publicly disclosed three operating segments, Latin America ("LATAM") which includes Dafiti, Commonwealth of Independent States ("CIS") which includes Lamoda, and Asia-Pacific ("APAC") which includes the two major trading businesses for that region being ZALORA and THE ICONIC.

The reporting to the CODM was further developed in Q2 2020 to include a more granular view of the previous APAC region, based on its geographical split. Accordingly, APAC is now reported under two operating segments, South East Asia ("SEA"), the operating activities of the ZALORA business and Australia & New Zealand ("ANZ") which represents the operating activities of THE ICONIC. The column 'Other' includes headquarter and other business activities.

From 30 June 2020, the Group is disclosing four operating segments, following the guidance set out in IFRS 8. These segments will represent the geographical areas that the main fashion ecommerce business units operate and which are now reported on a monthly basis to the CODM. Comparative figures for the year ended 31 December 2019 have been restated to align with this change in presentation. The new segments are as follows:

- Latin America ("LATAM") including Brazil, Colombia, Chile and Argentina;
- Commonwealth of Independent States ("CIS") including Russia, Belarus, Kazakhstan, and Ukraine;
- South East Asia ("SEA") including Malaysia, Indonesia, Singapore, Philippines, Brunei, Taiwan and Hong Kong; and
- Australia & New Zealand ("ANZ").

Intercompany consolidation adjustments are included in the 'reconciliation' column, in order to arrive at the GFG consolidated accounts.

Group segments generate external revenue from fashion and lifestyle ecommerce products. Products are not disaggregated in CODM reporting.

Reportable segment information for the year ended 31 December 2020 is set out below:

In €m	LATAM	CIS	SEA	ANZ	Total Fashion Business	Other	Reconci-liation [1]	Total
Revenues from external customers	372.7	453.3	274.5	259.2	1,359.7	-	-	1,359.7
Intersegment Revenue	-	-	0.4	-	0.4	23.3	(23.7)	-
Total Revenue	**372.7**	**453.3**	**274.9**	**259.2**	**1,360.1**	**23.3**	**(23.7)**	**1,359.7**
Cost of sales	(208.0)	(240.1)	(186.1)	(138.0)	(772.2)	(1.4)	0.1	(773.5)
Gross profit	**164.7**	**213.2**	**88.8**	**121.2**	**587.9**	**21.9**	**(23.6)**	**586.2**
Operating (expenses)/income								
Selling and distribution expenses	(128.3)	(170.5)	(70.4)	(79.3)	(448.5)	-	0.8	(447.7)
Administrative expenses	(38.7)	(36.3)	(44.2)	(39.6)	(158.8)	(45.9)	10.3	(194.4)
Other (expenses)/income	(2.5)	(4.4)	5.1	(1.7)	(3.5)	(6.7)	1.3	(8.9)
EBIT	**(4.8)**	**2.0**	**(20.7)**	**0.6**	**(22.9)**	**(30.7)**	**(11.2)**	**(64.8)**
Depreciation and Amortisation	13.2	23.9	5.9	10.0	53.0	2.4	10.9	66.3
EBITDA [2]	**8.4**	**25.9**	**(14.8)**	**10.6**	**30.1**	**(28.3)**	**(0.3)**	**1.5**
Recurring items (see below)								14.9
Adjusted EBITDA [3]	**11.9**	**27.0**	**(6.9)**	**13.2**	**45.2**	**(28.5)**	**(0.3)**	**16.4**
Reconciliation to loss before tax:								
Result from investment in associate								(0.1)
Finance income								2.1
Finance costs								(46.3)
Share-based payment expense								(14.9)
Depreciation and amortisation								(66.3)
IAS 29 Hyperinflation result								1.2
Loss before tax								**(107.9)**
Recurring items								
Share-based payment expense	3.5	1.1	7.4	0.6	12.6	2.3	-	14.9
Group recharges	-	-	0.5	2.0	2.5	(2.5)	-	-

[1] The reconciliation column includes consolidation adjustments, including intercompany eliminations and amortisation of purchase price allocation assets.

[2] EBITDA is calculated as loss before interest and tax adjusted for depreciation of property, plant and equipment and right-of-use assets, amortisation of intangible assets and impairment losses.

[3] Adjusted EBITDA is EBITDA adjusted for share-based payment (income)/expenses.

Reportable restated segment information for the year ended 31 December 2019 is set out below:

In €m	LATAM	CIS	SEA	ANZ	Total Fashion Business	Other	Reconci-liation [1]	**Total**
Revenues from external customers	401.4	442.9	233.0	263.8	1,341.1	4.9	-	1,346.0
Intersegment Revenue	-	-	4.6	-	4.6	22.9	(27.5)	-
Total Revenue	**401.4**	**442.9**	**237.6**	**263.8**	**1,345.7**	**27.8**	**(27.5)**	**1,346.0**
Cost of sales	(236.8)	(255.7)	(162.7)	(143.6)	(798.8)	(8.1)	0.7	(806.2)
Gross profit	**164.6**	**187.2**	**74.9**	**120.2**	**546.9**	**19.7**	**(26.8)**	**539.8**
Operating (expenses)/income								
Selling and distribution expenses	(127.1)	(171.3)	(67.2)	(89.2)	(454.8)	(1.0)	0.6	(455.2)
Administrative expenses	(37.8)	(39.7)	(38.9)	(37.8)	(154.2)	(47.2)	8.0	(193.4)
Other (expenses)/income	0.9	(2.3)	(13.3)	(2.3)	(17.0)	(4.2)	4.9	(16.3)
EBIT	**0.6**	**(26.1)**	**(44.5)**	**(9.1)**	**(79.1)**	**(32.7)**	**(13.3)**	**(125.1)**
Depreciation and Amortisation	10.5	22.5	6.0	7.6	46.6	2.4	12.6	61.6
EBITDA [2]	**11.1**	**(3.6)**	**(38.5)**	**(1.5)**	**(32.5)**	**(30.3)**	**(0.7)**	**(63.5)**
Recurring and non-recurring items (see below)	(5.0)	7.9	14.8	3.4	21.1	5.3	-	26.4
Adjusted EBITDA [3]	**6.1**	**4.3**	**(23.7)**	**1.9**	**(11.4)**	**(25.0)**	**(0.7)**	**(37.1)**
Reconciliation to loss before tax:								
Result from investment in associate								3.2
Finance income								18.5
Finance costs								(14.7)
Share-based payment expense								(5.2)
Depreciation and amortisation								(61.6)
IAS 29 Hyperinflation result								1.6
IPO related costs								(4.9)
Wind-down of Lost Ink Limited								(7.5)
One-off tax adjustments [4]								(14.8)
Non-trading income [5]								6.0
Loss before tax								**(116.5)**
Recurring items								
Share-based payment expense	-	4.1	0.4	1.1	5.6	(0.4)	-	5.2
Group recharges	-	-	1.3	2.3	3.6	(3.6)	-	-
Non-recurring items:								
IPO related costs	0.2	-	-	-	0.2	4.7	-	4.9
Wind down of Lost Ink Limited	-	-	-	-	-	7.5	-	7.5
One-off tax adjustments [4]	(5.2)	3.8	13.1	-	11.7	3.1	-	14.8
Non-trading income [5]	-	-	-	-	-	(6.0)	-	(6.0)

1 The reconciliation column includes consolidation adjustments, including intercompany eliminations and amortisation of purchase price allocation assets.

2 EBITDA is calculated as loss before interest and tax adjusted for depreciation of property, plant and equipment and right-of-use assets, amortisation of intangible assets and impairment losses.

3 Adjusted EBITDA is EBITDA adjusted for share-based payment (income)/expenses as well as one-off fees related to the IPO, one-off tax adjustments, non-trading income and costs relating to the wind-down of Lost Ink Limited.

4 Relates to tax audit provisions for other taxes, VAT refund, irrecoverable indirect taxes and other.

5 Non-trading income relates to the sale of right of use of an intangible asset to a third party.

Information about geographical areas

Revenues from external customers by region are determined based on the location of the selling business.

Revenues from external customers include €257.9 million (2019: €302.0 million) in Brazil, €422.2 million (2019: €409.7 million) in Russia and €259.3 million (2019: €263.8 million) in Australia.

During 2020 and 2019 no revenues from external customers were generated in Luxembourg, the domicile of Global Fashion Group S.A.

Non-current assets (excluding other financial assets and income tax receivables) for each region for which it is material are reported separately as follows:

In €m	2020	2019
LATAM	166.9	218.4
CIS	107.3	133.2
SEA	46.8	31.8
ANZ	135.9	140.4
Other	4.7	4.2
Total	**461.6**	**528.0**

No significant non-current assets are located in Luxembourg, the domicile of GFG S.A. No analysis of the assets and liabilities of each operating segment is provided to the Chief Operating Decision Maker in the monthly management accounts.

7. GROUP INFORMATION

The consolidated financial statements include the assets, liabilities and financial results of the Company and its subsidiaries.

The table below presents the list of the Company's subsidiaries.

	Principal activity	Registered office	Ownership 31 Dec 2020	Ownership 31 Dec 2019
Bigfoot GmbH, Berlin, Germany	Investment Holding	Berlin	100%	100%
Juwel 198 VV UG (haftungsbeschränkt), Berlin, Germany	Trustee	Berlin	100%	100%
Jade 1076. GmbH, Berlin, Germany	General Partner	Berlin	100%	100%
Bambino 49. VV UG (haftungsbeschränkt), Berlin, Germany	Trustee	Berlin	100%	100%
Global Fashion Group SGP Services PTE Limited, Singapore	Consultancy Services	Singapore	100%	100%
GFG eCommerce Technologies GmbH, Berlin, Germany	IT Services	Berlin	100%	100%
GFG Deutschland Holdings GmbH (formally Jabong GmbH), Berlin, Germany	Holding	Berlin	96.96%	96.96%
Global Fashion Group UK Finance Limited, London, UK	Finance Holding	London	100%	100%
Global Fashion Group UK Services Limited, London, UK	Consultancy Services	London	100%	100%
Global Fashion Group Ireland Finance Designated Activity Company, Dublin, Ireland	Finance Holding	Dublin	100%	100%
GFG Luxembourg One S.à r.l, Senningerberg, Luxembourg	Finance Holding	Senningerberg	100%	100%
Lost Ink Ltd, London, UK	Wholesale	London	100%	100%
Dafiti Latam GmbH & Co. Beteiligungs KG, Berlin, Germany	Holding	Berlin	99.35%	99.14%
VRB GmbH & Co. B-126 (Einhundertsechsundzwanzig) KG, Berlin, Germany	Holding	Berlin	96.74%	96.74%
BFOOT S.R.L. (Arg), Buenos Aires, Argentina	Online Retail	Buenos Aires	99.86%	99.86%
VRB GmbH & Co. B-127 (Einhundertsiebenundzwanzig) KG, Berlin, Germany	Holding	Berlin	96.41%	96.41%
Bigfoot Chile SpA, Santiago, Chile	Online Retail	Santiago	100%	100%
VRB GmbH & Co. B-128 (Einhundertachtundzwanzig) KG, Berlin, Germany	Holding	Berlin	97.63%	97.63%
Bigfoot Colombia SAS, Bogota, Colombia	Online Retail	Bogota	100%	100%
VRB GmbH & Co. B-182 KG, Berlin, Germany	Holding	Berlin	96.81%	96.81%
GFG Comercio Digital Ltda (formerly Comercio Digital BF Ltda), Sao Paulo, Brazil	Online Retail	Sao Paulo	100%	100%
Lamoda GmbH, (formerly Glamstyle Central + Eastern Europe GmbH & Co. KG), Berlin, Germany	Holding	Berlin	100%	100%
Blanko 20 KG. GmbH & Co. KG, Berlin, Germany	Online retail	Berlin	100%	100%
Fashion Delivered LLC, Kiev, Ukraine	Call centre	Kiev	100%	100%
Kupishoes LLC, Moscow, Russia	Online Retail	Moscow	100%	100%

	Principal activity	Registered office	Ownership 31 Dec 2020	Ownership 31 Dec 2019
Lamoda Service TOO, Almaty, Kazakhstan	Online Retail	Almaty	100%	100%
OOO Fashion Delivered, Almaty, Kazakhstan	Online Retail	Almaty	100%	100%
LLC Ecom Solution, Moscow, Russia	Online Retail	Moscow	100%	100%
Fashion Delivered OOO, Moscow, Russia	Online Retail	Moscow	100%	100%
LLC Fashion Delivered, Minsk, Belarus	Online Retail	Minsk	100%	100%
LLC Pick-up, Moscow, Russia	PUP	Moscow	99.49%	99.49%
Lamoda Management GmbH & Co KG, Berlin, Germany	Trustee	Berlin	100%	100%
BGN Brilliant Services GmbH, Berlin, Germany	Holding	Berlin	100%	100%
Juwel 145 V V UG (haftungsbeschränkt), Berlin, Germany	Trustee	Berlin	100%	100%
New BGN ZALORA GmbH, Berlin Germany	Holding	Berlin	100%	100%
ZALORA Group GmbH, Berlin, Germany	Holding	Berlin	100%	100%
Brillant 1257 GmbH, Berlin, Germany	General Partner	Berlin	100%	100%
VRB GmbH & Co. B-136. KG, Berlin, Germany	Holding	Berlin	97.86%	92.53%
Brillant 1257 GmbH & Co. Verwaltungs KG, Berlin, Germany	Holding	Berlin	90.99%	87.75%
Brillant 1257. GmbH & Co. Zweite Verwaltungs KG, Berlin, Germany	Holding	Berlin	91.77%	88.87%
Brillant Vietnam Co., Ltd, Ho Chi Minh City, Vietnam	Holding	Ho Chi Minh City	100%	100%
R-SC Vietnam Co., Ltd., Ho Chi Minh City, Vietnam	Consultancy Services	Ho Chi Minh City	100%	100%
Brillant 1257. GmbH & Co. Dritte Verwaltungs KG, Berlin, Germany	Holding	Berlin	94.49%	91.90%
Brillant 1257. GmbH & Co. Zehnte Verwaltungs KG, Berlin, Germany	Holding	Berlin	100%	100%
PT Fashion Eservices, Jakarta, Indonesia	Online Retail	Jakarta	99.99%	99.99%
PT Fashion Marketplace, Jakarta, Indonesia	Online Retail	Jakarta	99.90%	99.90%
Brillant 1257. GmbH & Co. Vierte Verwaltungs KG, Berlin, Germany,	Holding	Berlin	91.73%	87.21%
BF Jade E-Services Philippines Inc., Makati City, Philippines[1]	Online Retail	Makati City	50.99%	50.99%
Brillant 1257. GmbH & Co. Fünfte Verwaltungs KG, Berlin, Germany	Holding	Berlin	92.92%	89.35%
Jade E-Services Malaysia Sdn Bhd, Kuala Lumpur, Malaysia	Online Retail	Kuala Lumpur	99%	99%
Brillant 1257. GmbH & Co. Sechste Verwaltungs KG, Berlin, Germany	Holding	Berlin	94.77%	91.29%
Jade E-Services Singapore Pte Ltd, Singapore	Online Retail	Singapore	100%	100%
Brillant 1257. GmbH & Co. Achte Verwaltungs KG, Berlin, Germany	Holding	Berlin	100%	90%

[1] For the years ended 31 December 2019 and 2020, the non-controlling interest element of BF Jade E-Services Philippines Inc., was the most significant element of the comprehensive loss for the year attributable to non-controlling interests.

	Principal activity	Registered office	Ownership 31 Dec 2020	Ownership 31 Dec 2019
ZALORA South East Asia Pte Ltd, Singapore	Online Retail	Singapore	100%	100%
RPL Fashion Trading Gungzhou Co., Ltd (China), Guangzhou, China	Online Retail	Guangzhou	100%	100%
Brillant 1257. GmbH & Co. Neunte Verwaltungs KG, Berlin, Germany	Holding	Berlin	100%	90%
ZALORA Hong Kong Ltd, Hong Kong, China	Online Retail	Hong Kong	100%	100%
ZSEA Technology Services Company Limited, Ho Chi Minh City, Vietnam	Consultancy Services	Ho Chi Minh City	100%	100%
VRB GmbH & Co. B-129. KG, Berlin, Germany	Holding	Berlin	93.70%	91.50%
Jade 1249 GmbH, Berlin, Germany	General Partner	Berlin	100%	100%
Jade 1250. GmbH, Berlin, Germany	General Partner	Berlin	100%	100%
Internet Services Australia 1 Pty Ltd, Sydney, Australia	Online Retail	Sydney	100%	100%
Mena Style Fashion GmbH & Co. KG, Berlin, Germany	Holding	Berlin	91.94%	91.94%
GFG UK 1 Limited, London, UK	Holding	London	100%	100%
GFG Deutschland 1 GmbH, Berlin, Germany	Holding	Berlin	100%	100%
Global Fashion Group TRM Limited (formerly Global Fashion Group Middle East Holdings (UK) Limited), London, UK	Holding	London	100%	100%
Jade 1218. GmbH, Berlin, Germany	Holding	Berlin	100%	94.81%
Jade 1411. GmbH (Komplementär), Berlin, Germany	General Partner	Berlin	100%	100%
Bambino 77. V V UG (haftungsbeschränkt), Berlin, Germany	Trustee	Berlin	100%	100%
VRB GmbH & Co. B-196 KG, Berlin, Germany	Holding	Berlin	95.92%	91.01%
Tricae Comercio Varejista Ltda, Sao Paulo, Brazil	Online Retail	Sao Paulo	99.90%	99.90%
Jade 1159. GmbH, Berlin, Germany	Holding	Berlin	100%	94.71%
Jade 1410. GmbH (Komplementär), Berlin, Germany	General Partner	Berlin	100%	100%
Juwel 196. VV UG (haftungsbeschränkt) , Berlin, Germany	Trustee	Berlin	100%	100%
VRB GmbH & Co. B-195 KG, Berlin, Germany	Holding	Berlin	96.79%	91.36%
Kanui Comercio Varejista Ltda, Sao Paulo, Brazil	Online Retail	Sao Paulo	99.90%	99.90%

At 31 December 2019 and 2020 the proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held.

8. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control/jointly control the other party or can exercise significant influence over the other party in making financial and operational decisions. Apart from the subsidiaries and associates included in the consolidated financial statements, the Group maintains relationships to other related parties as disclosed below.

Related parties to whom the Group maintained business relationships include Kinnevik Group as they have the ability to exercise significant influence as shareholders of the Group as well as their subsidiaries and joint ventures.

Following the IPO on 2 July 2019, Rocket Group does not have the ability to exercise significant influence over the Group and as such is no longer a related party.

As detailed in note 9, Namshi Holding Limited was an associate of the Group until 25 February 2019 when the Group's remaining holding was disposed of. Therefore, following 25 February 2019, Namshi Holding Limited was no longer a related party of the Group.

The following table provides the total amount of other transactions that have been entered into with related parties during the twelve months ended 31 December 2020 and 2019 respectively.

Related party transactions

In €m	2020	2019
Entities with significant influence over the Group:		
Rocket Internet – Purchases from related parties	-	(0.1)
Associates:		
Namshi Holding Limited – Sales to related parties	-	0.3

Key management personnel

The aggregate compensation to key management personnel, being the management board and supervisory board of the Group (executive and non-executive and including the Co-Chief Executive Officers and Chief Financial Officer), was as follows:

	For the year ended 31 Dec	
In €m	2020	2019
Short-term employee benefits	2.8	2.8
Share-based payments charge	4.2	0.1
Total	**7.0**	**2.9**

Further details of directors' remuneration can be found in the remuneration report in section 1.7, along with directors' interest in issued shares and share options.

9. INVESTMENTS IN ASSOCIATES

On 25 February 2019, the Group sold its 46.93% share of Namshi Holding Limited to Emaar Malls for cash consideration. The following table summarises the gain that arose on disposal:

In €m	As at 25 Feb 2019
Investment in associate	
Carrying amount of investment in associate disposed of[1]	109.3
Consideration	
Consideration satisfied by cash	114.3
Less: transaction costs[2]	(0.1)
Gain on disposal	**4.9**
Result of associate[3]	(1.7)
Total	**3.2**

[1] In addition to the 46.93% share of net assets, the carrying amount of the investment in associate disposed of includes €3.7m in relation to the put option carrying value and €0.7m of Foreign Currency translation reserve.

[2] Transaction costs include legal, tax advisory fees and other separation costs.

[3] Result of associate up until sale of Namshi on February 25, 2019.

As at 31 December 2020, the carrying value of investments in associates was nil.

10. AUDITORS' REMUNERATION

Included in administrative expenses is the independent auditor's remuneration, included in expenses for audit and non-audit services, payable to the Company's auditor Ernst & Young S.A. and its affiliated companies as follows:

Auditor's remuneration

	For the year ended 31 Dec	
In €m	2020	2019
Audit and audit-related services:		
Audit of the parent Company and consolidated financial statements	1.2	1.2
Audit of the Company's subsidiaries	1.2	1.6
Non-audit services:		
Other assurance services	-	1.1
Other services relating to taxation	0.1	0.1
Total fees	**2.5**	**4.0**

11. LOSS PER SHARE

Basic EPS is calculated by dividing the loss for the year attributable to ordinary equity holders of the parent by the weighted average number of common shares outstanding during the year.

The following table reflects the income and share data used in the basic EPS calculations:

Loss per share

In €m	For the year ended 31 Dec 2020	2019
Loss attributable to ordinary equity holders of the parent for basic earnings:	(107.2)	(137.0)
Weighted average number of ordinary shares for basic and diluted EPS (m)[1]	198.0	132.0
Basic and diluted EPS from continuing operations (€)	(0.5)	(1.0)

[1] The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the year.

Please see note 19 for details on equity transactions.

For diluted loss per share, the weighted average number of common shares is equal to the amount used in the basic EPS calculation, since potential voting rights are not dilutive due to the loss-making position of the Group during the current and prior period.

12. PROPERTY, PLANT AND EQUIPMENT

In €m	Office/IT equipment/ Leasehold improvements	Warehouse/Motor vehicles	Assets in the course of construction	Total
Cost				
At 1 January 2019	30.2	66.3	6.2	102.7
Additions	7.7	5.1	36.1	48.9
Disposals	(1.3)	(1.1)	-	(2.4)
Reclassifications	7.0	8.1	(15.1)	-
Currency translation differences	1.5	6.1	0.2	7.8
At 31 December 2019	45.1	84.5	27.4	157.0
Additions	9.5	14.0	4.9	28.4
Disposals	(5.9)	-	(0.5)	(6.4)
Reclassifications	4.0	19.7	(23.7)	-
Currency translation differences	(8.7)	(17.6)	(6.1)	(32.4)
At 31 December 2020	**44.0**	**100.6**	**2.0**	**146.6**
Depreciation and impairment				
At 1 January 2019	(14.8)	(17.3)	(0.5)	(32.6)
Depreciation charge for the year	(6.7)	(10.3)	(0.2)	(17.2)
Disposals	1.0	1.1	-	2.1
Currency translation differences	(0.7)	(1.9)	0.3	(2.3)
Reclassifications	-	-	(0.3)	(0.3)
At 31 December 2019	(21.2)	(28.4)	(0.7)	(50.3)
Depreciation charge for the year	(5.7)	(13.4)	-	(19.1)
Disposals	1.9	-	-	1.9
Currency translation differences	3.2	6.0	0.8	10.0
Reclassifications	(1.3)	1.3	-	-
At 31 December 2020	**(23.1)**	**(34.5)**	**0.1**	**(57.5)**
Net book amount				
At 31 December 2020	**20.9**	**66.1**	**2.1**	**89.1**
At 31 December 2019	23.9	56.1	26.7	106.7

As of 31 December 2020 and 2019, there were no assets held for sale.

13. LEASES

This note provides information for leases where the Group is a lessee. There are no material instances where the group is a lessor.

(i) Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

In €m	As at 31 Dec 2020	
	2020	2019
Right of-use assets		
Property	39.0	49.6
Warehouse	65.2	45.5
Office equipment and other	0.1	0.1
	104.3	**95.2**
Lease Liabilities		
Current	19.5	23.2
Non-current	94.2	82.9
	113.7	**106.1**

Please refer to note 4 for critical judgements related to leases.

Additions to right-of-use assets during the year were €55.9 million (2019: €47.5 million).

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

In €m	As at 31 Dec 2020	
	2020	2019
Depreciation charge of right of use assets		
Property	12.1	11.7
Warehouse	7.9	10.3
Office equipment and other	3.2	0.1
	23.1	**22.1**
Interest expense (included in finance costs)	8.8	7.6
Expense relating to short-term leases	0.4	5.1
Expense relating to leases of low-value assets that are not shown above as short term leases	-	0.2
	9.3	**12.9**

The total cash outflow for leases in 2020, including interest and payments, was €31.3 million (2019: €28.1 million).

(iii) The Group's leasing activities and how these are accounted for

The Group leases various offices, warehouses, equipment and vehicles. Rental contracts are typically made for fixed periods, but may have extension options as described below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Lease assets may not be used as security for borrowing purposes. Please refer to note 3 for detailed accounting policies.

(iv) Variable lease payments

Various leases across the Group contain variable lease payment terms that are linked to an index or a rate, specific to the country that the lease is in. Variable lease payments are initially recognised as part of the lease liability using the index or rate as at the date of commencement and the lease liability is subsequently remeasured to reflect the revised lease payments when there is a change in the cash flows.

(v) Residual value guarantees

To optimise lease costs during the contract period, the Group sometimes provides residual value guarantees in relation to property and equipment leases. As at 31 December 2020, there were no balances excluded from lease liabilities, which were not expected to be payable (2019: €0.1 million).

(vi) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

As at 31 December 2020, there were no potential future cash outflows that were excluded from the lease liability because it was not reasonably certain that the leases would be extended (or not terminated) (2019: €2.7 million).

(vii) Lease not yet commenced to which the lessee is committed

As at 31 December 2020, the Group was not committed to any leases, which had not yet commenced. As at 31 December 2019, the Group was committed to several leases, but the lease has not yet commenced and the Group estimated future cash outflows of €21.9 million from these commitments. Please refer to note 32 for maturity analysis of lease liabilities.

14. GOODWILL AND OTHER INTANGIBLE ASSETS

In €m	Goodwill	Internally developed intangible assets/ Website costs	Software/ Licenses/ Rights	Trademark	Customer Relationships	Other	Total other intangible assets
Cost							
At 1 January 2019	757.4	16.9	24.1	388.9	149.6	0.6	580.1
Additions	-	19.9	3.3	-	-	-	23.2
Reclassifications	-	0.5	(0.5)	-	-	-	-
Disposals	-	(0.2)	(0.3)	-	-	-	(0.5)
Currency translation differences	58.1	0.2	1.1	30.4	14.4	0.2	46.3
At 31 December 2019	815.5	37.3	27.7	419.3	164.0	0.8	649.1
Additions	-	13.2	6.7	0.3	-	0.1	20.3
Reclassifications	-	-	-	-	(0.3)	0.3	-
Disposals	-	(0.5)	-	0.1	0.3	-	(0.1)
Currency translation differences	(149.1)	(6.8)	(6.0)	(63.9)	(29.7)	(0.3)	(106.7)
At 31 December 2020	**666.4**	**43.2**	**28.4**	**355.8**	**134.3**	**0.9**	**562.6**

In €m	Goodwill	Internally developed intangible assets/ Website costs	Software/ Licenses/ Rights	Trademark	Customer Relationships	Other	Total other intangible assets
Depreciation and impairment							
At 1 January 2019	(571.8)	(5.1)	(18.0)	(316.2)	(104.4)	(0.2)	(443.9)
Amortisation charge for the year	-	(5.5)	(5.0)	(6.6)	(4.9)	-	(22.0)
– due from business combinations	-	-	-	-	-	(0.3)	(0.3)
Reclassifications	-	(3.0)	2.8	-	-	-	(0.2)
Disposals	-	-	0.2	-	-	-	0.2
Currency translation differences	(59.3)	(0.1)	(0.5)	(30.1)	(11.0)	-	(41.7)
Other	-	-	0.1	-	-	-	0.1
At 31 December 2019	(631.1)	(13.7)	(20.5)	(352.9)	(120.3)	(0.5)	(507.9)
Amortisation charge for the year	-	(9.5)	(3.4)	(6.3)	(4.6)	(0.3)	(24.1)
Reclassifications	-	1.5	(1.8)	0.2	0.2	(0.1)	-
Disposals	-	0.4	0.2	-	(0.2)	-	0.4
Currency translation differences	112.3	3.2	4.6	59.4	22.0	0.1	89.3
At 31 December 2020	**(518.8)**	**(18.1)**	**(20.9)**	**(299.6)**	**(102.9)**	**(0.8)**	**(442.3)**
Net book amount							
At 31 December 2020	**147.6**	**25.1**	**7.5**	**56.2**	**31.4**	**0.1**	**120.3**
At 31 December 2019	184.4	23.6	7.2	66.4	43.7	0.3	141.2

See note 27 for breakdown of amortisation expenses between cost of sales and general administration.

As of 31 December 2020 and 2019, there were no intangible assets in which title was restricted.

Impairment testing of CGUs containing goodwill

During the year ended 31 December 2020 and 31 December 2019, the Group tested for impairment in its CGUs and recognised no impairment losses. The Group's net book value for Goodwill decreased from €184.4 million in 2019 to €147.6 million in 2020 due to the effect of the translation to presentation currency.

For the purposes of impairment testing, goodwill was allocated to the Group's CGUs being the smallest identifiable Group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or Groups. The CGUs are at the Groups regional operating segments, reported to the CODM.

The amount of goodwill allocated to each CGU after the impairment testing was as follows:

In €m	31 Dec 2020	31 Dec 2019
LATAM	90.0	127.0
CIS	0.5	0.7
SEA	-	-
ANZ	57.1	56.7
Total	**147.6**	**184.4**

Impairment approach for the year ended 31 December 2020

Management have assessed internal and external indicators of impairment, covering analyst commentary, internal budget comparisons, macroeconomic and industry analysis along with the impact of the COVID-19 pandemic on the business of the Group.

The recoverable amounts of each CGU were based on value-in-use, estimated using a DCF model. The model uses cash flow projections covering a detailed three-year forecast, followed by an extrapolation of expected cash flows for seven years using PGRs as determined by management. Cash flows have been extrapolated over a seven-year period, to reflect the early developmental stage of the CGUs and their high growth potential over the full ten-year horizon period. The terminal value of the CGUs is calculated using the terminal year cash flow which is capitalised into perpetuity using CGU-specific PGR and discount rates. These selected growth rates are consistent with industry and macro-economic forecasts in the regions where the CGUs operate. The present value of the expected cash flows of each CGU is determined by applying a discount rate that is commensurate with the risks and uncertainty inherent in the CGUs forecasts.

Key assumptions used in the estimation of the discount rates by CGU included specific risk premiums to account for inflation and the Group's size.

The discount rates and growth rates used in deriving the CGUs recoverable amounts for the year ended 31 December 2020 were as follows:

CGU	Discount Rate	Perpetual Growth Rate
LATAM	14.1%	2.8%
CIS	11.4%	1.9%
SEA	11.0%	3.2%
ANZ	10.8%	2.6%
GFG Group-level test	12.0%	3.0%

The discount rates and growth rates used in deriving the CGUs recoverable amounts for the year ended 31 December 2019 were as follows:

CGU	Discount Rate	Perpetual Growth Rate
LATAM	14.9%	2.8%
CIS	14.4%	1.9%
SEA	13.1%	3.1%
ANZ	11.5%	2.6%
GFG Group-level test	14.0%	3.0%

As at 31 December 2020, there was significant headroom in each CGU and therefore no impairment losses were recognised. The improvement in headroom year on year is due to positive trading trends year-to-date and shifts to online consumption.

The key assumptions used in the impairment analysis of the CGU's as at 31 December 2020 were:

- Discount rates – discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from it is weighted average cost of capital ("WACC"). The WACC represents a weighted average of the cost of equity and pre-tax cost of debt. The cost of equity is derived from the expected return on investment by the Group's investors. The pre-tax cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factor is evaluated at each measurement period based on publicly available market data for the Company and its industry peers.
- Growth rates used in revenue to extrapolate cash flows beyond the forecast period – Rates are based on published research.
- The COVID-19 pandemic has not had a significant negative impact on the business.
- Increased Marketplace participation in each region will continue to boost EBITDA over the forecast period as the business attracts new customers to its platform.
- EBITDA margin (pre-IFRS 16 including corporate costs) for the Group is expected to gradually increase over the forecast period to reach between 9.6% to 12.5% in the terminal value year.
- Capital expenditure (capex) includes the planned expenditure by each business unit based on their medium-term plan and estimates for the construction of new fulfilment centres, once capacity for current fulfilment centres in reached. Capex outside of the unit's medium-term plan, is assumed at a level that supports continued growth. As revenue growth tapers off, in the later years of the projections, a maintenance capex assumption is applied.

Sensitivity Analysis

Sensitivity Analysis has been performed on each CGU. If the discount rates were 1% higher than managements estimates, significant headroom remains across the CGUs and there would have been no requirement for the Group to recognise any impairment charge in 2020. Similarly, no impairment charge would be required if the estimated growth rates were 1% lower than management estimates or if the estimated cash flows were 5% lower than management's estimate in each year. Given the improvement in business performance, the Group did not identify any reasonably possible change in key assumptions which could cause an impairment loss to be recognised.

15. OTHER NON-FINANCIAL ASSETS

In €m	31 Dec 2020	31 Dec 2019
Non-current		
Prepayments	-	0.1
VAT and Tax refunds	-	0.1
Other non-financial assets	0.3	0.2
Other non-financial assets (non-current)	**0.3**	**0.4**
Current		
Prepayments	20.1	23.5
VAT and Tax refunds	9.1	38.3
Other non-financial assets	0.3	0.4
Right to recover returned goods	10.4	10.0
Less: Provision for impairment	(0.1)	(2.3)
Other non-financial assets (current)	**39.8**	**69.9**
Total non-financial assets	**40.1**	**70.3**

16. INVENTORIES

Inventories net of provision are as follows:

In €m	31 Dec 2020	31 Dec 2019
Raw materials and supplies	2.2	2.2
Finished goods and merchandise	209.9	252.4
Less: Provisions on finished goods and merchandise	(16.2)	(20.6)
Total inventories	**195.9**	**234.0**

During 2020, €5.7 m (2019: €13.3 m) was recognised as an expense write-off for inventories carried at net realisable value. This is recognised in cost of sales.

17. TRADE RECEIVABLES AND OTHER FINANCIAL ASSETS

Trade receivables and other financial assets are as follows:

In €m	31 Dec 2020	31 Dec 2019
Non-current		
Receivables from deposits/ restricted cash	6.6	23.5
Other financial receivables	-	0.6
Other financial assets (non-current)	**6.6**	**24.1**
Current		
Trade and other receivables	80.5	52.5
Less: loss allowance (note 33)	(0.3)	(0.4)
Trade and other receivables (current)	**80.2**	**52.1**
Other financial assets		
Receivables from deposits/ restricted cash	7.1	5.4
Receivables from loans	0.8	1.4
Receivables from employees	0.1	0.2
Contract assets	3.3	1.5
Other financial receivables	8.9	8.9
Less: loss allowance	(0.7)	(0.7)
Other financial assets (current)	**19.5**	**16.7**

As of 31 December 2020 non-current receivables from deposits, restricted cash and term deposits include €6.6 million (2019: €23.5 million) restricted cash that provides guarantees to banks, suppliers and leasing partners. Please see note 35 for further details on the debt facilities. Current financial assets include €7.1 million (2019: €5.4 million) of restricted cash that provides guarantees to banks, suppliers and leasing partners.

Note 3 explains principles of recognition for impairment losses on financial assets.

The additions to the provision for impaired receivables have been included in net impairment losses of financial assets in the statement of profit or loss. Amounts charged to the allowance account are generally written off against the trade receivables, when there is no expectation of recovery.

Further details about the Group's impairment policies and the calculation of the loss allowance are provided in note 32.

18. CASH AND CASH EQUIVALENTS

In €m	As at 31 Dec 2020	As at 31 Dec 2019
Short term deposits	46.5	96.2
Cash at bank and in hand	319.6	181.1
Total cash and short-term deposits	**366.1**	**277.3**

For short-term deposits and cash at bank the Group applies a general approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. A loss allowance of €0.1 million was recognised as of 31 December 2020 (2019: €0.2 million).

19. EQUITY

Common share capital

As at 31 December 2020, the issued share capital 213,836,716 common shares (31 December 2019: is 214,765,517), with a nominal value of €0.01 per share. Each common share entitles the holder to one vote at Global Fashion Group's Annual General Meeting. The nominal value of all common shares is fully paid.

The table below details the share capital movements during the current and prior year:

	Number common of shares	Nominal amount in €m (par value 0.01)	Share Capital (€m)	Share premium (€m)
At 1 January 2019	67,861,754	0.01	0.7	-
Conversion of Convertible Preference Shares	84,828,235	0.01	0.8	-
Share Redistribution	20,075,528	0.01	0.2	-
Common share capital issued on IPO	42,000,000	0.01	0.4	188.6
Less: transaction costs arising on share issue	n/a	n/a	n/a	(4.2)
Balance as at 31 December 2019	**214,765,517**	**0.01**	**2.1**	**184.4**
Treasury share cancellation	(20,054,561)	0.01	(0.2)	-
Common Share Capital Issued (i)	76,310	0.01	-	-
Common Share Capital issued (ii)	2,549,450	0.01	-	-
Common Share Capital issued (iii)	16,500,000	0.01	0.2	120.2
Less: transaction costs arising on share issue	n/a	n/a	n/a	(1.0)
Balance as at 31 December 2020	**213,836,716**	**0.01**	**2.1**	**303.6**

(i) On 30 March 2020, the Company issued 76,310 new common shares to pre-IPO shareholders in connection with the Share Redistribution carried out by the Company prior to its IPO in 2019.

(ii) In July 2020, 2,549,450 common shares were issued to facilitate units being exercised under the share-based payment plans. Please see note 20 for more details.

(iii) On 18 November 2020, Global Fashion Group ("the Group") issued 16,500,000 new common shares at subscription price of €7.30 per share which generated net proceeds of €119.4 million. Please see note 1 for further details.

In 2019, several equity transactions took place;

- **Conversion of convertible preference shares to common shares:** between 2015 and 2017, the Company raised €480.0 million of capital in the form of convertible preference shares ("CPS") from a Group of existing shareholders. The agreed terms were such that, upon the pricing of an IPO or corporate transaction, the CPS held would convert into common share based on a 1:1 conversion ratio. The offer price was agreed at €4.50 on 28 June 2019, which triggered a conversion of the Company's 84,828,235 CPS to common shares.
- **Share redistribution:** the CPS (with the exception of certain anti-dilution convertible preference shares) granted a preferred and annually compounding return of 20% on their subscription price. Such return was not payable in cash but was to be satisfied by issuing a certain number of additional new common shares to the (former) holders of CPS following the conversion. Prior to the Company's IPO, this settlement mechanism was amended and it was agreed that the additional return will now be emulated, in all material respects, through repurchases of existing common shares by the Company and the issuance of common shares, in each case for nil consideration, from or to the shareholders of the Company following pricing of the IPO (the "Share Redistribution"). As part of the Share Redistribution, the Company issued 19,939,285 common shares to and repurchased 20,054,561 common shares from its existing shareholders on 1 July 2019. An additional 136,243 shares were issued on 5 August 2019 pursuant to the Share Redistribution.
- **Listing on Frankfurt Stock Exchange:** since 2 July 2019 the shares of the Company have been traded on the regulated market (Prime Standard) of the Frankfurt Stock Exchange. The Company received net proceeds of €186.1 million after deducting qualifying fees retained by the underwriters, from its IPO. The offering consisted of 40,000,000 newly issued common shares, which were issued on 1 July 2019. A further 2,000,000 common shares were issued as part of the greenshoe option on 5 August 2019.

Convertible preference shares

As mentioned above, the Company's 84,828,235 convertible preference shares were converted to common shares, with a conversion ratio of 1:1, on 28 June 2019. There was no movement in convertible preference shares in the current year.

Treasury shares

On July 1, 2019, the Company repurchased 20,054,561 in connection with the Share Redistribution. These common shares were held in treasury solely for the purpose of cancellation. The Company held an additional amount of 182,378 common shares in treasury, for a total number of 20,236,939 common shares in treasury as at 31 December 2019.

On 26 June 2020, 20,054,561 common shares in treasury, were redeemed and cancelled, reducing the issued share capital of the Company by an amount of €200,545.61. The total number of common shares in treasury was 182,378 as at 31 December 2020.

Authorised Capital

In the context of the new Share Plan in note 20, the Board approved the future issuance of shares under the terms of the plan.

The tables below summarise the authorised common share capital:

Share capital

			2020			2019
	No.	Par Value	€m	No.	Par Value	€m
Authorised						
Common shares	378,705,417	0.01	3.8	398,759,978	0.01	4.0
Issued						
Common shares	213,836,716	0.01	2.1	214,765,517	0.01	2.1

Capital reserves

There were no changes to capital reserves in the current or prior year.

Share-based payment reserves

Other reserves relate to IFRS 2 reserves and amounted to €128.3 million as at 31 December 2020 (2019: €117.1 million). The share-based payment reserve is used to recognise the value of equity settled share-based payments provided to directors and employees (note 20).

Non-controlling interest

As of 31 December 2020 and 2019 non-controlling interests mainly consisted of management participations. During the year, a subsidiary in which the Group has a non-controlling interest, received capital contributions from a third party shareholder of €3.9 million.

20. SHARE-BASED PAYMENTS/ SHARE-BASED COMPENSATION

As at 31 December 2020, the Group's share-based payment arrangements are primarily composed of:

a) 2019 share plan;

b) 2018 employee share option plan (ESOP 2018);

The total share-based payment expense of €14.9 million (2019: €5.2 million) is comprised of:

- €8.8 million (2019: €2.0 million) relating to the 2019 share plan;
- €5.8 million (2019: €2.3 million) relating to the 2018 employee share option plan;
- €0.3 million (2019: €0.9 million) relating to former plans

(a) 2019 Share Plan

Under this plan, the participants have been granted two different types of awards, Restricted Stock Units (RSU) and Performance Stock Units (PSU). All units represent a share in Global Fashion Group S.A ('GFG shares'). The units do not have an exercise price. All units vest over two to three years and PSUs are additionally subject to non-market performance conditions that the Company will set for each year. Other PSU tranches are subject to rolling performance goals covering more than one year. Units that vested in April 2020 were subject to a lock up period of 1 year from the date of the IPO, being 2 July 2019. On 3 July 2020, the lock-up period ended and participants were entitled to exercise all vested shares. Certain senior level executives are subject to a holding period of maximum 4 years after their units are granted. There is no dividend entitlement on all stock units during the vesting period.

Upon vesting, and subject to any holding period, legal ownership of GFG shares is transferred to the participants except where cash settlement is required by local regulations. The settlement amount in cash will be equal to the market price of GFG Shares on the vesting date or, if applicable, the date when the holding period expires. Furthermore, the plan rules foresee various discretions for the Board as well as good and bad leaver provisions.

Under the terms of the Share Plan the Group has a choice to settle either in shares of the Group or in cash. It is the intention of GFG to settle in shares therefore these awards will be classified as equity settled. The grant date for the Share Plan was 30 September 2019.

If the awards are classified as cash-settled, they will be remeasured at each reporting period until settlement. Remeasurements during the vesting period are expensed immediately to the extent that they relate to past services and are expensed over the remaining vesting period to the extent that they relate to future services. Remeasurements of cash-settled awards after the vesting date are expensed immediately.

Expenses in relation to RSU tranches will be recognised based on a graded-vesting approach from the initial grant date until the respective vesting date of each tranche in case of equity-settled awards or settlement date in case of cash-settled awards. In contrast, the expense recognition period of PSUs will be from the beginning of each year to which performance targets relate, as performance targets are set only at the beginning of each year. In addition, the expense in relation to PSUs will be recognised based on the estimated (most likely) number of the awards to reflect expected achievement of the performance targets at each reporting date until the number of the awards is fixed.

All awards are subject to applicable employer social charges based on rates that vary by geographic location and by participants' individual tax status. The Group will recognise a social charge liability on the portion of awards that have been expensed at period end reflecting the amount which the Group would be liable to pay.

Share option awards	Number of Options	Number of Options
	2020	2019
Outstanding at the beginning of the year	**3,732,570**	**-**
Granted during the period	4,198,937	3,945,410
Forfeited during the period	(1,482,509)	(212,840)
Exercised during the period	(1,173,136)	-
Outstanding at 31 December	**5,275,862**	**3,732,570**
Total Awards vested and therefore exercisable as at 31 December	**1,656,067**	**-**

Forfeited shares represent units that an employee is no longer entitled to when they leave employment, as the shares are unvested at the leaving date. All vested units were 'in-the-money' as at 31 December 2020.

The weighted average share price for units exercised in the year, was €3.04. The fair value of the awards granted is equal to the GFG share price quoted on the Frankfurt stock exchange. The weighted average fair value of the units granted during the period was €2.22 (2019: €2.11). The number of awards due to vest in 2021 is 2,779,565. The weighted average remaining contractual life for outstanding units was 1.84 years.

As at 31 December 2020, liabilities arising from applicable employer social charges of €1.1 million were included within other financial liabilities (current).

(b) 2018 Employee share option plan

Awards issued under the 2018 Employee share option plan originally consisted of different types of awards depending on the Group's regional businesses that the awards related to. Some awards of which are classified as cash-settled or equity-settled, and some are long-term employee benefits falling under the scope of IAS 19: Employee Benefits.

Where the Company is required to settle in cash or the employee has a choice to settle in cash, the awards were classified as cash-settled. Equity-settled awards are those where the Company has a choice to settle and intends to settle in its own equity instruments.

The awards accounted for under IAS 19 relate to cash units, each with a nominal amount of €1.00, issued to employees of THE ICONIC. As the number and value of such awards ultimately paid out to participants does not depend on the value generated upon exit of that business, these awards are not considered share-based and are therefore accounted for under IAS 19. The vesting conditions of these cash units are substantially similar to the vesting conditions of the other awards described above.

The fair values for all options have been valued using the Black-Scholes model for option pricing, taking into account the terms and conditions on which the share options were granted.

Each award contains portions that vest immediately. Other portions vest based on service conditions or additional performance conditions. Awards vest either by the end of 2018 or quarterly covering a maximum period of 4 years until the end of 2022. In addition, the terms provide for a right of the Group to claw back the awards in case of defined acts to the detriment of the Group. The share options generally have a life of up to 10 years.

The initial public offering and listing of shares on the regulated market (Prime Standard) of the Frankfurt Stock Exchange made vested share options exercisable and has prompted a modification to the 2018 Employee Share Option Plan. As a result, all the regional share-based payments awards accounted for in accordance with IFRS 2 were been converted into Group awards, i.e. share options that represent an entitlement to a share of GFG S.A., that are based on the fair value of the publicly traded GFG S.A shares on the first day of trading. The conversion took place upon IPO, being 2 July 2019, and was performed using fixed conversion ratios determined by the GFG Board. The share options were initially subject to a 12 month lock-up period from the date of the IPO, being 2 July 2019. On 3 July 2020, the lock-up period ended and participants were entitled to exercise all vested shares.

The awards accounted for in accordance with IAS 19 are not affected by the conversion and continue to be accounted for as a liability until settlement.

The conversion of the share options was accounted for as a modification in accordance with IFRS 2. The conversion has neither resulted in an increase in the fair value of the awards nor any changes to other terms and conditions. Therefore:

- GFG will continue to recognise expenses based on the respective grant date fair values of the equity-settled awards which grant date was in Q2 2019 or earlier.
- The liability and the expenses in relation to the converted cash-settled awards are measured based on the fair values of the Group awards as of Q4 2019 while keeping all other measurements as before.

All 2018 ESOP awards issued upon conversion in Q3 2019 are accounted for as Group awards.

The terms of the plan require the use of a graded-vesting approach to expense recognition in accounting for the various tranches of each award resulting.

All awards are subject to applicable employer social charges based on rates that vary by geographic location and by each relevant participants' individual tax status. The Group has accounted for this by recognising a social charge liability on the portion of awards that have been expensed at period end and which the Group would be liable to pay upon exercise.

The share-based payments expense in any given period therefore represents the value of all vested awards (remeasured at the latest applicable value for cash-settled instruments), the value of the graded portion of each award due to vest in the future and recognised in current accounting periods, and the applicable social charges attached to those awards.

The following table lists the inputs to the models used to value the options during the period:

Inputs	2020	2019[1]
	€	€
Weighted average fair values at measurement date	9.65	2.32
The expected life (years)	-	0.50
Risk Free Rate	0.01%	0.01%
Expected Volatility (%)	44.41%	37.45%
Exercise Price	0.01 – 12.96	0.01 – 12.96
Expected Dividends	Nil	Nil

[1] Where relevant, comparative inputs are expressed at a regional level prior to the conversion of units to a Group level.

The expected life of the share options is based on the weighted average number of periods to exercise. The expected volatility has been calculated by observing a range of publicly listed peer companies and looking at the standard deviation of a range of historic share prices for a length of time equal to the number of periods to exercise.

The balance of the number of converted options outstanding and their related weighted average exercise prices are as follows for the year ended 31 December 2020:

Share option awards	Weighted Average Exercise Price	Number of Options
	2020	2020
Outstanding at the beginning of the year	7.18	9,243,382
Granted during the year	3.76	1,574,545
Forfeited during the year	6.94	(1,048,707)
Exercised during the year	3.02	(813,163)
Outstanding at 31 December	6.99	8,956,057
Total Awards vested as at 31 December	**7.10**	**8,831,261**
In-the-money awards vested as at 31 December	**5.79**	**6,913,990**

The balance of the number of converted options outstanding and their related weighted average exercise prices are as follows for the year ended 31 December 2019:

Share option awards	Weighted Average Exercise Price	Number of Options
	2019	2019
Outstanding at the beginning of the year	7.42	7,401,456
Granted during the year	5.99	2,880,028
Forfeited during the year	7.71	(746,794)
Exercised during the year	0.01	(291,307)
Outstanding at 31 December	7.18	9,243,382
Total Awards vested as at 31 December	**7.37**	**7,804,909**
In-the-money awards vested as at 31 December	**0.01**	**1,198,625**

The weighted average fair value of options granted during the year was €0.66 (2019: €1.63).

The expenses broken down for employee services in relation to the new ESOP (post conversion to Group awards) is shown on the below table:

In €m	2020	2019
Expense arising from equity-settled share-based payment transactions	3.6	3.8
Expense arising from cash-settled share-based payment transactions	2.5	(1.9)
Expenses arising from long-term employee benefits (IAS 19)	-	(0.1)
Expenses arising from applicable employer social charges	(0.2)	0.5
Liability arising from cash-settled portion of share-based payments	2.8	9.4
Liability arising from long-term employee benefits (IAS 19)	-	1.2
Liability arising from applicable employer social charges	2.7	2.7

Liabilities are included within Trade payables and other financial liabilities and were classified as current in the previous financial year. Liabilities of €10.4 million were settled in the current financial year, after the expiry of the lock-up period ended on 3 July 2020. In the current year, liabilities are classified as non-current as they are expected to be settled at least one year from the balance sheet date. The intrinsic value of the liability is close to the carrying amount.

21. BORROWINGS

The Group has the following borrowings:

In €m	31 Dec 2020	31 Dec 2019
Current		
Borrowings	10.2	5.4
Total borrowings	**10.2**	**5.4**

Interest on the bank loans is charged at either a fixed rate (with a floating element), or a floating rate.

The tables below summarise the changes in the Group's borrowings arising from financing:

In €m	1 Jan 2020	Cash flows	FX movement	New borrowings	Other	31 Dec 2020
Interest bearing bank borrowings (current)	5.4	(2.5)	(0.9)	8.2	-	**10.2**

In €m	1 Jan 2019	Cash flows	FX movement	New borrowings	Other	31 Dec 2019
Interest bearing bank borrowings (current)	0.6	(0.4)	(0.4)	5.6	-	**5.4**

For information relating to credit facilities and terms available to the Group please refer to note 35.

22. PROVISIONS

Movements in provisions for liabilities and charges are as follows:

In €m	Tax risks	Litigation risks	Other	Total
Carrying amount at 1 January 2019	**9.3**	**2.2**	**1.1**	**12.6**
Additions	14.4	1.0	2.2	17.6
Reversals	-	(0.4)	(0.9)	(1.3)
Used	(0.3)	(0.9)	(0.2)	(1.4)
Reclassifications	(2.7)	-	0.9	(1.8)
Currency translation differences	2.0	-	-	2.0
Carrying amount at 1 January 2020	**22.7**	**1.9**	**3.1**	**27.7**
Additions	1.0	(0.4)	1.0	1.6
Used	(1.2)	-	-	(1.2)
Reclassifications	1.1	-	(1.1)	-
Currency translation differences	(2.3)	(0.4)	-	(2.7)
Carrying amount at 31 December 2020	**21.3**	**1.1**	**3.0**	**25.4**

Provisions amounted to €25.4 million as of 31 December 2020 (2019: €27.7 million) where of €2.5 million are classified as non-current (2019: €3.4 million) mostly relating to restoration obligations and provisions for gratuity and anniversary, and €22.9 million as current (2019: €24.3 million)

Provision for tax risks relate to provisions for VAT, import duties (including penalties) and withholding tax. The provision mainly represents management's estimate of the amount payable in connection with a tax review relating to prior purchases of inventory and professional services invoices. Management currently estimates that the tax outflow is more likely than not. Please see note 31 for further information.

Litigation risk. The amounts represent a provision for certain legal claims brought against the Company by customers and ex-employees. The provision charge is recognised in profit or loss within administrative expenses. In the managements' opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided at 31 December 2020. The provision has been classified as current.

23. TRADE PAYABLES AND OTHER FINANCIAL LIABILITIES

In €m	Output 31 Dec 2020	Output 31. Dez 19
Current		
Trade payables	252.1	274.1
Other financial liabilities[1]	14.5	21.9
Refund liabilities	17.2	15.6
Total trade and other financial liabilties (current)	**283.8**	**311.6**

[1] In 2019 the liabilities relating to share-based payment programmes in the amount of €13.5m have been reclassified to current in order to align to the timing of the financial obligations. Refer to note 20 for details of payment during the current financial year.

Refund liabilities, included in current other financial liabilities reflect the Group's obligation to refund its customersf or returned goods.

The table below summarises the changes in the Group's trade payables and other financial liabilities during the year:

In €m	1 Jan 2020	Cash flows	FX move-ment	Other	31 Dec 2020
Trade payables	274.1	21.5	(43.4)	(0.1)	252.1
Other financial liabilities	21.9	(7.7)	(2.3)	2.6	14.5
Refund liabilities	15.6	2.5	(0.9)	-	17.2
Total trade and other financial liabilties (current)	**311.6**	**16.3**	**(46.6)**	**2.5**	**283.8**

24. OTHER NON-FINANCIAL LIABILITIES

In €m	31 Dec 2020	31 Dec 2019
Non-Current		
Other non-financial liabilities	0.6	0.4
Other non-financial liabilities (non-current)	**0.6**	**0.4**
Current		
Liabilities from taxes	15.8	10.8
Accruals for personnel related expenses	22.9	17.8
Liabilities to employees	2.7	2.7
Liabilities from social security	3.8	4.0
Contract liabilities	34.9	26.5
Other non-financial liabilities	1.3	0.7
Other non-financial liabilities (current)	**81.4**	**62.5**
Income tax liabilities	31.1	29.1
Total non-finanical liabilities	**113.1**	**92.0**

As at 31 December 2020, liabilities from taxes relate primarily to VAT obligations and amounted to €10.8 million (2019: €7.6 million).

Liabilities to employees/accruals for personnel related expenses comprise bonus obligations, accrued vacation and salaries.

Contract liabilities represents advance payments for orders received but not shipped, liabilities from store credit balances and unredeemed customer loyalty points.

25. REVENUE

Revenues for the year are as follows:

In €m	2020	2019
Sale of goods	1,180.9	1,221.6
Marketplace	153.8	97.2
Other	25.0	27.2
Total Revenue	**1,359.7**	**1,346.0**

Other revenues include platform services revenue generated from wholesale revenue and by providing ancillary advertising and supply chain services. Breakdowns of revenues by each segment and by geographical areas are disclosed in the tables in note 6.

26. EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses for the year are as follows:

In €m	2020	2019
Wages and salaries [1]	204.5	193.4
Social security costs [2]	28.0	36.2
Share-based payment expense	14.9	5.2
Total	**247.4**	**234.8**

[1] Wages and salaries included in Cost of sales amounts to €1.5 million (2019: €2.5 million) and amounts included within Selling and Distribution expenses and Administrative expenses were €203.0 million (2019: €190.9 million).

[2] Social security contributions included in Cost of sales amounts to €0.1 million (2019: €0.3 million) and amounts included within Selling and Distribution expenses and Administrative expenses were €27.9 million (2019: €35.9 million).

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services) are accrued in the year in which the employees render the associated services.

The average monthly number of employees in 2020 was:

2020	LATAM	CIS	SEA	ANZ	Other [1]	Total
Average number of employees	3,107	7,692	1,551	807	134	**13,291**

The average monthly number of employees in 2019 was:

2019	LATAM	CIS	SEA	ANZ	Other [1]	Total
Average number of employees	2,696	6,834	1,515	980	136	**12,161**

[1] "Other" includes employees of headquarters and other business activities.

27. DEPRECIATION AND AMORTISATION EXPENSES

During the financial year, depreciation and amortisation expenses were categorised in expenses per function, as follows:

In €m	2020	2019
Included in selling and distribution expenses		
Depreciation of property, plant and equipment	14.1	13.5
Depreciation of right-of-use assets	17.8	15.6
Amortisation of intangible assets [1]	0.6	0.7
Included in general and administrative expenses		
Depreciation of property, plant and equipment	5.0	3.7
Depreciation of right-of-use assets	5.3	6.5
Amortisation of intangible assets [1]	23.5	21.6
Total	**66.3**	**61.6**

[1] The comparative figures are restated to align classification between selling and distribution expenses and general and administration expenses to the classification as per the consolidated statement of profit or loss.

28. OTHER OPERATING INCOME AND EXPENSES

Other operating income for the year was €7.2 million (2019: €15.1 million), which consisted of income from the disposal of property, plant and equipment, VAT refunds, rental and other income.

Other operating expenses for the year are as follows:

In €m	31 Dec 2020	31 Dec 2019
Other operating expenses		
Loss from disposal of property, plant and equipment	0.9	0.3
Write-off of receivables	1.1	1.3
Other taxes	4.8	17.9
Other expenses	7.6	8.0
Total other operating expenses	**14.4**	**27.5**

29. FINANCIAL RESULT

The financial result for the year is as follows:

In €m	Note	31 Dec 2020	31 Dec 2019
Financial Result			
Interest income		2.1	5.2
Interest expenses		(5.2)	(6.7)
Interest expense on lease liabilities	13	(8.8)	(7.7)
Depreciation of financial assets		(0.4)	(0.3)
Foreign exchange (losses)/gains		(31.9)	13.3
Total financial result		**(44.2)**	**3.8**

30. INCOME TAXES

Income tax expense is as follows:

In €m	2020	2019
Current tax expense	(8.0)	(24.9)
Thereof prior period	(0.8)	1.2
Deferred tax	3.5	(3.2)
Income tax expense for the year	**(4.5)**	**(28.1)**

Income tax paid in 2020 amounts to €2.7 million (2019: €2.5 million).

Reconciliation between the tax expense and profit or loss multiplied by applicable tax rate

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

In €m	2020	2019
Profit/(loss) before tax	(107.9)	(116.5)
Weighted average applicable tax rate (in %)	21.61%	22.98%
Tax calculated at domestic tax rates applicable to profits in the respective countries	23.3	26.8
Tax effect of items which are not deductible or assessable for taxation purposes:		
Share-based payment expenses	(0.2)	(1.1)
Other permanent differences	(11.1)	(9.1)
Income which is exempt from taxation	0.5	13.6
Expenses not deductible for tax purposes	(9.3)	(20.4)
Utilisation of previous unrecognised tax losses	7.4	0.9
Unrecognised tax loss carry forwards for the year	(12.5)	(14.7)
Adjustments in respect of prior years	(2.2)	(22.0)
Other	(0.4)	(2.1)
Income tax expense for the year	**(4.5)**	**(28.1)**

Deferred tax effects relating to each component of other comprehensive income
In 2020 and 2019 the Group did not recognise any deferred tax (charge)/credit relating to components of other comprehensive income.

Tax loss carry forwards
The Company has unrecognised potential deferred tax assets in respect of unused tax loss carry forward of approx. €2,834.8 million (2019: €3,033.8 million). The tax loss carry forwards expire as follows:

In €m	2020	2019
Tax loss carry forward expiring by the end of:		
Within one year	8.5	10.4
After one year but not more than five years	58.1	52.0
More than five years	53.8	86.2
Indefinite	2,714.4	2,885.2
Total tax loss carry forwards	**2,834.8**	**3,033.8**

Deferred income tax assets are recognised for tax loss carryforwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

Tax authorities in the countries in which we operate could challenge the Group's tax losses significantly reducing the availability of the tax losses in future periods.

Deferred Taxes
Differences between IFRS and statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases.

In €m	1 Jan 2020	Exchange differences	Transferred to Disposals	Charged/ (credited) to profit or loss	31 Dec 2020
Tax effect of deductible/(taxable) temporary differences and tax loss carry forwards					
Difference between tax and accounting value of:					
Trade name	(20.6)	1.5	-	1.9	(17.2)
Customer relationship	(10.2)	1.8	-	1.2	(7.2)
Technology	(0.7)	(0.1)	-	(0.2)	(1,0)
Tax loss carryforwards	18.6	(1.1)	-	(3.2)	14.3
Other	0.7	(0.9)	-	3.8	3.6
Net deferred tax asset/(liability)	**(12.2)**	**1.2**	**-**	**3.5**	**(7.5)**
Recognised deferred tax asset	22.6	(2.0)	(3.3)	0.6	17.9
Recognised deferred tax liability	(34.8)	3.2	3.3	2.9	(25.4)

In €m	1 Jan 2019	Exchange differences	Transferred to Disposals	Charged/ (credited) to profit or loss	31 Dec 2019
Tax effect of deductible/(taxable) temporary differences and tax loss carry forwards					
Difference between tax and accounting value of:					
Trade name	(22.5)	0.1	-	1.8	(20.6)
Customer relationship	(10.8)	-	-	0.6	(10.2)
Technology	(0.7)	-	-	-	(0.7)
Tax loss carryforwards	19.2	-	-	(0.6)	18.6
Other	5.5	0.2	-	(5.0)	0.7
Net deferred tax asset/(liability)	**(9.3)**	**0.3**	**-**	**(3.2)**	**(12.2)**
Recognised deferred tax asset	24.6	0.4	-	(2.4)	22.6
Recognised deferred tax liability	(33.9)	(0.1)	-	(0.8)	(34.8)

In the context of the Company's current structure, tax losses and current tax assets of different Group companies may not be offset against current tax liabilities and taxable profits of other Group companies and, accordingly, taxes may accrue even where there is a consolidated tax loss. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity.

The Company controls the reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains upon their disposal ("outside basis differences"). Hence, for temporary differences the Company had €64.4 million (2019: €45.1 million) of unremitted earnings of subsidiaries for which no deferred tax liabilities were recognised.

31. CONTINGENCIES AND COMMITMENTS

Legal proceedings

From time to time and in the normal course of business, claims against the Company may be received. On the basis of its own estimates, management is of the opinion that no material losses will be incurred in respect of claims in excess of provisions that have been made in these consolidated financial statements.

In addition, in line with standard business practice, various Group companies have given guarantees, indemnities and warranties in connection with disposals in recent years of subsidiaries and associates to parties outside the Group. The Group currently estimates that potential exposure related to such guarantees, indemnities and warranties could be up to €7.9 million (2019: €7.9 million), however, the ultimate liability for legal claims may vary from the amounts provided and is dependent upon the outcome of any potential litigation proceedings, investigations and/or possible settlement negotiations. There are also a number of charges registered over the assets of Group companies in favour of third parties in connection with the Group's banking facilities (note 35).

Tax contingencies

Our business is subject to the general tax environments in the countries in which we currently operate. Changes in tax legislation, administrative practices or case law – which might be applied retroactively – could increase our tax burden. Additionally, tax laws may be interpreted differently by the competent tax authorities and courts, and their interpretations may change at any time, which could lead to an increase of our tax burden. In some of the countries in which we currently operate, tax authorities may also use the tax system to advance their agenda. Accordingly, we may face unfounded claims in such countries. We have been audited several times by tax officials in various jurisdictions in which we operate. We believe that we are in compliance with applicable tax laws.

Legislators and tax authorities may change territoriality rules or their interpretation for the application of value-added tax ("VAT") or similar indirect taxes on transactions, which may lead to significant additional payments for past and future periods. In addition, court decisions are sometimes ignored by competent tax authorities or overruled by higher courts, which could lead to higher legal and tax advisory costs and create significant uncertainty. New taxes could also result in additional costs necessary to collect the data required to assess these taxes and to remit them to the relevant tax authorities. Besides this, the documentation obligations under applicable VAT and VAT-related laws are considerable. While we believe that we are in compliance with applicable tax laws it cannot be ruled out that tax authorities may take the position that certain of our companies may not fully comply, or, as the case may be, may have not fully complied with applicable tax regulations throughout all phases of their development.

Several of the Group's German entities rendered services in the past to their foreign subsidiaries, to support them with building their online businesses. The German tax authorities are challenging the input VAT recovery of some of these entities when costs have not yet been fully recharged to the other Group entities to which they are providing the services. In 2018, the German tax authorities generally agreed to the VAT position of the Group's German entities assuming the costs are recharged out within a reasonable time. The Group is continuing to review the execution of this proposal having regard to (i) any current tax disputes with the German tax authorities that could lead to double taxation from the recharges and (ii) commercial reasons for not undertaking the recharges.

The nature of the Group's business model, involving delivering goods and services to customers in territories where the Group may have limited physical presence, could lead to tax authorities challenging the allocation of taxable income resulting in a higher tax burden for the Group.

At 31 December 2020, potential tax risks, including the issues above, estimated by the Group amount to €124.8 million (2019: €137.2 million) including €45.2 million in relation to income tax and €79.7 million in relation to indirect tax (2019: €54.4 and €82.7 million), of which provisions of €44.2 million (2019: €47.2 million) including €22.9 million in relation to income tax and €21.3 million in relation to indirect tax have been recorded representing the probable amount of eventual claims and required payments related to those risks. Provisions in relation to income tax are recorded under 'Income tax liabilities' while provisions in relation to indirect tax are recorded under 'Provisions' on the statement of financial position.

Capital commitments

As at 31 December 2020, the Group had commitments of €22.7 million (2019: €5.3 million) primarily relating to the completion of a new fulfillment centre in Russia (prior year capital commitments related to completion of a new fulfillment center in Brazil).

32. FINANCIAL RISK MANAGEMENT

In the course of its ordinary business activities, GFG is exposed to market risk (primarily interest rate risk, foreign currency risk), credit risk and liquidity risk. In accordance with the Group's financial risk management these risks are identified, analysed and evaluated on a regular basis. It is the main objective of the Group's proactive risk management to decide on actions to avoid, contain or limit the defined maximum risk exposure from such risks. It is the Group's management responsibility to manage those risks. The management provides written principles for overall risk management and reviews and agrees policies for managing each of these risks which are summarised below.

Market risk. Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks comprise interest rate risk, currency risk, and other price risk. Market risks arise from open positions in (a) foreign currencies, (b) interest bearing assets and liabilities, and (c) assets and liabilities measured at fair value, all of which are exposed to general and specific market movements. Refer to note 3 for further information regarding price risk.

Interest rate risk. The interest rate risk involves the influence of positive and negative changes in market interest rates on the Group's financial position and cash flows. The Group does not have formal policies and procedures in place for management of interest rate risks as management considers this risk as insignificant due to the limited debt financing operations of GFG.

Foreign currency risk. Currency risk is the risk that the fair value of financial assets or financial liabilities held in foreign currency or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Due to its international business activities, the Group is exposed to the risk of changes in foreign exchange rates in connection with trade payables and trade receivables resulting from purchase and sales transactions denominated in a different currency from the functional currency of the respective operation as well as intercompany financing. However, the Group maintains an effective natural hedge over 80% across most of the Group's cash flows as the Group's revenue streams are generated in local currencies matched by Group's costs mostly incurred in the respective local currencies.

In respect of currency risk, management sets limits on the level of exposure by currency and in total. The positions are monitored monthly. The Group does not use derivatives as hedging instruments to limit its exposure from foreign currency risks. At 31 December 2020, if the EUR had strengthened/weakened by +/–10% against all other currencies with all other variables held constant, the hypothetical impact on profit for the year would have been €25.5 million (2019: €3.9 million) higher/lower, mainly as a result of foreign exchange gains/losses on translation of trade and other receivables, cash as well as trade and other payables and loan liabilities denominated in EUR.

During 2020, there were significant fluctuations in some of the Group's key reporting currencies, as follows:

Currency/EUR	Closing FX rate 31 Dec 2020	Closing FX rate 31 Dec 2019	% Variance
RUB	91.4671	69.9563	30.7%
BRL	6.3735	4.5157	41.1%
AUD	1.5896	1.5995	(0.6%)

Credit risk. Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Group is exposed to credit risk primarily from trade receivables and cash and cash equivalents. In relation to cash and cash equivalents, the Group only deals with highly rated financial institutions and therefore the estimated credit loss is not material.

Customer credit risk is managed by each fashion venture subject to the Group's established policy, procedures and control relating to customer credit risk management. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to counterparties or groups of counterparties. Limits on the level of credit risk are approved regularly by management. Such risks are monitored on a revolving basis and are subject to an annual, or more frequent, review. The Group's management reviews ageing analysis of outstanding trade receivables and follows up on past due balances.

An impairment analysis is performed at each reporting date based on groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and the reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and operate in largely independent markets.

At 31 December 2020, the exposure to credit risk for trade receivables by type of counterparty was as follows:

In €m	Gross Carrying Amount	Loss allowance
From online payment providers	63.1	(0.2)
Logistics companies	7.5	-
Large corporate clients	6.4	-
Individual customers	0.2	-
Other	3.3	(0.1)
Total	**80.5**	**(0.3)**

At 31 December 2019, the exposure to credit risk for trade receivables by type of counterparty was as follows:

In €m	Gross Carrying Amount	Loss allowance
From online payment providers	39.2	(0.1)
Logistics companies	6.4	(0.1)
Large corporate clients	4.9	(0.2)
Other	2.0	-
Total	**52.5**	**(0.4)**

The Group uses an allowance matrix to measure the ECLs of all types trade receivables, with the exception of the Indonesian operation who use specific identification for loss allowance. The expected loss rates are based on the payment profiles of sales and the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors, such as monetary policy and economic growth factors which vary region to region and affect the ability of the customer to settle the receivables.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2020:

In €m	Gross Carrying Amount	Loss allow-ance	Loss rate
Current (not past due)	73.9	(0.3)	0.4%
1–30 days past due	3.3	0.0	0.0%
31–60 days past due	1.1	0.0	0.0%
61–90 days past due	0.9	0.0	0.0%
More than 90 days past due	1.3	(0.0)	2.5%
Total	**80.5**	**(0.3)**	**0.4%**

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

In €m	2020
Balance at 1 January 2020	0.4
Net remeasurement of loss allowance (as per income statement)	(0.1)
Balance at 31 December 2020	**0.3**

Liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Group manages liquidity by maintaining adequate reserves, capital funding (for example, the issued share capital as detailed in note 19), banking facilities and reserve borrowing facilities (see further detail in note 35), by continuously monitoring forecast and actual cash flows.

The Group seeks to maintain a stable funding base primarily consisting of shareholders´ issues of capital, then borrowing, trade and other payables.

The table below shows liabilities at 31 December 2020 and 2019 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the spot exchange rate at the end of the respective reporting period.

The maturity analysis of financial liabilities at 31 December 2020 is as follows:

In €m	Demand and less than 1 year	From 1 to 5 years	Over 5 years	Total
Liabilities				
Borrowings	10.6	-	-	10.6
Trade payables and other financial liabilities	283.8	-	-	283.8
Lease liabilities	29.5	89.0	7.9	126.4
Total future payments, including future principal and interest payments	**323.9**	**89.0**	**7.9**	**420.8**

As at 31 December 2020, the carrying value of borrowings, trade payables and other financial liabilities and lease liabilities, were €10.2 million, €283.8 million and €113.7 million respectively.

The maturity analysis of financial liabilities at 31 December 2019 is as follows:

In €m	Demand and less than 1 year	From 1 to 5 years	Over 5 years	Total
Liabilities				
Borrowings	5.4	-	-	5.4
Trade payables and other financial liabilities	311.6	-	-	311.6
Lease liabilities	28.9	87.6	14.4	130.9
Total future payments, including future principal and interest payments	**345.9**	**87.6**	**14.4**	**447.9**

As at 31 December 2019, the carrying value of borrowings, trade payables and other financial liabilities and lease liabilities, were €5.4 million, €311.6 million and €106.1 million respectively.

33. CAPITAL MANAGEMENT

For the purpose of the Group's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the parent. It is the primary objective of the Group's capital management to ensure that all the Group entities can operate on a going concern basis and maintain a sufficient capital structure to provide a long-term growth of the Group's value. The Group decides on adjustments of the capital in light of changes in economic and trading conditions. In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets to reduce debt.

In €m	31 Dec 2020	31 Dec 2019
Equity attributable to equity holders of the parent	615.2	641.3
Total Assets	1,173.1	1,204.5
Equity Ratio	52.4%	53.2%

There were no changes made to the objectives, policies or processes during the period from incorporation up to 31 December 2020.

34. HYPERINFLATIONARY ECONOMIES

IAS 29 Financial Reporting in Hyperinflationary Economies was adopted during the second half of 2018 in Argentina, where the three-year cumulative inflation rate for consumer prices and wholesale prices reached levels of 123% and 119% respectively. The gain/loss on the net monetary position due to Hyperinflation for the year ended 31 December 2020 was €1.2m (2019: €1.6m).

35. DEBT FACILITIES

The Company entered into an amended revolving credit facility ('the amended facility') on 9 July 2019. The total facility amount remains unchanged at €70.0 million, with the allocation between Facility A and Facility B remaining unchanged at €50.0 million and €20.0 million respectively with Facility A permitted to increase by up to €30.0 million (to a total of €80.0 million) by way of an accordion option. €50.0 million that was classified as restricted under the previous Facility A was released to the Company on 11 July 2019.

There will be no obligation to hold restricted cash as part of the amended facility unless the market capitalisation falls below €600 million. If market capitalisation falls below €600 million then the Group will have to restrict cash equal to any draw downs. As at 31 December 2019 as market capitalisation was below €600 million, €20 million was restricted under the facility within other financial assets (non-current). On 31 July 2020 the RCF was cancelled. Restricted cash of €20 million was released on cancellation. The loan origination fees of the original facility of €1.0 million, that were capitalised and not fully amortised as at 30 June 2020, were expensed in full when the facility was cancelled.

On 17 July 2020, the Group entered new bi-lateral revolving credit facilities consisting of two elements: €20 million of bank guarantees equivalent to the former Facility B; and €10 million of buyer loan facilities for supplier financing, to improve local working capital profiles. The new facilities have a less onerous security package than the previous arrangements. Under the guarantee facility, the Group is required to hold €6 million of restricted cash, which is included within Other Financial Assets (non-current). As at 31 December 2020, the Group had utilised €26.4 million of these facilities.

On 21 October 2020, the Group also entered into a new committed facility for RUB 2 billion, which grants the ability to issue bank guarantees and similar instruments and draw bank loans to fund working capital requirements. The indicative credit spread, based on current market interest rates is in the range of 1.7% for up to one month loans to 2.3% for 12 month loans. The floating rate will be based on the Russian central bank rate, currently 4.25%, plus credit spread. The Group is under no obligation to hold restricted cash for this facility.

36. EVENTS AFTER THE REPORTING PERIOD

On 3 March 2021, Global Fashion Group S.A. launched an offering of approximately €375 million Convertible Bonds. The Convertible Bonds are expected to be issued by the Company on or around 15 March 2021, at 100% of their principal amount with a denomination of €100,000 each and will be redeemed at their principal amount on 15 March 2028, unless previously converted, redeemed or repurchased and cancelled. The bonds were successfully placed on 4 March 2021.

There are no other events subsequent to the year end that would require a disclosure in the consolidated financial statements.

6. RESPONSIBILITY STATEMENT

We, Christoph Barchewitz, Co-Chief Executive Officer, Patrick Schmidt, Co-Chief Executive Officer, and Matthew Price, Chief Financial Officer, confirm to the best of our knowledge, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of the results of its operations for the year then ended in accordance with IFRS as adopted by the EU and that the Management Report (section 2) includes a fair review of the development and performance of the business and the position of Global Fashion Group S.A., together with a description of the principal risks and uncertainties that Global Fashion Group S.A. faces.

Christoph Barchewitz

Christoph Barchewitz, Co-CEO

Patrick Schmidt

Patrick Schmidt, Co-CEO

Matthew Price

Matthew Price, CFO

7.1 FINANCIAL DEFINITIONS

Active Customers
Active Customers are the number of customers who have purchased at least one item after cancellations, rejections and returns in the last twelve months.

Adjusted EBITDA
Adjusted EBITDA is calculated as loss before interest and tax adjusted for depreciation of property, plant and equipment and right-of-use assets, amortisation of intangible assets and impairment losses, and adjusted for share-based payment (income)/expenses as well as one-off fees related to the capital raise, and in 2019 included IPO, one-off tax adjustments, non-trading income and costs relating to the wind-down of Lost Ink Limited.

Adjusted EBITDA is reconciled in the note 6 to the consolidated financial statements and in section 2.8 Financial Performance.

Adjusted EBITDA is a supplemental non-IFRS measure of our operating performance that is not required by, or presented in accordance with, IFRS. Adjusted EBITDA is not a measurement of our financial performance under IFRS and should not be considered as an alternative to loss for the year, loss before income tax or any other performance measure derived from IFRS. We caution investors that amounts presented in accordance with our definition of Adjusted EBITDA may not be comparable to similar measures disclosed by other companies, because not all companies and analysts calculate Adjusted EBITDA in the same manner. We present Adjusted EBITDA because management considers it to be an important supplemental measure of the Group's operating performance. Management believes that investors' understanding of our performance is enhanced by including non-IFRS financial measures as a reasonable basis for understanding the Group's ongoing results of operations. By providing this non-IFRS financial measure, together with a reconciliation to the nearest IFRS financial measure, management believes that investors' understanding of the business and its results of operations are enhanced, as well as assisting investors in evaluating how well the business is executing its strategic initiatives.

Adjusted EBITDA provides a basis for comparison of business operations between current, past and future periods by excluding items that management does not believe are indicative of core operating performance. Adjusted EBITDA, a non-IFRS measure, may not be comparable to other similarly titled measures used by other companies.

Average order value
Average order value is defined as the NMV (see below for definition) per order.

Capex
Capital expenditure shows additions to intangible assets and additions to property, plant and equipment, including those due from business combinations, excluding additions to IFRS 16 right-of-use assets.

In €m	Note	FY 2020	FY 2019
Additions			
Property, plant & equipment	12	28.4	48.9
Goodwill & other intangibles	14	20.3	23.2
Total Capex		**48.7**	**72.1**

EBITDA
EBITDA is calculated as loss before interest and tax adjusted for depreciation of property, plant and equipment and right-of-use assets, amortisation of intangible assets and impairment losses.

EBITDA is reconciled with the note 6 to the consolidated financial statements and in section 2.8 Financial Performance.

EBITDA provides a basis for comparison of our business operations between current, past and future periods by excluding items that management does not believe are indicative of core operating performance. EBITDA, a non-IFRS measure, may not be comparable to other similarly titled measures used by other companies.

Net Merchandise Value

Net Merchandise Value ("NMV") is defined as the value of goods sold including value-added tax ("VAT")/goods and services tax ("GST") and delivery fees, after actual or provisioned rejections and returns.

NMV is used as a complete measure of the merchandise volumes being sold on GFG's platforms through both Retail and Marketplace business models. Revenue, on the same basis, only takes into account the commission on a marketplace transaction and is therefore disconnected from true volume. As Retail and Marketplace volumes carry similar levels of profitability, management believes it is important to allow users of the Annual Report to understand the Group's progress on this measure.

NMV is a non-financial measure, as it includes sales taxes not recorded in revenue and Marketplace price information that can not be reconciled to the financial statements.

Net working capital

Net working capital is calculated as inventories plus current trade and other receivables less current trade payables and other financial liabilities.

In €m	FY 2020	FY 2019
Inventory	195.9	234.0
Trade and other receivables (current)	80.2	52.1
Trade payables and other financial liabilities	(283.8)	(311.6)
Liabilities related to SBP (note 20)	6.3	13.5
Net working capital	**(1.4)**	**(12.0)**

Order frequency

Order frequency is defined as the average number of orders per customer per year (calculated as the last twelve month's orders divided by active customers).

Pro-forma cash

Pro-forma cash is defined as cash and cash equivalents at the end of the year plus restricted cash and cash on deposits.

Pro-forma cash reconciliation

In €m	FY 2020	FY 2019
Cash and cash equivalents	366.1	277.3
Restricted cash and cash on deposit	6.3	23.5
Pro-forma cash	**372.4**	**300.8**

7.2 FINANCIAL CALENDAR

19 May 2021	Q1 2021 Results
29 June 2021	Annual General Meeting
19 August 2021	Q2 2021 Results
17 November 2021	Q3 2021 Results

7.3 INFORMATION RESOURCES

Further information including corporate news, reports and publications can be found in the Investor Relations section of our website at https://ir.global-fashion-group.com

Investor Relations
Adam Kay, Investor Relations Director
email: investors@global-fashion-group.com

Press/Communications
Christina Song, Strategy Director
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