2019

ANNUAL REPORT

GFG GLOBAL FASHION GROUP

HIGHLIGHTS 2019

€ 1,778 M
NMV
+23% yoy

34.6 M
ORDERS
+23% yoy

13.1 M
ACTIVE CUSTOMERS
+17% yoy

(2.8)%
ADJ. EBITDA MARGIN
profitable in Q4/19

€ 301 M
PRO-FORMA CASH
Including restricted cash

KEY PERFORMANCE INDICATORS AND FINANCIAL SUMMARY

	2019	2018
Group KPIs		
Active customers (m)	13.1	11.2
NMV (€m)	1,777.8	1,453.5
Growth at constant currency (%)	*23.0*	*22.5*
NMV/Active Customer (€)	136.1	130.2
Number of orders (m)	34.6	28.2
Order frequency	2.6	2.5
Average order value (€)	51.3	51.6
Financial performance		
Revenue (€m)	1,346.0	1,155.9
Growth at constant currency (%)	*17.2*	*18.7*
Gross profit (€m)	539.8	449.7
Gross profit margin (%)	40.1%	38.9%
Adjusted EBITDA (€m)	(37.1)	(49.8)
Adjusted EBITDA/Revenue (%)	(2.8)	(4.3)
Capex (€m)	72.1	41.9
Financial position		
Net working capital (€m)	(12.0)	(10.3)
Cash and cash equivalents (€m)	277.3	105.0
Pro-forma cash (€m)	300.8	139.9

See Financial Definition section 7.1

OUR VISION IS TO BE

THE #1 FASHION & LIFESTYLE DESTINATION IN GROWTH MARKETS

Our Purpose is True Self Expression.

As the leading fashion & lifestyle destination in Asia Pacific, Latin America and the Commonwealth of Independent States, we connect over 10,000 global, local and own fashion brands to a market of more than one billion consumers who are moving online.

We do this through four established ecommerce platforms, each tailored to local market needs and individual customer preferences through our own technology innovations.

APAC		LATAM	CIS
THE ICONIC	ZALORA	dafiti	lamoda

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THE MANAGEMENT BOARD

Christoph Barchewitz
Co-CEO

Matthew Price
CFO

Patrick Schmidt
Co-CEO

1.1 LETTER TO OUR SHAREHOLDERS

DEAR SHAREHOLDERS AND OTHER STAKEHOLDERS,

2019 was a **remarkable year** for Global Fashion Group. Almost 10 years since its founding, today GFG is a global business that has changed the way consumers buy fashion online in our markets. The Group serves the fashion needs of our 13.1 million Active Customers across four continents, and employs an incredible, global and diverse team of over 12,500 people. Last year we proudly delivered more than 34 million orders to customers across 17 markets, generating a Net Merchandise Value ("NMV") of € 1.8 billion.

GFG has changed the way consumers buy fashion online in our markets around the world.

At the same time, looking at the potential in our regions, we believe we have only scratched the surface: the 1 billion consumers in our markets spend a total of € 320 billion on fashion & lifestyle products annually, a market that is forecasted to grow with a CAGR of 6% until 2023. Our regions currently have an Average ecommerce penetration of just 7%, compared to much higher levels of maturity in Western markets (23% in the US, 19 to 22% in Western Europe) and China (27%). **The opportunity ahead** of us is considerable, and we will focus on setting the right priorities to connect our diverse customer base to an ever-evolving great assortment of fashion & lifestyle products.

Our **customers** are at the very heart of our business. We constantly focus our efforts on offering them inspiring and seamless experiences, from discovery to delivery. We have already defined what a best-in-class shopping experience looks like in our markets, but we continue to evolve in line with what inspires consumers on our platforms. The key for building these relationships with our customers lies in providing them the greatest choice of relevant fashion & lifestyle products, and inspiring them through great discovery, relevant recommendations and personalised digital experiences.

We understand that one size does not fit all when it comes to our consumers across the globe: customer needs vary according to their personal taste, local culture and climate, as well as different price points. We therefore constantly enhance our **assortment** to cater to their preferences. We provide access to global brands and offer exclusive collaborations with our brand partners. At the same time, we fulfil the great demand for locally relevant labels and cater to our regions' particular fashion needs. In South East Asia, we had another great Hari Raya season in 2019, the #1 fashion event for our modest wear customers. We brought together over 50 designers and brands to participate under our own branded umbrella campaign, ZALORAYA2019.

Over the last year, we continued to demonstrate that we are the strategic partner of choice and a gateway to growth markets for fashion & lifestyle **brands**. Through facilitating market entry and access to our loyal customer base, we support them in capturing an exciting market opportunity through our platforms. Today we collaborate with over 10,000 fashion & lifestyle brands, and continue to strengthen our partnerships. In 2019 we launched prominent international brands in new markets, such as Tommy Hilfiger Denim and Ralph Lauren in Latin America ("LATAM"), The Kooples and Hugo Boss in Russia and the Commonwealth of Independent States ("CIS"), as well as Versace and Mango Kids in Asia Pacific ("APAC"). We further cater to our brand partners' diverse business needs through our distinct Fashion Services like fulfilment solutions, media solutions and data analytics. The share of our partner business through marketplace across our platforms continued to grow, representing 21% of NMV.

Apps are our clear #1 channel today, have been downloaded over 34 million times and generated 50% of NMV in 2019. Innovation in our app experiences has continued to drive step-changes in customer engagement, convenience and service, which we will further dedicate our efforts to in the future.

We continued to scale our **operations** to connect our customers to great assortments, and to support our future growth. In South East Asia, we enhanced the delivery experience to a geographically dispersed customer base by offering a new subscription service called 'Zalora Now'. This service allows for next day delivery for all orders, and already has over 63,000 subscribers across the region. In CIS, pick-up-points have become an increasingly important delivery method, used for over 40% of shipped orders in 2019. We expanded our pick-up-point network in the region, which now spans over 12,000 locations.

We acknowledge the **sustainability** challenges our industry faces, deeply care about it and are committed to turning this into an opportunity: by understanding and reducing our impact, working collaboratively with our brand partners to drive continuous improvement, and exceeding customer expectations to lead this conversation in our markets. In 2019 we launched new ways for our customers to shop consciously: In Australia, 'Considered' at THE ICONIC now allows customers to filter and shop according to their personal sustainability values. GFG's first resale model in partnership with Style Tribute now lists pre-loved items on the ZALORA platform – giving over 200 million ecommerce consumers across South East Asia the option to shop consciously. We further launched our first own sustainable brand, AERE, and appointed GFG's first Chief Sustainability Officer to ensure sustainability is integrated into every part of the business. Rolling out further sustainability initiatives across our Group will continue to be a key priority for us.

We are the strategic partner of choice and a gateway to growth markets for fashion & lifestyle brands.

We appointed a new **Supervisory Board** in 2019, whose combined wealth of experience in fashion, ecommerce and growth markets will support us on our journey as the leading fashion & lifestyle destination across our regions. As an organisation with operations in markets across four continents, diversity – including gender diversity – is fundamental to the success of our business. We recognise the importance and benefit of ensuring our workforce fully represents the communities in which we operate, as well as the customers who shop with us. The Supervisory Board and Executive Leadership team now have equal representation of men and women (50%) – a milestone we are very proud of.

Diversity is fundamental to the success of our business.

Finally, in July 2019, GFG began trading on the **Frankfurt Stock Exchange**, securing € 186.1 million in new capital to invest into our platforms and infrastructure and in turn, benefit from the tremendous growth opportunities in our markets. We have delivered a strong set of results since then, in line with our guidance, and proudly ended the year with our first profitable quarter.

We have a huge market potential to capture over the coming years. GFG's well-known consumer platforms, local teams, and fashion-specific operational infrastructure put us at the forefront of this opportunity. We are confident that with our global talent and our dedicated customer focus, we will successfully continue to implement our strategy. We are excited to take you on this journey with us.

Christoph Barchewitz

Christoph Barchewitz, Co-CEO

Patrick Schmidt

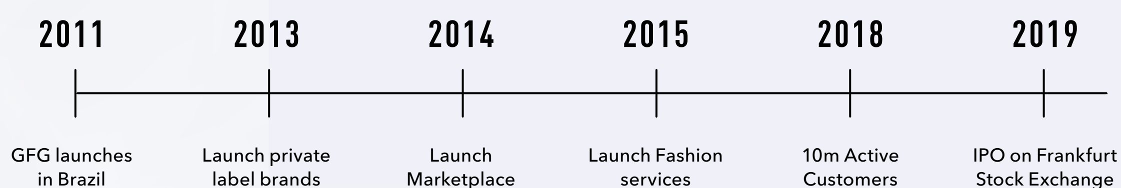
Patrick Schmidt, Co-CEO

Matthew Price

Matthew Price, CFO

OUR JOURNEY SO FAR

TIMELINE 2011 – 2019



1.2 GFG INITIAL PUBLIC OFFERING

On 3 June 2019, Global Fashion Group S.A. ("the Company") announced its intention to conduct an initial public offering ("IPO") and a listing of its shares on the regulated market (Prime Standard) of the Frankfurt Stock Exchange. The prospectus issued on 17 June 2019 indicated a price range of €6.00-€8.00 for the 42,900,000 new shares and 6,435,000 over-allotment shares to be offered.

The Company's shares started trading on the Frankfurt Stock Exchange on 2 July 2019. The Company raised net proceeds from the IPO of €186.1 million.

GFG WORLDWIDE

Global Fashion Group is the leading online fashion & lifestyle destination in our markets, and we operate in 17 countries across three main geographic regions: APAC, LATAM and CIS. As a global business with deep local roots in markets with diverse cultures and lifestyles, this diversity is at the heart of everything we do and gives real meaning to our purpose of 'True Self Expression'.

GROWTH+

SUSTAINABLE UNIT ECONOMICS

In 2019 we generated NMV of € 1,777.8 million (2018: € 1,453.5 million), an increase of 23.0% at constant currency. Revenue increased by 17.2% to € 1,346.0 million (2018: € 1,155.9 million) on the same basis while adjusted EBITDA of €(37.1) million was € 12.7 million improved over the prior year.

In the fourth quarter of 2019, we generated adjusted EBITDA of € 0.7 million and saw three of our four markets achieve adjusted EBITDA profitability.

Data from Euromonitor indicated that the global market for fashion & lifestyle (online and offline combined) is the second largest consumer category globally (after food and drink). Of this category, € 320 billion was generated in the 17 countries across our markets in APAC, LATAM and CIS.

These markets have a large, young and highly engaged audience for fashion & lifestyle products, with a combined population of one billion people – of which 13.1 million are Active Customers across our platforms. In 2019, our apps were downloaded more than 34 million times, generating over 50% NMV for the year.

Our customer and order growth, supported by increasing order frequency and a growing average order value resulting in a strong track record of growth on GFG's clear path to profitability.

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

Our Value Proposition to Customers

We offer four key value propositions to our young, highly-engaged and diverse customer base.

1. Inspirational discovery and curation: We inspire our customers through our curated, fashion-led content on beautiful and easy-to-use interfaces that drive customer engagement and are personalized to enable each of our customers, based on their respective tastes and budgets, to find their desired products.

2. Large and most relevant assortment: We provide our customers with a rich choice of fashion & lifestyle products along three dimensions: (i) a combination of the best local and global brands, (ii) a wide coverage of the key fashion & lifestyle categories, including kids, sports and extended sizes and (iii) a broad set of price points.

3. Attractive pricing: Our global scale, local buying teams and operational setup, including the use of dynamic pricing algorithms, enable us to offer our customers the best prices on comparable products as well as pricing conditions catering to local promotion calendars and pricing needs from entry-level pricing to the premium segment.

4. Excellent shopping experience: Our local footprint permits us to provide our customers with a convenient and seamless shopping experience across all customer touch points, including a large choice of payment options, fast delivery, high-quality customer support and easy-to-handle returns.

Our Value Proposition to Fashion & Lifestyle Brands

Presenting the only scaled solution for digital distribution of fashion & lifestyle brands in our markets, we offer five key value propositions to brands.

1. Immediate customer reach in hard-to-access growth markets: We enable brands to overcome the challenges of accessing complex growth markets by providing instant access to our large, young and highly engaged customer base of 13.1 million active customers in 17 countries that grew 17.0% in 2019.

2. Attractive fashion orientation: Our clear fashion DNA is highly attractive to our brand partners as we are able to present their brands on category-specific destinations with inspirational imagery and content designed to elevate the brand's equity and connect brands with the most relevant audiences.

3. Flexible business model: We offer brands a flexible business model that can be tailored to fit individual distribution needs along the value chain – from Retail, where we cover pricing, fulfilment and delivery, to Marketplace, which allows for third-party sales by brands on our platforms, and hybrid solutions.

4. Local infrastructure and capabilities: Based on our well-established local infrastructure and capabilities, we enable brands to expand into new geographies and build their local ecommerce operations with very low risk and capital investment.

5. Fashion Services delivering significant value-add: We offer brands a variety of value-added Fashion Services, including end-to-end fulfilment services and digital media solutions to support brands' engagement with their customers.

THE SUPERVISORY BOARD

Cynthia Gordon
Chairman

Georgi Ganev

Laura Weil

Alexis Babeau

Victor Herrero

Carol Shen

1.3 REPORT OF THE SUPERVISORY BOARD

DEAR SHAREHOLDERS,

2019 was a year of significant progress for GFG on its journey to becoming the leading online fashion & lifestyle destination in growth markets.

GFG's markets are all seeing long-term structural growth in online fashion & lifestyle ecommerce, as they replicate the consumer trends of developed economies. We firmly believe in the long-term opportunity ahead: as consumer behaviour migrates towards ecommerce, GFG's well-known consumer platforms, local teams, and fashion-specific operational infrastructure put us at the forefront of this growth opportunity.

In the coming years GFG will continue to focus on offering unparalleled customer experiences in our markets from discovery to delivery, strengthening our brand relationships and building new ones, as well as investing further in our best-in-class fulfilment infrastructure. As our strong performance in Q4 2019 shows, as GFG scales, we are using our growing operational leverage to translate this growth into improving margins and advancing on our path to profitability.

OVERVIEW OF THE FORMER BOARD OF DIRECTORS

Management Oversight and Other Key Former Board of Directors Activities

From the formation of the Former Board of Directors ("Former Board") on 1 October 2014, the Former Board duly performed its duties in accordance with the statutory requirements, the articles of association of GFG that were in place pre-IPO (the "Pre-IPO Articles of Association"), the Rules of Procedure of the Former Board dated 30 January 2015 (the "Former Board Rules of Procedure") and the applicable Luxembourg laws. The Former Board obtained regular and detailed information, written and verbal, about business policy, significant financial investment and personnel planning matters and the course of business. In particular, the Former Board discussed and agreed the GFG strategy. In addition, the Executive team was required to immediately notify the Chairman of the Former Board of important events and the Former Board's approval was required for transactions of fundamental importance.

Before adopting a resolution, any transactions that required the approval of the Former Board in accordance with the Pre-IPO Articles of Association were explained by the Company Secretary and discussed by the Former Board and the Executive Management team. Discussions took place in meetings of the Former Board or its committees or in informal communications with the Executive Management team outside the Former Board meetings. The Chairman of the Audit Committee discussed audit-related topics with the external auditor outside the meetings and without the involvement of the Former Board. Decisions of the Former Board were occasionally subject to Significant Investor Consent and/ or Investor Majority Consent.

The Chairman as well as other directors of the Former Board were also in regular contact with the Executive Management team outside the Former Board meetings. The Former Board also made some decisions via email which were subsequently formalised through the ratification and approval process, either at Board meetings or written resolutions.

The Former Board changed to a two-tier board structure on 17 June 2019. The meetings of the Former Board held prior to 17 June 2019, focused on the strategic and operational development as well as the funding, including the preparation of the IPO. The Executive Management team gave regular updates about the IPO preparation and advised the Former Board about the next steps. The Former Board approved the capital increase required for the IPO, the exchange of option entitlements of local management and other supporters in local subsidiaries of GFG for shares or option entitlements in GFG.

Prior to the change to the two-tier board structure on 17 June 2019, the Former Board approved the following:

- The results for the full year 2018;
- The development of business during the year;
- Budget of GFG for 2019;
- The strategic positioning and structure of the Group and the corporate organisation;
- The audit planning and quarterly reports;
- Capital expenditures (“Capex”);
- The Revolving Credit Facility amendments;
- The closure of Lost Ink;
- The divestment of the minority stake in Namshi (Middle East);
- The 2019 Long-Term Incentive Plan ("LTIP");
- The Prospectus for the Initial Public Offering;

- The mechanics for the exchange of shareholding and option entitlements of employees and other supporters in respect of local subsidiaries for shareholdings or option entitlements in GFG in preparation for the IPO;
- The mechanics for the conversion of the convertible preference shares for the IPO;
- The conversion ratio of the 2016 LTIP instruments into GFG Shares for the IPO;
- The Amended Articles of Association applicable post IPO;
- The annual Management Board compensation;
- The price range for the IPO;
- The change of governance (post-IPO): On 17 June 2019, the governance of the Company switched from a one-tier structure, in which the Former Board functioned as a collectively appointed corporate body, to a two-tier governance (non-executive Supervisory Board and an Executive Management Board) in compliance with Luxembourg and German Corporate Law and in this context additional resolutions were adopted by the Former Board to implement the governance change;
- An executive Management Board with three members appointed by the Supervisory Board and its composition;
- A Supervisory Board with six non-executive members (instead of the previous nine non-executive directors) approved by the Shareholders/AGM and its composition;
- The total annual Supervisory Board compensation (including for the committees) would amount to €395,000 in aggregate;
- The Management Board and Supervisory Board Rules of Procedure (post-IPO);
- The Management Board and Supervisory Board reserved matters (post-IPO);
- The Terms of Reference of the Audit Committee and Sustainability Committee (post- IPO); and
- The capital market compliance policies adopted in the context of the IPO.

Composition of the Former Board and Former Committees

According to the Pre-IPO Articles of Association, the Former Board was required to be composed of at least three Directors. All members of the Former Board were elected by a simple majority vote of the shares represented at the Annual General Meeting ("AGM"). In fiscal year 2019, the Former Board had four committees, the Former Audit Committee, the Former Sustainability Committee, the Former Nomination Committee and the Former Compensation Committee, each of which was required to be composed of at least three members and was appointed by the Former Board.

Meetings of the Former Board, and its Former Committees

The Former Board met eleven times pre-IPO up until 17 June 2019 in person or by telephone/video conference and passed five written resolutions.

The former Audit Committee ("Former Audit Committee") held a total of five meetings. All members of the Former Audit Committee attended the Former Board of Director meetings, reporting to the Former Board in detail on the course of GFG's and the Group's business, including on the development of GFG's revenue, profitability, position and execution of its strategy. The recommendations made by the Former Audit Committee were discussed with the Former Board and all materials and minutes were made available to all the Former Board. This was in compliance with the Charter of the Former Audit Committee. The scope of the reports and the topics addressed complied with all legal requirements, the principles of good corporate governance and the requirements of the Former Board. Prior to 17 June 2019, the Former Audit Committee discussed the year end results for fiscal year 2018, the quarterly and first-half-year results for fiscal year 2019, discussed and agreed the general audit process and addressed the Company's obligations before and after the IPO.

The former Sustainability Committee ("Former Sustainability Committee") held a total of two meetings. All members of the Former Sustainability Committee attended the Former Board of Director meetings, reporting to the Former Board in detail on the course of GFG's business, including oversight of its responsibilities in connection with the Company's sustainability policies and practices, the development of GFG's sustainability strategy and execution. The recommendations made by the Former Sustainability Committee were discussed with the Former Board. In particular, the Former Sustainability Committee made recommendations to the Former Board regarding the Company's policy and performance in relation to health, safety, environment and compliance with laws concerning environmental and social matters and review their implementation. The scope of the reports and the topics addressed complied with all legal requirements, the principles of good corporate governance and the requirements of the Former Board.

The former Compensation Committee ("Former Compensation Committee") held a total of two meetings up to 17 June 2019. All members of the Former Compensation Committee attended the Former Board of Director meetings, reporting to the Former Board in detail, reviewing and approving all of the Group's compensation programs and the compensation of the Group's executive officers, including by designing (in consultation with Executive Management and the Former Board), evaluating and approving the compensation plans, policies and programs of GFG. The Former Compensation Committee ensured that compensation programs were designed to encourage high performance, promote accountability and assure that employee interests are aligned with the interests of GFG's Shareholders. Post 17 June 2019, the work undertaken by the Former Compensation Committee was undertaken by the whole Supervisory Board as regards to the Management Board compensation and by the Management Board as regards to all employees of the Group.

The former Nomination Committee ("Former Nomination Committee") of the Board held a total of zero meetings. This is because the nomination of directors to the Former Board was made pursuant to Shareholders appointment rights under the Shareholders Agreement.

Overview of the Two-Tier Board Structure

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

From formation of the two-tier board structure on 17 June 2019, 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 (the "Supervisory Board Rules of Procedure"), the Rules of Procedure of the Management Board dated 7 June 2019 (the "Management Board Rules of Procedure") the applicable Luxembourg laws and the German Corporate Governance Code. 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 transactions 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 committee or in informal communications with the Management Board outside the 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 cooperate closely for the benefit of GFG in fiscal year 2019. In an ongoing dialogue between the boards, the Supervisory Board discussed strategy, planning, business development 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 the Supervisory Board meetings.

The Supervisory Board discussed and reviewed the following topics following the establishment of the two-tier board structure on 17 June 2019:

- The results for the first six months and the third quarter of 2019;
- The development of business during the year;
- The 2020 GFG budget;
- The strategic positioning and structure of the Group and the corporate organisation;
- The internal audit planning and quarterly reports;
- The capital increase for the IPO;
- The capital increase for the utilisation of the Greenshoe option;
- The Implementation of the 2019 LTIP as regards to the members of the Management Board;
- The allocation of responsibilities of each member of the Management Board under the rules of procedure;
- The amendments to the compensation of the Management Board; and
- The Declaration of compliance with the German Corporate Governance Code 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. Since the adoption of the two-tier board structure on 17 June 2019, the Supervisory Board has six members and the Management Board has three members. All members of the Supervisory Board are elected by the AGM as shareholder representatives and 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 fiscal year 2019, 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

Since the adoption of the two-tier board structure on 17 June 2019:

- the Supervisory Board met twice in fiscal year 2019 in person or by telephone/video conference, and passed two written resolutions;
- the Audit Committee held a total of four meetings. All members of the Audit Committee attended the Supervisory Board committee meetings; and
- the Sustainability Committee held a total of two meetings.

In addition to holding meetings, the Supervisory Board and its Committees discussed specific topics on conference calls.

Members of the Management Board attended all Supervisory Board meetings, reporting to the Supervisory Board in detail on the course of the Company's and the Group's business, including on the development of the Company's revenue and profitability, position 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 meetings in 2019, the Audit Committee covered the following topics:

Area of Focus	Actions taken in 2019
Financial reporting	• Reviewed key accounting and reporting issues at each meeting • Reviewed and approved interim financial statements and 2019 half year and third quarter results
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 approved all non-audit services rendered by the external auditor • Approved the 2019 external audit strategy
Internal audit activities	• Approved the annual internal audit plan 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 the risk identification process, the risk appetite of the Group and actions launched to mitigate them • Validation of the risk monitoring process • Reviewed the risk registry
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 2019 were:

- Accounting for employees share-based payments;
- Impairment testing;
- Divestment of Namshi and closure of Lost Ink;
- Tax provisions and contingencies;
- Revenue recognition and returns allowance;
- Inventory and inventory allowances; and
- Accounting treatment linked with the IPO.

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 Group 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 2019.

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 2019.

Luxembourg, 2 March 2020

On behalf of the Supervisory Board

Cynthia Gordon

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE

The Former Board was committed to upholding the principles of good governance and complied with the requirements of Luxembourg corporate laws, the Pre-IPO Articles of Association and the Former Board Rules of Procedure. Both the Management Board and Supervisory Board are committed to upholding the principles of good corporate governance following the IPO, 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 2019, the Supervisory Board and Management Board issued a declaration of compliance for GFG for the first time as part of its reporting on fiscal year 2019. This is published within the Investor Relations section on our website https://ir.global-fashion-group.com/websites/globalfashion/English/1052/declaration-of-compliance.html. The few exceptions from the German Corporate Governance Code are described in the declaration.

1.4 DECLARATION OF COMPLIANCE

In this statement GFG reports in accordance with Art. 68 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 corporation.

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.

In preparation for and after the IPO, the Management Board and the Supervisory Board diligently addressed compliance with the guidance of the German Corporate Governance Code (the "Code") in fiscal year 2019. They applied the Code as amended on 7 February 2017, and, in August 2019, 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 https://ir.global-fashion-group.com. The German Government Commission German Corporate Governance Code (Regierungskommission Deutscher Corporate Governance Kodex) adopted a new fully revised version of the Code on 9 May 2019. The new Code is planned to become effective after the implementation of the ("Shareholder Rights Directive II" or "SRD II") in Germany and potentially with amendments in adjustment of such implementation which as of 31 December 2019, has not occurred. The Management Board and Supervisory Board will assess the implementation of new and/or revised recommendations as well as potential deviations in due course.

DECLARATION OF CONFORMITY

The Management Board and Supervisory Board of the Company issued the following joint declaration of conformity in August 2019:

Declaration of Compliance with the German Corporate Governance Code

Global Fashion Group S.A. 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 comply with the respective 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 7 February 2017 with the following exceptions:

- No. 3.8 para. 3 of the Code: The directors' and officers' liability ("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 Chairman 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 Compensation) 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.

- No. 4.2.4, 4.2.5 and 5.4.6 of the Code: We will carry out our annual reporting the first time as a listed company for the fiscal year 2019. Any disclosure on Compensation will be made in full compliance with laws and regulations applicable to the Company at that point in time. Such requirements may deviate from current requirements due to the outstanding implementation of the Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement (the "Shareholder Rights Directive II" or "SRD II") in various member states of the European Union, including Luxembourg. Against this background, we have not yet decided on the details of the disclosure and may in certain parts deviate from the recommendations of the Code.

- 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.

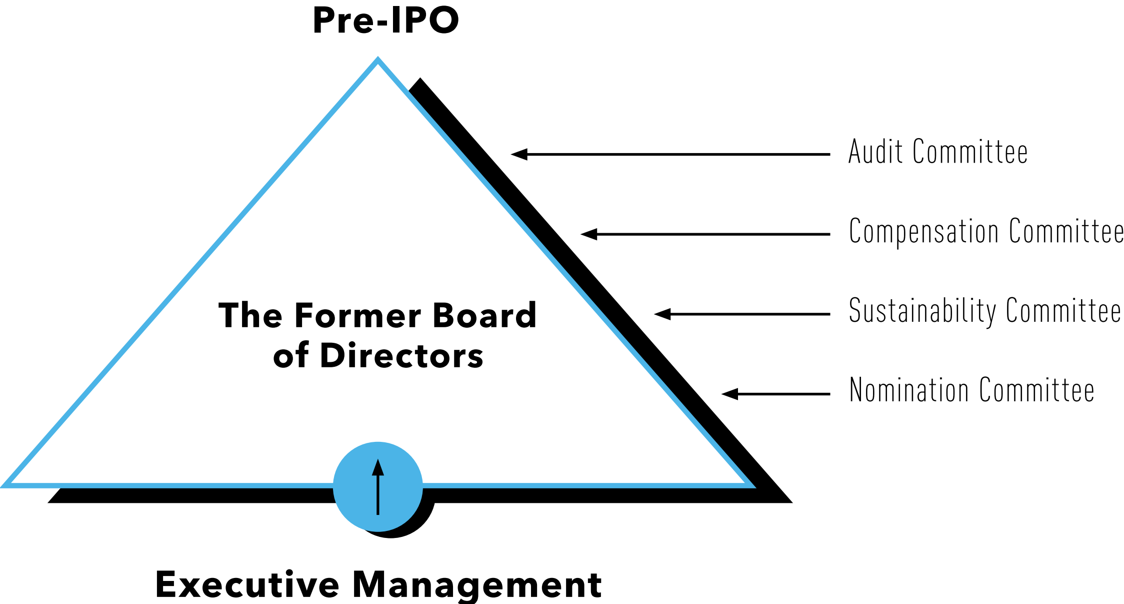
The German Government Commission German Corporate Governance Code (Regierungskommission Deutscher Corporate Governance Kodex) adopted a new fully revised version of the Code on 9 May 2019. The new Code is planned to become effective in 2020 after the implementation of the SRD II in Germany and potentially with amendments in adjustment of such implementation. The Management Board and Supervisory Board will assess the implementation of new and/or revised recommendations as well as potential deviations in due course.

Luxembourg, August 2019

1.5 BOARD COMPOSITION

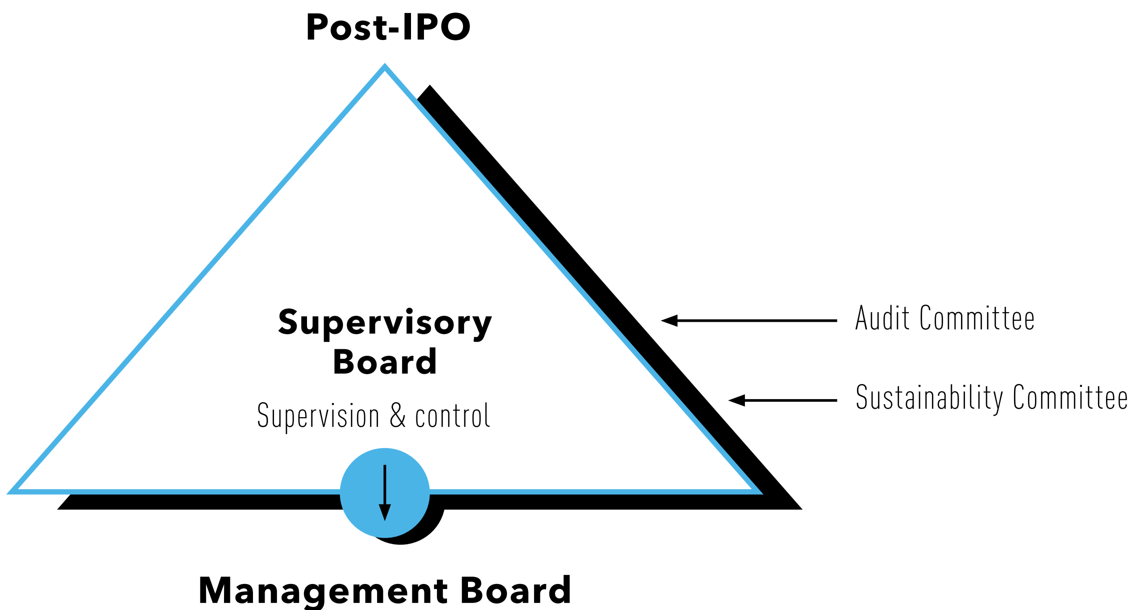
The below diagram illustrates the one-tier structure of the Former Board and its Committees which was in place prior to 17 June 2019:

One-tier structure of the Former Board



The below diagram illustrates the two-tier board structure of the Supervisory Board and its Committees since 17 June 2019.

Two-tier structure of the Former Board



The corporate governance rules that GFG applied under the Former Board were based on the requirements of Luxembourg corporate laws, the Pre-IPO Articles of Association and the Former Board Rules of Procedure. Since the adoption of the two-tier board structure on 17 June 2019, the corporate governance rules of the Company 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 worldwide and contains ethical and legal standards that employees must adhere to. Under the Business Conduct and Ethics Policy, employees are required to comply with all laws and policies including but not limited to, Anti-Corruption and Anti-Bribery Policy, the Gifts & Hospitality Charitable donations and Political donations Policy and the Insider Trading Compliance Policy. The details are set out in internal policies and guidelines.

Former Board and its Committees

Until 17 June 2019, the Former Board governed the Company pursuant to a one-tier board structure as outlined below. On 31 May 2019, the general Shareholders' meeting of the Company resolved on the replacement of the Former Board with a two-tier governance structure consisting of a Management Board and a Supervisory Board, subject to the condition precedent and effective from the approval of the prospectus by the Commission de Surveillance du Secteur Financier (the "CSSF"). At the same time, Carol Shen and Laura Weil, who had not previously served on the Former Board, were appointed as members of the Supervisory Board and Matthew Price was appointed to the Management Board. As a Luxembourg S.A., the Company is not required to have a two-tier management system, however, as the Company was listed on the Frankfurt Stock Exchange, the Company decided to align to the two-tier management structure which is required for stock companies under the German Stock Corporation Act. The change of governance structure became effective on 17 June 2019.

Introduction and working practices of the Former Board and its Committees

Under the Former Board one-tier structure, the Former Board was vested with the broadest powers to act in the name of the Company. It had the power to take all business and strategic decisions and was generally in charge of its management. In accordance with Luxembourg law which operates a division of competences, on the one hand, the Former Board was responsible for setting the corporate strategy and the management of a company and, on the other hand, the general Shareholders' meeting controlled the Former Board acts and activities as well as taking certain limited decisions specifically assigned to it by law. As a matter of principle, all powers resided with the Former Board except for those powers reserved by law to the general Shareholders' meeting.

In accordance with Luxembourg law and the Former Board Rules of Procedures, the day-to-day management of the Company was delegated to the Co-Chief Executive Officers and the Chief Financial Officer who were appointed as daily managers with the power to individually engage the Company vis-à-vis third parties, but only within the limits of their power.

The Former Board established the following board committees: (a) an audit committee; (b) a nomination committee (c) a compensation committee; and (d) a sustainability committee. Following the change of governance on 17 June 2019, the compensation committee and nomination committee of the Former Board were discontinued due to the relatively small size of the Supervisory Board. The work previously undertaken by the compensation committee and the nomination committee is now undertaken by the Supervisory Board.

Composition of the Former Board

Pursuant to the Shareholders Agreement dated 13 July 2018, the Former Board was required to be comprised of eleven directors who were elected by the Shareholders in accordance with the following nominee criteria:

A. Four nominees (including the Chairman of the Former Board) were nominated by Kinnevik New Ventures AB. Until 17 June 2019, Cynthia Gordon and Georgi Ganev served on the Former Board as the nominees of Kinnevik New Ventures AB. Until 17 June 2019, Alexis Babeau and Victor Herrero were independent Directors nominated by Kinnevik New Ventures AB;

B. Two nominees were nominated by Rocket Internet SE. Until 17 June 2019, Oliver Samwer and Christian Senitz served on the Former Board as the nominees of Rocket Internet SE; however, during this period, Christian Senitz resigned from the Former Board, effective from 28 February 2019. Following this and up to 17 June 2019, Rocket Internet SE did not use their appointment rights of a second director;

C. One nominee was nominated by AI European Holdings S.à r.l. Until 17 June 2019, Daniel Shinar served on the Former Board as the nominee of AI European Holdings S.à r. l;

D. One nominee nominated jointly by TEV Global Invest II GmbH and Tengelmann Ventures GmbH. Until 17 June 2019, Christian Winter served on the Former Board as the nominee of TEV Global Invest II GmbH and Tengelmann Ventures GmbH;

E. One nominee nominated by Verlinvest SA. Until 17 June 2019, Raphael Thiolon served on the Former Board as the nominee of Verlinvest SA. Raphael Thiolon replaced the previous Verlinvest SA representative, Nicholas Cator on 1 March 2019; and

F. Up to two Executive Officers of the Company could be proposed by the Former Board and appointed by the Shareholders' meeting. Until 17 June 2019, Christoph Barchewitz (Co-CEO) and Patrick Schmidt (Co-CEO) served as the executive officers who were appointed to the Former Board.

The Former Board delegated the daily management of the Company to Co-CEOs, Christoph Barchewitz and Patrick Schmidt, and Chief Financial Officer, Nils Chrestin who were not members of the Former Board. However, Nils Chrestin was invited to participate, and regularly reported to the meeting of the Former Board along with the Co-CEOs. Nils Chrestin stepped down as Chief Financial Officer in February 2019. Matthew Price was appointed Chief Financial Officer, effective from 9 April 2019.

Composition of the Former Audit Committee

The Former Audit Committee of the Former Board was required to consist of at least three members who were appointed by the Former Board, and was responsible for the following: overseeing the accounting and financial reporting processes of the Company; the audits of the financial statements of the Company; the Company's internal control and recommending to the Former Board the choice of the approved independent auditor; and performing such other duties imposed on it under applicable law and as imposed by the Former Board. Prior to 17 June 2019, the members of the Former Audit Committee of the Former Board were Alexis Babeau (Chairman), Christian Winter and Victor Herrero.

Composition of the Former Sustainability Committee

The Former Sustainability Committee assisted the Former Board with the oversight of its responsibilities in connection with the Company's sustainability policies and practices. In particular, the Former Sustainability Committee made recommendations to the Board regarding the Company's policy and performance in relation to health, safety, environment and compliance with laws concerning environmental and social matters and corporate governance and review their implementation. Prior to 17 June 2019, the members of the Former Sustainability Committee of the Former Board were Victor Herrero (Chairman), Daniel Shinar and Christian Winter.

Composition of the Former Compensation Committee

The Former Compensation Committee of the Former Board was required to consist of a minimum of three members who were appointed by the Former Board. The Former Compensation Committee's purpose was to discharge or assist the Former Board in discharging its responsibilities relating to the review and approval of the Company's compensation programmes and the compensation of the Company's executive officers (including of the Company's subsidiaries), including by designing (in consultation with management and the Former Board), evaluating and approving the compensation plans, policies and programmes of the Company. Prior to 17 June 2019, the members of the Former Compensation Committee were Cynthia Gordon (Chairman of the Former Board), Daniel Shinar and Oliver Samwer. The Former Compensation Committee was dissolved following the change of governance structure on 17 June 2019.

Composition of the Former Nomination Committee

The Former Nomination Committee of the Former Board was required to consist of members who were appointed by the Former Board and was required to assist the Former Board in (a) the identification of qualified candidates to become directors, (b) the selection or recommendation to the Former Board regarding the selection of nominees for election as directors at the next annual meeting of Shareholders (or extraordinary meeting of Shareholders at which directors are to be elected), (c) the selection or recommendation of selection to the Former Board regarding the selection of candidates to fill any vacancies on the Former Board and board committees, (d) the assignment and rotation of directors to various board committees, (e) oversight of the evaluation of the Former Board and its various committees, and (f) assistance with the selection of candidates for future executive officers as well as the promotion and changes in the position of incumbent executive officers. Prior to 17 June 2019, the members of the Former Nomination Committee were Cynthia Gordon and Daniel Shinar. The Former Nomination Committee was dissolved following the change of governance on 17 June 2019.

Two-Tier Governance Structure

The two-tier governance structure was approved by Shareholders on 31 May 2019 and came into effect upon approval of the prospectus by the CSSF on 17 June 2019. The governance structure now 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.

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 GFG (the "Articles of Association") and the rules of procedure for the Management Board dated 7 June 2019 ("Management Board RoP"). 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 RoP.

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 2019, the allocation of responsibilities among the members of the Management Board is defined in the Management Board RoP, as amended on 20 August 2019, 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
- Corporate Communications
- International Brand Partnerships
- Latin America – Dafiti
- Legal & Governance, Risk & Compliance ("GRC")
- People & Culture

Co-CEO: Patrick Schmidt

- Asia Pacific
- 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 in person 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 GFG, the Management Board shall be composed of at least two members. 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 2019. The Supervisory Board and Management Board considers that the executive management team and employee base globally is highly diverse, however, the Supervisory Board and Management Board are expected to define appropriate targets in the future. The Management Board must consist of at least two members in accordance with the Articles of Association. 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. The Management Board currently consists of the two Co-CEO's and the CFO. The Management Board does not currently have a chairman.

In addition, as the members of the Management Board were appointed on 17 June 2019 and considering the Co-CEO structure and talent pool within the Group, the Supervisory Board has not yet concluded a succession plan for the replacement of the Management Board during financial year 2019. The Supervisory Board and Management Board will work together on finalising a succession plan during the financial year 2020.

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 rules of procedure for the Supervisory Board dated 7 June 2019 (the "Supervisory Board RoP") and the Management Board RoP. 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 activities. Pursuant to the Supervisory Board RoP, 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 RoP 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.

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 should not hold any more than three 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 CSSF, which took place on 17 June 2019:

- Cynthia Gordon – Chairman of the Supervisory Board and member of the Sustainability Committee;
- Georgi Ganev – Member 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.

During financial year 2019, two committees of the Supervisory Board were established following the change of governance — The Audit Committee and the Sustainability Committee. The Company deviates 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 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, 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
Since 17 June 2019 the members of the Audit Committee have been:

- 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, environment 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.

Composition of the Sustainability Committee

Since 17 June 2019 the members of the Sustainability Committee are:

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

1.6 ANNUAL GENERAL MEETING AND SHAREHOLDERS

The Shareholders of GFG exercise their rights, including their right to vote, at the AGM. Each share in the Company grants one vote.

The ordinary AGM is held within the first six months of the fiscal year, and the agenda along with the reports and documents required for the AGM will be published on the Company's website http://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 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 AGM by a proxy of their choice.

1.7 TAKEOVER LAW

Composition of subscribed capital

As of 31 December 2019, the share capital of the Company amounts to €2,147,655.17, and is divided into 214,765,517 common shares with a nominal value of €0.01 each. The common shares are fully paid-up. The Company holds common shares in registered form and in dematerialised form. 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

Save as set out below, the common shares in dematerialised form are freely transferable through book entry transfers in accordance with the legal requirements for dematerialised shares. The Management Board may, however, impose transfer restrictions for the Company's common shares that are in registered form.

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 2019, the Company held 20,236,939 common shares in treasury, 20,054,561 of which are being held for cancellation as a result of the Share Redistribution.

As part of the Company's IPO, the Company's pre-IPO Shareholders 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 are permitted to sell in aggregate up to 20% of their pre-IPO shareholding. This restriction is subject to limited exceptions. The same lock-up requirement applies to common shares purchased by certain members of the Supervisory Board as part of the IPO. Members of the Management Board have agreed to substantially similar lock-up provisions in respect of their stock options over common shares in the Company and similar instruments.

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

On the basis of the voting rights notifications received by the Company on or before 31 December 2019 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 37.20% through Kinnevik Internet Lux S.à r.l.	37.20%	5 July 2019
Rocket Internet SE	Directly holds 16.76% of the voting rights of the Company and a further 0.30% through the holdings of MKC Brillant Services GmbH, Bambino 53 .V V GmbH and Rocket Middle East GmbH.	17.06%	8 July 2019
Crestbridge Management Company S.A.	Indirectly holds 9.44% of the voting rights of the Company, through Rocket Internet Capital Partners SCS who directly holds 6.00% of the voting rights of the Company, and Rocket Internet Capital Partners (Euro) SCS who directly holds 3.45% of the voting rights of the Company	9.44%	4 July 2019

The Company has not been notified of any other direct or indirect capital investments that reach or exceed 5% of the voting rights of the Company. 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. 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 2019, pursuant to Article 6.1 of the Articles of the Association, the Company's authorised capital, excluding the issued share capital, is €1,839,944.61, represented by 183,994,461 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 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.

Prior to the Company's IPO, the share capital of the Company amounted to € 1,526,899.89 and was divided into 67,861,754 common shares with a nominal value of €0.01 each and 84,828,235 Convertible Preference Shares ("CPS"). The shares were previously held in registered form.

At an extraordinary Shareholders' meeting of the Company held on 31 May 2019, it was resolved to convert the Company's common shares in dematerialised form pursuant to the laws of Luxembourg. The Company's CPS continued to be held in registered form, pending the Conversion. The CPS converted 1:1 into common shares in dematerialised form on 28 June 2019, immediately following pricing of the Company's IPO.

On 1 July 2019, the Company issued:

- 19,939,285 new common shares to pre-IPO Shareholders and repurchased 20,054,561 common shares from pre-IPO Shareholders in connection with the Share Redistribution; and
- 40,000,000 new common shares for the purposes of the IPO.

On 5 August 2019, the Company issued:

- 2,000,000 new common shares in connection with the IPO greenshoe option; and
- 136,243 new common shares to pre-IPO Shareholders in connection with the Share Redistribution[1].

As at 31 December 2019, the share capital of the Company amounts to € 2,147,655.17, and is 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 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.

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

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 IPO, the Company held 182,378 common shares in treasury. At an extraordinary Shareholders' meeting of the Company held on 31 May 2019, it was resolved to authorise the Company to purchase up to 27,600,000 common shares for the sole purpose of cancellation. On 1 July 2019, the Company repurchased 20,054,561 in connection with the Share Redistribution pursuant to this authority. As at 31 December 2019, the Company held 20,236,939 common shares in treasury, 20,054,561 of which are being held for cancellation. In line with Luxembourg Company Law, the voting rights attached to the common shares held in treasury by the Company are suspended.

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.

1.8 REMUNERATION REPORT AND OTHER DISCLOSURES

1.8.1 Remuneration of the Management Board

General Introduction

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 corporation. 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. 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 2019. The Company has not adopted a remuneration policy during the 2019 financial year. The Company will adopt such a policy during the 2020 financial year.

Basic Features of the Remuneration System for the Members of the Management Board

The Management Board's remuneration comprises of annual fixed base salary, a short-term, performance-related incentive in the form of an annual variable cash bonus, long-term incentive component in the form of shares and options, and additional fringe benefits. The total remuneration is aligned to each Management Board member's tasks and performance. The criteria used for the decision on remuneration is based on each Management Board member's responsibilities, their personal performance, the remuneration in peer organisations and the remuneration structure in place elsewhere in GFG and GFG's economic situation as well as the expected Company development.

Fixed Remuneration

All members of the Management Board receive a non-performance-based remuneration consisting of an annual fixed base salary and additional fringe benefits. The annual fixed base salary is payable in twelve equal instalments, in arrears.

In the 2019 financial year, Management Board members received a cumulative total of € 1.6 million in fixed base salary.

Management Board members also received customary fringe benefits totalling € 0.2 million in aggregate during the 2019 financial year. These fringe benefits include contributions towards health insurance, insurance in case of disability or death and monthly gross amounts representing the employer's contribution to statutory pension and unemployment insurance and relocation costs. Other standard benefits include the reimbursement of travel expenses and D&O insurance with reasonable coverage. The D&O insurance policies cover financial losses arising from a breach of duty on the part of the members of the Management Board in the course of their duties.

Performance-Related Remuneration (Short-Term Incentive)

In addition to the fixed remuneration, Management Board members are entitled to a performance-related variable bonus for the 2019 financial year totalling €0.8 million. The key performance indicators for the performance-related variable bonus consist of the achievement of both, individual performance objectives, which are pre-defined at the beginning of the financial year, and company development targets such as the achievement of planned business growth and profitability.

Share-Based Compensation (Long-Term Incentive)

2019 GFG Share Plan

The implementation of the 2019 GFG Share Plan ("2019 LTIP") was approved by the Supervisory Board on 20 August 2019. Under the 2019 LTIP, awards are granted to eligible participants, which includes selected employees of the Company and its subsidiaries, including the Management Board.

The 2019 LTIP provides for the granting of RSUs and PSUs. Upon vesting of these awards, participants will acquire either shares in the Company (one unit representing one share) which may be freely traded, subject to any required closed periods and holding periods, or a cash payment of equivalent value (at the election of the Supervisory Board which administers the 2019 LTIP in regards to Management Board members).

PSU awards granted to eligible participants will vest if and to the extent the predefined Performance Conditions have been met, and will thereafter vest upon the Vesting Date. RSU awards granted to eligible participants vest immediately upon the Vesting Date. PSUs and RSUs awards to the Management Board members are subject to a holding period of four years from grant. They are also subject to malus and clawback. There is currently no policy or intention to settle in cash.

2016 Long-Term Incentive Plan

On 30 January 2015 the Company adopted its initial share incentive plan under which eligible employees of the Company and its subsidiaries were granted call options over shares in the Company ("Initial Plan"). The Initial Plan was amended in May 2017 and subsequently thereafter allowing the Company to grant eligible employees synthetic regional stock options over shares or their cash equivalent value (the Initial Plan and its subsequent amendments are collectively referred to as "2016 LTIP"). In certain countries the 2016 LTIP was implemented in the form of regional cash awards rather than share-based awards. All synthetic regional stock options were converted into stock options at the level of GFG S.A. upon the IPO on the 2 July 2019.

Prior to the 2019 financial year, stock options were granted or are expected to be granted to members of the Management Board. Some of these options continue to vest during the 2019 reporting period. Each option entitles the holder to acquire one share in the Company upon payment of the corresponding exercise price. Options vest in equal instalments on a quarterly basis and are only exercisable once vested.

All stock option awards made or to be made to Management Board members under the 2016 LTIP plan will conclude vesting upon the 31 December 2020. All vested stock options are subject to the IPO lock-up until July 2020. As for regional cash awards, it is intended that a Management Board member will be entitled to fully vested regional cash awards under the 2016 LTIP.

The synthetic options and cash awards are subject to forfeiture in case of termination for serious grounds or serious fault.

Individual Call Options

In the time between 2011 and 2014, prior to the creation of GFG, certain managers, employees, officers, supporters or their respective investment vehicles as trustors have entered into certain trust agreements on non-standardized terms 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 are being exchanged for participations on the level of GFG. Consequently, eligible participants, including a Management Board member, will enter into an individual call option agreement pursuant to which each call option allows the holder to acquire one share in GFG upon payment of the nominal value.

Call options which are expected to be granted to a Management Board member will be fully vested at grant and are subject to the IPO lock-up until July 2020 should they be granted before such date.

The call options are subject to forfeiture in case of termination of the Management Board member for serious grounds.

Management Board Remuneration for the Financial Year 2019

Each component of the total individual remuneration of the Management Board is reported below, presenting both benefits granted, and benefits received at the minimum and maximum remuneration achievable during the 2019 financial year, as well as the relative proportion of fixed and variable remuneration.

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

	Benefits Granted		Benefits Received
In €[1]	2019 (Min.)	2019 (Max.)	2019
Fixed Remuneration	666,000	666,000	666,000
Fringe Benefits	25,848	25,848	25,848
Total (fixed components)	**691,848**	**691,848**	**691,848**
Short-Term Incentive	-	333,000	318,348
Long-Term Incentive (Total)	652,680	1,118,185	-
2019 LTIP[2]	652,680	1,118,185	-[3]
2016 LTIP	-	-	-
Individual Call Options	-	-	-
Total (variable components)	**652,680**	**1,451,185**	**318,348**
Pension Expense	66,600	66,600	66,600
Total Remuneration	**1,411,128**	**2,209,633**	**1,076,796**

1 As the remuneration for Mr. Barchewitz is denominated in British pounds, an exchange rate of 1 £ = 1.2€ has been used for comparability.

2 The value of RSUs and PSUs are based on the fair value determined at the grant date. This comprises of all RSUs and PSUs granted in the 2019 Financial Year under the 2019 LTIP, to be vested over a 3-year period, dependent on continued service of the employee.

3 The grant under the 2019 LTIP which was made during the reporting period will vest on 30 April 2020 and remains subject to the holding period.

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

In €	Benefits Granted 2019 (Min.)	Benefits Granted 2019 (Max.)	Benefits Received 2019
Fixed Remuneration	575,000	575,000	575,000
Fringe Benefits [1]	60,620	60,620	60,620
Total (fixed components)	**635,620**	**635,620**	**635,620**
Short-Term Incentive	-	287,500	275,281
Long-Term Incentive (Total)	652,680	1,118,185	-
2019 LTIP [2]	652,680	1,118,185	- [3]
2016 LTIP	-	-	-
Individual Call Options	-	-	-
Total (variable components)	**652,680**	**1,405,685**	**275,281**
Pension Expense	-	-	-
Total Remuneration	**1,288,300**	**2,041,305**	**910,901**

1 The Fringe Benefits for Mr. Schmidt include one-off relocation costs for his transition from Australia to Malaysia.

2 The value of RSUs and PSUs are based on the fair value determined at the grant date. This comprises of all RSUs and PSUs granted in the 2019 Financial Year under the 2019 LTIP, to be vested over a 3-year period, dependent on continued service of the employee.

3 The grant under the 2019 LTIP which was made during the reporting period will vest on 30 April 2020 and remains subject to the holding period.

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

In € [1]	Benefits Granted 2019 (Min.)	Benefits Granted 2019 (Max.)	Benefits Received 2019
Fixed Remuneration [2]	339,879	339,879	339,879
Fringe Benefits	33,988	33,988	33,988
Total (fixed components)	**373,867**	**373,867**	**373,867**
Short-Term Incentive	-	169,940	158,476
Long-Term Incentive (Total)	395,136	606,502	-
2019 LTIP [3]	395,136	606,502	- [4]
2016 LTIP	-	-	-
Individual Call Options	-	-	-
Total (variable components)	**395,136**	**776,442**	**158,476**
Pension Expense	-	-	-
Total Remuneration	**769,003**	**1,150,310**	**532,343**

1 As the remuneration for Mr. Price is denominated in British pounds, an exchange rate of 1 £ = 1.2€ has been used for comparability.

2 Mr. Price was appointed as the Group Chief Financial Officer effective the 9 April 2019. Thereafter, along with his appointment to the Management Board effective 2 July 2019, his remuneration was consequently reviewed. Mr. Price received an increase to his base salary of 16.7% effective the 1 September 2019. His Fixed Remuneration has been pro-rated accordingly.

3 The value of RSUs and PSUs are based on the fair value determined at the grant date. This comprises of all RSUs and PSUs granted in the 2019 Financial Year under the 2019 LTIP, to be vested over a 3-year period, dependent on continued service of the employee.

4 The grant under the 2019 LTIP which was made during the reporting period will vest on 30 April 2020 and remains subject to the holding period.

The table below provides a breakdown of the pay-mix for the Management Board for actual total remuneration received in the 2019 Financial Year 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
	2019 (Min.)	2019 (Max.)	2019
Christoph Barchewitz			
Fixed Remuneration	51%	32%	68%
Variable Remuneration	49%	68%	32%
Patrick Schmidt			
Fixed Remuneration	49%	31%	70%
Variable Remuneration	51%	69%	30%
Matthew Price			
Fixed Remuneration	49%	33%	70%
Variable Remuneration	51%	67%	30%

The remuneration of the Management Board members did not change during the reporting period, with the exception of Matthew Price whose fixed remuneration increased from €0.4 million to €0.5 million, prorated from the effective date.

The diversified footprint where GFG operates, combined with the large number of employees (12,828) 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 targets 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 remuneration of the Management Board for the financial year 2019 deviates from the Code in the following respects:

- The forward-looking performance targets apply to the annual bonuses and vesting of PSUs under the 2019 LTIP but these targets are determined at the beginning of each year for the relevant financial year. However, 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.

- The annual bonus scheme, the 2019 LTIP and the 2016 LTIP 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 under the 2019 LTIP and 2016 LTIP vesting of awards partly occurs based solely upon continuous employment. 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.

- The applicable performance targets and comparison parameters may not in all cases be as demanding and relevant as required by the Code, 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. 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.

- 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 RSUs or PSUs vest or vested Call Options or stock options under the 2016 LTIP are exercised. 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.

- 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 in case of early termination. There is also no cap for the overall fixed and/or variable compensation. The Supervisory Board believes the accelerated vesting in case of early termination without cause or change of control is an adequate element of the Management Board members' variable compensation.

Overall, the remuneration of the Management Board contributes to long-term sustainable growth of the company as it aligns the interest of the Management Board with those of its Stakeholders, including the Shareholders. GFG's remuneration seeks to ensure that we are able to attract, retain and motivate the Management Board in order to keep them focused on the achievement of objectives culminating to sustainable value creation and delivery of long-term returns for our Shareholders and multiple Stakeholders; along with a pay-out structure devised to align fixed remuneration and performance-related remuneration with short and long-term focuses of the company through deferred compensation and clawback and malus arrangements. Ultimately, our stance on remuneration should progress and encourage behaviour that is consistent with the Group's purpose, values and vision.

1.8.2 Remuneration of the Supervisory Board

The Former Board changed to a two-tier board structure on 17 June 2019. Prior to the change, the compensation of the Former Board was approved at the AGM held on 6 April 2018, in accordance with the Articles of Association.

Only independent directors were entitled to an annual remuneration, in particular € 35,000 for the board directorship and € 35,000 for the chairing a Committee. Consequently, the following remuneration was paid to directors of the Former Board from January – June 2019:

Former Board

Name	Remuneration	Role	Comments
Cynthia Gordon	-	Director Chairman of the Compensation Committee	-
Georgi Ganev	-	Director	-
Raphael Thiolon	-	Director	-
Christian Winter	-	Director Member of the Sustainability Committee	-
Christian Senitz	-	Director	-
Oliver Samwer	-	Director Member of the Compensation Committee	-
Daniel Shinar	-	Director Member of the Compensation Committee Member of the Sustainability Committee	-
Alexis Babeau	€ 70,000	Independent Director Chairman of Audit Committee	-
Victor Herrero	€ 23,333	Independent Director Chairman of Sustainability Committee	Appointed 28 February 2019, hence remuneration during the reporting period is prorated
Won Suck Song	€ 11,667	Independent Director Chairman of Sustainability Committee	Resigned 28 February 2019, hence remuneration during the reporting period is prorated
Christoph Barchewitz	-	Executive director	Executive compensation for the reporting period is included in section 1.8.1. Management Board
Patrick Schmidt	-	Executive Director	Executive compensation for the reporting period is included in section 1.8.1. Management Board

Following the change of the governance structure on 17 June 2019, the Management Board and Supervisory Board replaced the Former Board's one tier structure. The pro-rated remuneration of the Management Board is set out in section 1.8.1 above. The annual remuneration of the Supervisory Board was approved on 31 May 2019 at an Extraordinary Meeting of Shareholders in accordance with the Articles of Associations. The Shareholders approved that each member of the Supervisory Board shall receive an annual fixed payment of €35,000.

In addition, the Shareholders approved the following additional components of remuneration for the members of the Supervisory Board:

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

The table below sets out the pro-rated remuneration paid to each Supervisory Board member individually from July – December 2019.

Board Member	Supervisory Borad	Audit Committee	Sustainability Committee	Total Remuneration	
Cynthia Gordon	Chairman	-	Member	€45,000	However, 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	-	-	€30,000	However, 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	-	€37,500	
Victor Herrero	Member	Member	Chairman	€40,000	
Laura Weil	Member	Member	-	€22,500	
Carol Shen	Member	-	Member	€22,500	

1.9 FINANCIAL REPORTING

In 2019, at the AGM on 31 May 2019, 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.

NON-FINANCIAL REPORT

PEOPLE + PLANET POSITIVE. WORLDWIDE.

Our vision is to operate our business within planetary boundaries and in line with best-in-class people practices. We are committed to understanding and reducing our impact, exceeding customers' expectations in this area and leading this conversation in our markets.

1.10 SUSTAINABILITY REPORT

1. **GFG recognises our responsibilities to minimise all elements of our social and environmental impact and believe this is an important driver of local term value creation for our business.**

2. **Historically we have placed more emphasis on the Ethical Trade and Responsible Workplace Pillars and made more progress on this topic in some of our regions.**

3. **We recognise the need to address this imbalance and going forward are adopting a more holistic and comprehensive approach to managing sustainability, guided by a set of wide-ranging sustainability commitments.**

We acknowledge that we have an important role to play in understanding and managing our social and environmental impacts, alongside a unique opportunity to define the future of sustainability in growth markets. Our leaders and people are driven by a moral imperative for sustainability and we know that our people and our customers place increasing importance upon it. We believe that sustainability is an essential component of ensuring long-term value creation.

We have made some progress to date towards our sustainability objectives; however, we are really at the beginning of our journey and some regions have made more progress than others. We recognise we have much more work to do. We are committed to making continuous improvement towards our sustainability objectives and to driving a more holistic and comprehensive approach to sustainability across the Group.

We have examined the national, European and international frameworks for the preparation of this non-financial report and have established our sustainability report in line with the Luxembourg Law of 23 July 2016 on the Publication of Non-financial Information and Information on Diversity A156. This report supplements and enhances our non-financial reporting, and includes all Group companies over which GFG exercises control – in other words, 100% of consolidated sales. We therefore collect and report key figures in such a way that they are representative of GFG as a whole. We make mention of special circumstances and exceptions.

KEY PILLARS

Ethical Trade: Fair to the people making our products at the nature; collaboratively working with brands to drive continuous improvement

Environment: Reducing impact of our direct operations

Community: Contributing positively to communities around us

Responsible Workplace: Safe and fair for all of those directly and indirectly involved in getting our products to customers.

SUSTAINABILITY GOVERNANCE

Early in 2019, we made adjustments to formalise the governance structure for sustainability, placing emphasis on the role of our senior leaders to drive this agenda. As such we now have the following bodies in place:

- Sustainability Committee of the Supervisory Board: Responsible for overseeing the Group's sustainability policies and practices. The Management Board reports to the Committee on a quarterly basis on their implementation by the regions of GFG's expectations in relation to sustainability, including policies;
- GFG Group Sustainability Committee: Responsible for driving action on a Group level and chaired by one of our Co-CEOs. All GFG regions report operational detail up to the Group Committee on a quarterly basis, elevating the work of the Sustainability functions in each region to our Group Management Board; and
- Regional Sustainability Committee: Present within each region and chaired by the respective CEO, these Committees also meet quarterly and are responsible for governing progressive implementation of our sustainability objectives within each region.

MATERIALITY PROCESS

In 2017, a materiality process was conducted in conjunction with the Board Sustainability Committee to identify the areas of greatest relevance and risk to our business. The following four key pillars were identified through that process:

1. **Ethical Trade:** Fair to the people making our products at the nature; collaboratively working with brands to drive continuous improvement;
2. **Environment:** Reducing impact of our direct operations;
3. **Community:** Contributing positively to communities around us; and
4. **Responsible Workplace:** Safe and fair for all of those directly and indirectly involved in getting our products to customers.

Our four key pillars are relevant both for understanding the core business, business results, and Company situation, as well as understanding the impact on non-financial aspects. In 2017-2018, recognising the critical importance of core human rights, greater emphasis was placed on the Ethical Trade and Responsible Workplace pillars. As a result, the policies and processes in these areas, as detailed in this report, are more comprehensive and further progressed.

During 2019, we began moving toward a more holistic approach, developing a strategic plan covering all four pillars. This has been developed with widespread engagement across our business to determine the sub-topics within these pillars that are of greatest importance to our organisation and its key Stakeholders. The viewpoint of our people at every level provides valuable insight into their take on the business priorities, their expectations in this area and whether we are meeting them. For the first time we have formalised the opportunity for all team members to provide their perspective, surveying globally our employees in four languages to gather their perspective on what is important to them. As a further build on the insights gathered through this work, our Chief Sustainability Officer has engaged with members of the Board, Management Board, senior leadership and our investor community.

The latter in particular has provided broader macro insights and often delivered validation of our internal perspectives. Similarly, reviewing the activity of non-government organisations, peers and competitors in our operating markets on an ongoing basis has helped to build deeper understanding of the key issues and effective mitigations. The continually evolving legal and reporting requirements in our operating markets are ongoing reference points, as are international frameworks and mechanisms, such as Luxembourg Law of 23 July 2016 on the Publication of Non-financial Information and Information on Diversity A156, the German Sustainability Code ("DNK"), The International Finance Corporation Performance Standards, the United Nations Sustainable Development Goals, the Fashion Pact and the United Nations Global Compact. These in particular prove useful for helping to ensure the comprehensive nature in the issues within our assessment lens. Both the work in 2017 and the more recent qualitative assessment, has informed the prioritisation of our activities within our sustainability strategy and the 2022 commitments outlined in this document.

CASE STUDY

SHOPPING BY YOUR SUSTAINABILITY VALUES AT THE ICONIC

In April 2019, THE ICONIC launched their Considered edit, a functionality that enables customers to shop by their personal sustainability values. Recognising that product sustainability is a complex and often opaque world to the consumer, THE ICONIC Considered curates items meeting sustainability credentials with a dedicated destination page and a filtering system that is accessible throughout the site. There are five categories within Considered – Sustainable Materials, Eco-Production, Fair Production, Animal Friendly and Community Engagement – and customers can focus on what is important to them.

The Considered filters have been used by 1 in 5 filter users since launch and the number of brands with either some or all of their product range included increased from 315 to 467 between April and December 2019, with the number of items included more than doubling in the same period to 12% of the total on the platform same period to 12% of the total on the platform and accounting for 17% of sales in the last season.

THE ICONIC recently set the target of reaching 50% of their product range meeting at least one Considered credential by 2025.

ETHICAL TRADE

We recognise the responsibility that we share with our suppliers to source products in an ethical manner. We want our employees and customers around the world to be confident that the people who make our products are treated fairly, enjoy decent human rights and are not exposed to unsafe working conditions.

1. ETHICAL TRADE

We recognise the responsibility that we share with our suppliers to source products in an ethical manner. We want our employees and customers around the world to be confident that the people who make our products are treated fairly, enjoy decent human rights and are not exposed to unsafe working conditions.

We place significant emphasis on our ethical trade standards in our relationships with suppliers and will work only with companies who demonstrate that they share our values. In addition to the comprehensive programmes we have in place, our commitment is further cemented by having been a member of the Ethical Trading Initiative since 2016. In addition, Dafiti participates in ABVTEX, the responsible supply chain initiative of Brazilian retailers, with the Dafiti CEO being an active member of the Board and team members involved actively in the Certification Working Group and the Arbitration Committee.

Human Rights

Respect for human rights is an indispensable part of corporate responsibility for GFG. We comply with national and international human and labour rights as a matter of course. The company rejects any form of human rights violations such as child and forced labour or discrimination based on gender, race, religion, caste, age, social background, diseases, disability, sexual orientation, pregnancy, marital status, nationality, political opinion, trade union affiliation, social or ethnic origin. Accordingly, the requirement to respect and uphold human rights is a part of both our Business Conduct & Ethics Policy and our Supplier Code of Conduct.

Our Supplier Code of Conduct

GFG has in place a Supplier Code of Conduct which sets out our social and environmental performance expectations to all suppliers, and third-party providers of goods or services to GFG. This is inclusive of, but not limited to, suppliers' vendors, agents, factories, mills, farms involved in production of materials, inputs and raw materials further down the supply chain, even where GFG or its subsidiaries do not trade with them directly. Covering employment practices, working conditions, environmental protection and anti-corruption and bribery, our standards are based on International norms and regulations, the UN Guiding Principles on Business and Human Rights, the Universal Declaration of Human Rights, the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work, and the Base Code of the Ethical Trading Initiative ("ETI"). Our Supplier Code of Conduct is publicly available on our website and incorporated into our contractual agreements with suppliers by GFG regions.

About Our Supply Chain

Our business model involves stocking a combination of third-party brands and own-brand ranges. GFG has 47 own brands supplying apparel, footwear and accessories, where we design and develop the products ourselves. Further information about the business model can be found in section 2.1.

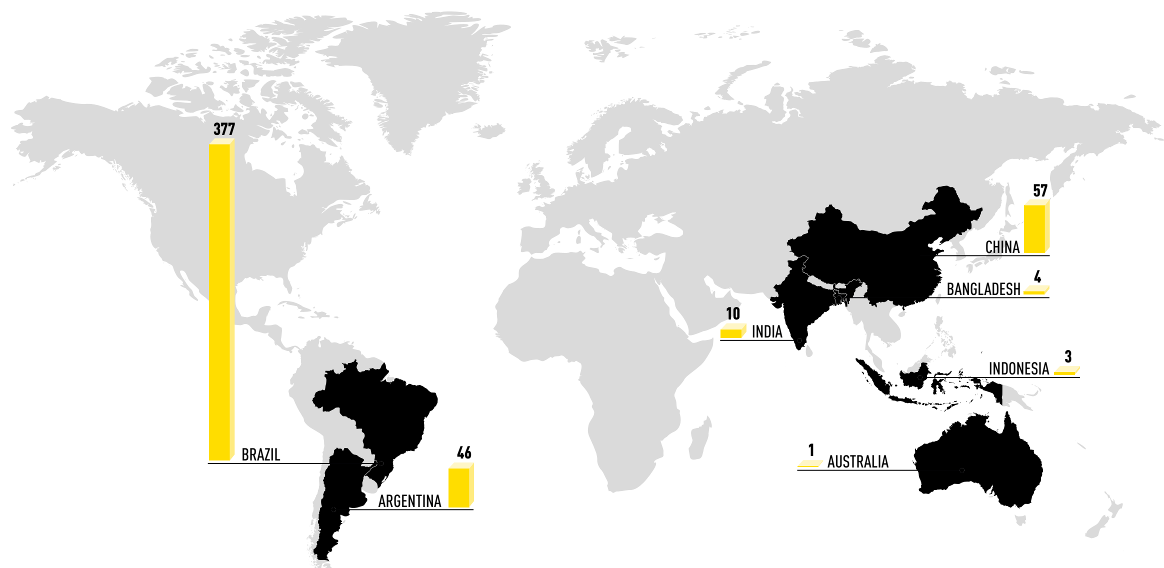
GFG does not own any production facilities and manufacturers source products by working with a network of agents and factories. All businesses within the group have visibility of Tier 1 of the supply chain, final stage manufacturers of our finished goods. This includes subcontractors, manufacturing whole or parts of our orders, where known and advised by suppliers as they are contracted to do. At the time of writing we are working with 498 factories around the world.

GFG has partial visibility of Tier 2 suppliers, which includes inputs such as dye houses, printers, wash facilities, spinners and componentry such as zips and embellishments. In addition, we work with around 10,000 third party brands who manage end-to-end design and manufacture of their products and in turn, take the lead on managing and monitoring compliance with the standards outlined in the Code of Conduct.

Human Rights in Our Own-Brand Supply Chain

For Tier 1 factories which manufacture GFG own brands, we require a comprehensive recent social audit to be provided before trading commences. These are our central tools for assessing the presence of human rights risks in our supply chain and are predominantly conducted by independent third party audit firms. However, in the case of Dafiti, given the proximity of the business to the majority of the factories in Brazil, we have an internal ethical trade audit function responsible for assessing factory performance. Either way, all audits involve independent and confidential worker interviews and we prefer audits to be conducted on a semi-announced or unannounced basis. All factories are re-audited at least every 24 months, with many also having a follow up audit in between the full audits. We are aware of the issue of over-auditing of factories and therefore do consider whether we can accept audits done for other retailers. There are some audit types we cannot accept, however, as they are not comprehensive enough to meet our needs.

FACTORIES AROUND THE WORLD



Each audit copy received is analysed in line with our internal standard and non-compliances are classified as either highly critical, critical, major or minor. The predominant breaches identified relate to health and safety, poor working hours payroll records and overtime. We will not commence working with factories who have outstanding, highliy critical or critical issues, and GFG regions have in place Approved Factory Programmes which limits orders being placed where a factory does not meet the standard. In addition, Dafiti requires all suppliers to become a certified member of ABVTEX before orders can be processed. Subcontracting without approval is prohibited by GFG businesses and where it is found to have taken place, the regional business will either issue a contract breach notice or termination letter.

Where human rights concerns are found through the re-audit process to exist in a factory and a highly critical or critical audit issue is present, we set specific timelines by which the issue must be resolved and work with the supplier to resolve the issue. We recognise that the expectations outlined in the Code of Conduct may not always be met and are committed to working with suppliers and factories to progressively achieve change over time. As a result, our preference, in the interests of the wellbeing of people in our supply chain, is to see non-compliances remediated and we actively play a role in driving this change.

To support improvement both Dafiti and THE ICONIC have held training sessions for suppliers to improve their capacity to meet our standards. THE ICONIC's second annual Supplier and Factory Conference was held in Shenzhen, China in August 2019 with 36 suppliers and factories attending sessions on ethical trade, sustainable materials, sustainable packaging, responsible chemical management, ethical recruitment and modern slavery. Dafiti has delivered training for 202 suppliers and factories this year on Code of Conduct and ABVTEX requirements to build their understanding of and capacity to meet the standards. In addition, Dafiti's suppliers, through ABVTEX, can access training opportunities focused on best practice tools for responsible trade.

Unfortunately, there have been situations where, although we have worked to try and have our requirements understood, we have not been successful in remediating an issue at factory level and we have had to cease trading with a facility. The right to terminate the commercial relationship is protected within our contractual agreements with suppliers.

Internally, we are building awareness with buying teams to help them understand the role they have in improving buying practices. In 2018, THE ICONIC introduced an extensive programme on ethical sourcing as a part of its Buying Academy (an internal education programme for our Category Management team) and this programme continued throughout 2019. This training was delivered to coincide with THE ICONIC's Responsible Purchasing Policy, which outlines the commitment to behaving with integrity in dealings with suppliers and to support internal teams by ensuring that our purchasing behaviours align with our business values. Initially three hours long, there was a recognition that there was an opportunity to go deeper, and in 2020 the sessions will be a full day and include topics such as sustainable packaging and sustainable materials. Dafiti also rolled out training for the commercial team in late 2019. Building their awareness on the due diligence and social audit processes, the training involves a classroom component as well as field work where the buyers visit factories with the audit team.

Environmental Impact in our Supply Chain

We recognise, as fashion retailers, that much of our environmental impact results from how the products we sell are made, particularly in terms of water, chemical and land impacts. With the industry accounting for 8 % of global greenhouse gas emissions and the average cotton t-shirt using up to 2,700 litres of water during production, we recognise that we have work to do to operate our business and influence our supply chain in a way that minimises these impacts. [1, 2]

1 https://quantis-intl.com/wp-content/uploads/2018/03/measuringfashion_globalimpactstudy_full-report_quantis_cwf_2018a.pdf

2 https://www.worldwildlife.org/stories/the-impact-of-a-cotton-t-shirt

THE ICONIC is leading the way in our Group in this area and has conducted a comprehensive analysis of the materials used in its own-brands. This enabled the understanding of the key environmental impacts and informed which materials should be prioritised for removal. The Sustainability and Category Management functions then collaboratively designed their Preferred Materials Benchmark, to guide decision making and provide the basis for preferred materials targets. THE ICONIC recently announced it will transition its own-brands to using more sustainable materials for at least 90% of the ranges by 2025. The business has also joined the Leather Working Group ("LWG")– a multi-stakeholder group assessing and working to improve environmental standards in the leather supply chain – and is driving uptake of LWG-certified leather in its own-brand footwear. Our other regions will step up their management of these topics in 2020.

Animal Welfare

GFG has an Animal Welfare Policy in place that outlines our expectations as to how and where animal materials are used in our products, which is applicable to all of the regions' own-brands. This Policy is based on the industry-recognised Five Freedoms, developed by the UK's Farm Animal Welfare Committee. The five freedoms include:

1. Freedom from hunger and thirst;
2. Freedom from discomfort;
3. Freedom from pain, injury and disease;
4. Freedom to express normal behaviour; and
5. Freedom from fear and distress.

Where animals are used in our subsidiaries' own-brand products, we require them to be a by-product of the food industry. None of the Group's own-brands sell products that use real animal fur of any kind, exotic skins or hair from the Angora rabbit. These requirements are reflected in contracts with suppliers.

OUR 2022 COMMITMENTS

We will continue to strengthen our core private label ethical trade requirements and support factories to improve their standards through training opportunities.

We will assess our animal welfare and private label water footprints and implement plans to reduce our impact. We will drive progressive uptake of sustainable materials in our own-brands, set minimum onboarding criteria for third party brands and engage existing brands both to provide more sustainable products and improve their overall sustainability performance. We will continually engage our customers in this journey and enable them to make more responsible purchasing choices.

Following further work in 2019 to baseline our performance, specific targets will also be set on the uptake of more sustainable materials in private label and the volume of online product meeting sustainability criteria.

SPECIFICALLY, WE WILL ACHIEVE THE FOLLOWING TARGETS BY 2022:

50%
of private label factories have participated in training programmes.

100%
of private label water footprint mapped and plans in place to reduce impact.

100%
of regions will have a sustainable fashion edit.

100%
of the top 30 brands engaged on sustainability and minimum sustainability onboarding criteria.

GFG recognises the responsibility we have to assess, manage and progressively reduce all aspects of the environmental impact created by our day-to-day operations. In all our markets we will ensure we comply with all applicable legislation related to environmental impact and go beyond that to mitigate it.

2. ENVIRONMENT

GFG recognises the responsibility we have to assess, manage and progressively reduce all aspects of the environmental impact created by our day-to-day operations. In all our markets we will ensure we comply with all applicable legislation related to environmental impact and go beyond that to mitigate it. Our key impact areas include energy, packaging, waste, water, transport and the associated carbon emissions. Refer to section 2.13 for an analysis of our environmental risks.

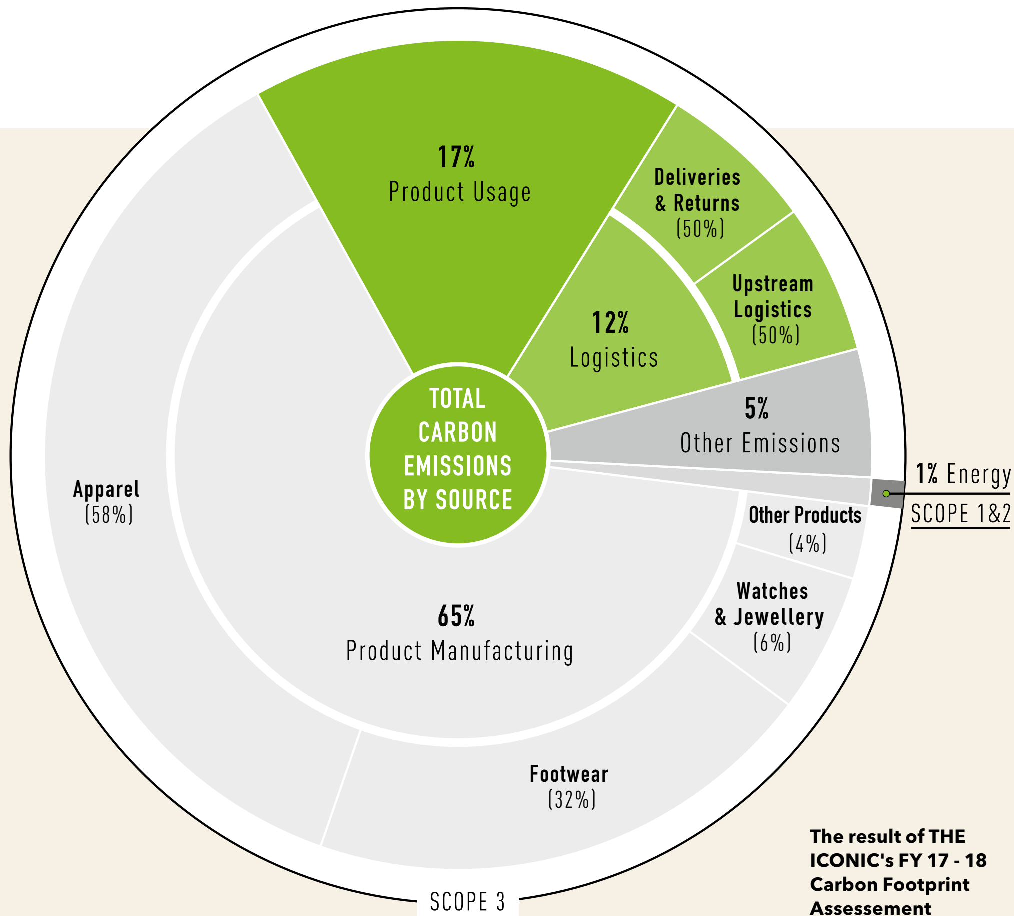
During 2019, we introduced our Environment Statement of Intent which articulates at the Group level the following principles to guide our activity:

- **Reduce** – limit consumption of natural resources and using efficiently where not possible;
- **Replace** – transition away from non-renewable resources and adopting more sustainable alternatives;
- **Reuse and recycle** – promote principles of circularity and maximising consistent reuse of resources;
- **Measure and report** – set and track against performance targets related to the environment and to report both internally and externally on our performance; and
- **Build awareness** – invest in engagement of our employees in these principles as a means to progressing towards our environment objectives.

We have significant ambitions in this area, but are really only getting started on our journey of comprehensively managing our environmental impact.

Packaging

We recognise the opportunity we have to reduce our environmental impact through our packaging and want to ensure we are reducing the volume of packaging used per order, eliminate unnecessary packaging, transition to use of less environmentally impactful packaging materials and ensure those materials can be responsibly disposed of by customers. Dafiti's Chilean and Colombian operations are using bio-based plastic packaging for customer orders and THE ICONIC has completed a full packaging footprint for its private label brands, beginning the reduction and transition journey in earnest during the year. In its most recent annual report submission to the Australian Packaging Covenant Organisation in March 2019, THE ICONIC achieved Advanced status, meaning the organisation has specific, measurable targets in place or tracked data shows that >20% of products have achieved the desired outcome. Although our customer facing packaging will be a core priority regardless, across the group we have a lot more work to do to fully understand the packaging baseline and our key opportunities to reduce our footprint.



The result of THE ICONIC's FY 17 - 18 Carbon Footprint Assessement

CASE STUDY

ASSESSING THE ICONIC'S CARBON FOOTPRINT

In early 2019, THE ICONIC completed its first carbon footprint assessment having collected comprehensive data to map the causes of emissions throughout the business and supply chain. As a result, the business has developed its first carbon management plan to guide efforts to minimise the biggest sources of carbon impacts – including driving uptake of lower carbon materials for products and transitioning to less impactful delivery options. There has also been a focus on improving the quality of the data gathered to monitor performance, to help inform ongoing assessments. We increased standard shipping by 3.7x versus express shipping, which is on average 55% more carbon efficient per order. Additionally, as Lamoda in Moscow also did during the year, THE ICONIC introduced LED lighting across the warehouse in Western Sydney as one of many electricity efficiency initiatives. This has resulted in, despite almost doubling the warehouse storage capacity to 4 million units, a reduction of 2.5% in energy consumption since installation.

Our Impact

Our Scope 3 emissions constitute the majority of our carbon impact (99%). 65% of our footprint is associated with the development of the raw materials and the manufacturing of the products we sell. Delivery of products by suppliers and then our customers (12%) are small in comparison. Surprisingly, 17% of emissions accounted for are in the consumer use phase, for example through the washing process. The remaining 5% includes various emission sources such as capital goods, waste, packaging, employees commuting, business travel and server hosting.

Definitions:

Scope 1 emissions are direct emissions from owned or controlled sources (i.e. fuels consumed by in-house machinery or company vehicles).

Scope 2 emissions are indirect emissions from the generation of purchased energy used in directly operated sites.

Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions (i.e. transportation and distribution, purchased goods and services, use and end-of life of sold products).

CASE STUDY

GREEN WAREHOUSE DESIGN AT DAFITI

Once operational, Dafiti's new warehouse in Minas Gerais, built during 2019, will be capable of holding 7 million units. From the outset it was constructed with environmentally conscious design principles at its core. The LED lighting throughout the site will result in a 60 % reduction in energy usage relative to the current warehouse in Sao Paulo. The site is also ready to receive solar panels capable of providing all the site's energy needs. Infrastructure to support reduction of water usage, for example through the reutilisation of rain water for sanitary services, has also been installed. The warehouse will begin operation in early 2020.

Waste and Recycling

On the waste and recycling front we are working on building an accurate baseline across the business.

Lamoda and THE ICONIC have made improvements in their performance during the year, with the latter achieving significantly better separation of materials to result in a 37% improvement in the recycling recovery rate. Lamoda began measuring recycling rates during the year and has recycled over 90% of the waste in its Russian warehouse during 2019.

Carbon

We recognise the carbon impacts of our business are significant and that it is imperative we become more carbon efficient. Our impact lies both in the products we sell and the transportation used to send products to us and then on to our customers. THE ICONIC is leading the Group in this area, having completed a full carbon footprint baseline to understand its impacts, prioritise its mitigation activities and develop a carbon reduction plan (see Case Study on the previous page) . Our other regions are beginning the process to assess the baseline during 2020.

We are committed to stepping up the drive for more comprehensive action on this topic in the coming year across the Group and recognise the urgency of this.

Energy

Given our warehouse operations are predominantly storage facilities, the energy consumption of our own operations is not highly intensive and the vast majority of the lighting in our main warehouse locations– Sydney, Moscow, Kuala Lumpur and Sao Paulo– is energy efficient LED. That aside, there is room to continue to improve in this area through further energy efficiency initiatives.

In mid 2019, we completed a feasibility study on the installation of solar panels on the roof of THE ICONIC warehouse and installation is a key project planned in conjunction with the landlord for 2020.

End of Life

We have a responsibility to address end-of-life product management both when an item is returned to us by a customer in a damaged condition and when a customer is finished with an item altogether. We are in our infancy in addressing this issue as a group, but recognise it is an area to which we need a more comprehensive approach.

As a first step in its journey to inspire its customers to participate in the circular fashion movement, ZALORA launched in December 2019 the ability for customers to resell second-hand items on its Marketplace. First available is a range of luxury 'pre-loved' clothing, bags, shoes and accessories. This is a new type of category proposed to our customers that contributes to extending a product's life. To build on this first step into circulatory, as with other regions, ZALORA will explore other initiatives in 2020 to shape a more Circular Fashion model. For minimally damaged returns, THE ICONIC has identified a means to get these products to people in need around Australia.

OUR 2022 COMMITMENTS

We will track and progressively reduce our waste to landfill and support customers to do the same. We will set Science Based Targets for carbon and pivot our business operations to meet the needs of a 1.5° C future, including adopting green energy sources. The majority of our customer order packaging will be made of more sustainable materials and we will assess and reduce the volume and impact of our private label packaging. We will map out our textile waste impacts, improve recovery and enable resale of pre-loved items.

SPECIFICALLY, WE WILL ACHIEVE THE FOLLOWING TARGETS BY 2022:

100%
of waste from our warehouses comprehensively tracked and at least.

50%
of waste recycled.

100%
of carbon mapped and Science Based Targets set for the entire Group.

100%
of carbon from our own operations and deliveries offset.

100%
of delivery countries using order satchels made from more sustainable materials.

50%
of regions enabling resale of pre-loved items.

We recognise we have a role to play in contributing to the social fabric of the communities in which we operate, and want to ensure we play a role in contributing to the communities around us.

3. COMMUNITY

We recognise we have a role to play in contributing to the social fabric of the communities in which we operate, and want to ensure we play a role in contributing to the communities around us. Over time, we are committed to identifying the most important community issues to our people and our customers, and implementing, programmes that contribute to the tackling of these. However, as our business is still very young, we are just beginning our journey and our activities in most of our markets have come about organically driven by passionate team members.

That said, THE ICONIC has developed a framework for community engagement, and entered its first charity partnership with Thread Together, an organisation which takes stock from the fashion industry and distributes it around Australia to people in need. Since agreeing a memorandum of understanding in mid-2019, the organisations have worked together to build a 12 month plan that gives greater profile to the important work Thread Together is doing around Australia. Since the relationship began, THE ICONIC has been making regular clothing donations as well as skilled and unskilled employee volunteering and fundraising initiatives. To date, THE ICONIC has helped 15,000 people around Australia access new clothing.

It is a priority for us in 2020 to formalise our approach to community engagement so we can bring more structure to our efforts and enable greater impact as a result of our work. We're focussed on developing a community programme that makes sense for the Group but which speaks to what our employees and customers in many operating countries feel is important, is relevant to our brand(s) and which provides a set framework for engaging with business.

CASE STUDY

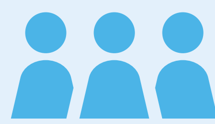
LAMODA X DOBROSHRIFT

Cerebral palsy is a common cause of childhood disability in Russia. The charity, Gift to an Angel, approached Lamoda to support an awareness-raising campaign during the International Cerebral Palsy Day and Lamoda signed on to join a large-scale charity flash mob.

Thirty-three (one for each letter of the Russian alphabet) children suffering from the condition designed a letter of the alphabet and from that, professional designers created a unique font – Dobroshrift.

For a few days, Lamoda changed its logo for a new one made up of the letters designed by the children.

As part of our commitment, Lamoda also donated 3% of the sales of all children's goods sold between 2 October to 16 October, donating RUB 3,491,708 (€ 50,000) as a result. The raised funds will be allocated for physical and speech therapy, rehabilitation, medicines, specialised furniture, clothing and financial assistance to families.



OUR 2022 COMMITMENTS

We will begin to formalise our approach to community engagement across the group by establishing charity partnerships, employee volunteering programmes and donating to charity.

SPECIFICALLY, WE WILL ACHIEVE THE FOLLOWING TARGETS BY 2022:

100%

of regions have a charity partnership in place.

RESPONSIBLE WORKPLACE

Irrespective of whether a team member is working with us directly, through an agency or a transport contractor, we are committed to ensuring that all of those involved in getting products to our customers, enjoy safe and decent working conditions.

4. RESPONSIBLE WORKPLACE

Irrespective of whether a team member is working with us directly, through an agency or a transport contractor, we are committed to ensuring that all of those involved in getting products to our customers, enjoy safe and decent working conditions. This is inclusive of the accommodation provided by their employer to any team member working on our sites.

Health, Safety & Wellbeing

We seek to provide a safe and healthy workplace where everyone feels they belong. The health, safety and wellbeing of our people is a human right, fundamental to our culture and an integral part of the way we do business. We place the health and safety of our people as a priority and never sacrifice it for other business imperatives.

Our workplaces have been free from fatality and where incidents or injury has occurred, we are committed to ensuring appropriate action is taken to improve our processes and policies. In 2019, across our business we commenced the development of consolidated reporting and monitoring to better understand our maturity of health and safety policy and practices to ensure this is happening in all our markets. Through our Sustainability Committee structure, we have developed a baseline reporting framework and metrics are shared quarterly.

We recognise there is an opportunity to continue to strengthen our systems and processes and implement a health and safety management system at Group level to support formalisation of our policy and strategy and increase our capability in all aspects of health and safety. This will be supported by a global internal audit to identify and respond to the key risks and opportunities to strengthen our local practices and policies.

SPEAK UP!

The poster promoting the SpeakUp! service used in ZALORA's Kuala Lumpur warehouse

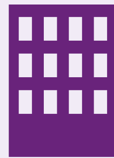
Our focus will also extend to mental and emotional well-being of our people as a growing health issue globally impacting many people during their lives. Targeted initiatives will be developed in consultation with our people and their leaders.

Managing Agency Employees

Respect of fundamental human rights and working conditions of staff not directly employed by us in our fulfilment centres is of no less importance to us than our own people or that of our private label supply chain. Recognising that the common industry standards and behaviours for agency workers do not meet our expectations in some of our operating markets, we have developed a comprehensive policy framework in relation to migrant workers inclusive of operating procedures, checklists, assessment classification for recruitment agencies and communication tools to support migrant workers in seeking remedy via the SpeakUp! hotline.

In 2018, the Group embarked on a considerable review of agency and recruitment practices in regional fulfilment centres in Kuala Lumpur, Moscow and Sydney. Some of the agencies providing staff to our fulfilment centre in one location were found not to be working in line with all of our expectations, triggering development of action plans and a remediation process to resolve the gaps identified. Unfortunately, in the case of one agency, although working to help them understand our requirements over a number of months we were not able to influence their practices and they have been phased out as a result. A dedicated monitoring process based on external audits and regular internal follow-ups have been implemented to ensure constant check and continuous improvement of agency practices on an ongoing basis.

Since this piece of work has been completed onboarding processes for new agencies have been introduced across the group and promotion of the anonymous hotline SpeakUp!, which can be accessed in multiple languages, increased.



OUR 2022 COMMITMENTS

We will continue to strengthen our policies and systems for ensuring agency and delivery provider employees enjoy decent and safe working conditions in line with our standards.

SPECIFICALLY, WE WILL ACHIEVE THE FOLLOWING TARGETS BY 2022:

100%

of agencies vetted consistently and comprehensively before onboarding.

100%

of delivery providers mapped, working conditions risk assessment completed and high-risk providers audited.

Implementation of a Group- wide Health Safety & Wellbeing ("HS&W") Policy and clear objectives for the maturity of our workplace practices in HS&W; and

International standard of reporting and governance of HS&W metrics with clear targets for achievement.

1.11 EMPLOYEE MATTERS

The following non-financial report sets out the steps we have taken so far to meet requirements. Since this is our inaugural report, we have not previously set up the data collection systems to use an official reporting framework.

This section includes our non-financial report for GFG Group AG in accordance with Section 315b and 315c and in conjunction with Section 289b and 289c of the German Commercial Code ("HGB"). We oriented our report with the German Sustainability Code ("DNK").

MATERIAL TOPICS OF ACTIVITY

Employees and Diversity

GFG is a global business with deep local roots in markets with diverse cultures and lifestyles. This diversity is at the heart of everything we do and gives real meaning to our purpose of true self expression. Starting with our people, we exist to empower everyone to express their true selves. To achieve our purpose, we have built a workplace that is inclusive and to which people feel they belong. We value and hire for diversity of backgrounds, thoughts and ideas, experience, culture and gender. The logic is clear – a truly dynamic and diverse workforce enables us to develop the deep local knowledge and expertise required to succeed in our markets, while thinking globally.

GFG unites individuals from more than 50 nationalities across 19 countries, which brings amazing energy, knowledge, great passion, integrity, creativity, and joy to achieve extraordinary results and help build a company with true focus on being people and planet positive in everything we do. We continue to grow strongly and strive for excellence and aspire to be the #1 online destination for fashion & lifestyle in growth markets. Likewise, GFG sees gender diversity as an important factor with 50% of the Supervisory Board, 40% of the senior leadership team and 52% of all our employees being female. The establishment of a diversity policy for the administrative, management and supervisory bodies of the Group will be developed and implemented in 2020.

EMPLOYEES BY GENDER AND REGION

Headcount as at 31 December 2019[1]

	APAC	LATAM	CIS	Shared Functions	Group
Total	**2,574**	**2,817**	**7,318**	**119**	**12,828**
Female	1,517	1,660	3,439	47	6,663
Male	1,057	1,157	3,879	72	6,165

Leadership[2] by Gender

	Group
Total	**45**
Female	18
Male	27

[1] Inclusive of all types of employment (contractors / internships).

[2] The leadership group comprises the Management Board, function executives, regional CEOs and their direct reports and excludes executive support roles.

This dynamic environment offers our more than 12,800 employees great local career paths, development and also global opportunities.

We know that to achieve our vision and purpose, we need to foster the continuous development of our people. Knowledge and experience sharing are critical to driving highly committed and motivated teams and leaders. Without their enthusiasm, passion for our customers, ambition and contribution, GFG would not be able to grow and thrive. We focus on supporting personal and professional growth by building a strong continuous feedback culture that enables development and learning opportunities on a daily basis for all our employees. We have created and continue to sustain an open, fair and honest work environment in which each employee feels encouraged to proactively share their views, ideas and feedback – irrespective of age, gender, position or experience within the Group.

We have established the following not only to keep employees informed about current company and market developments, but also to gauge their current satisfaction with their role, responsibilities and working conditions, which drives our culture of learning:

- Global platform (mobile enabled) for team collaboration, networking and communication across our regions. Enabling two-way communication, including video and live streaming between leadership and employees, sharing of ideas and peer to peer, leader to team member recognition;

- 'All Hands' meetings across all parts of the business, engaging all employees to participate in frequent discussions on companywide topics driving transparency and alignment within teams and fostering the company culture and values;

- Global goal setting and alignment via the Objectives & Key Results ("OKR") which takes place on an annual basis with quarterly review and check ins. OKRs allow a collaborative approach to agreeing how we meet and achieve our objectives as a company. They connect our strategy into day-to-day work and outcomes where all our employees can see how their work contributes to our success. OKRs drive our focus on learning by regularly scoring and reviewing our progress, ensuring we apply learnings quickly and pivot in response to changes in our company and world;

- Employee Engagement Deep Dives and Pulse Checks: Bi-annual deep dive surveys to gather anonymous employee feedback about GFG, the leadership team, learning & development, general support and if GFG is recommended as a great place to work. These provide important data and insight for our People & Culture team, as well as senior management, about how people feel in their roles and provides us with opportunities to learn and grow, to improve the work environment and employee offering for everyone; and

- Continuous Feedback Framework that enables leaders and employees to engage in regular performance and development conversations that focus on continuous feedback loop and constant improvement and career growth.

We offer a safe and healthy work environment to our employees in our offices and our fulfilment centres or logistics fleet. Therefore, we aim to completely prevent accidents and minimise the risk of occupational illnesses. Furthermore, we regularly review all fire safety requirements in all of our locations. We also offer an anonymous SpeakUp! line for complaints or notification of unacceptable behaviour. We have a zero-tolerance policy on any form of harassment, discrimination or bullying.

In 2019, employees could participate in a variety of community projects, donations and a number of sports programmes and consultations on ergonomics at the workplace.

As a considerate employer, we offer flexible working arrangements for applicable employees concerning working hours, part-time employment and job location solutions, such as the option of working from home/remotely.

1.12 COMBATING CORRUPTION AND BRIBERY

The Company is committed to the highest standards of ethical corporate behaviour. Our business operates a zero-tolerance approach to all forms of bribery or corruption.

Our Business Conduct and Ethics Policy together with our Anti-Bribery and Anti-Corruption Policy, which includes our third-party due diligence procedures, set out the Company's guiding principles which aim to prevent acts of bribery and corruption. GFG reviews these policies on a regular basis and introduces revisions where necessary or appropriate. Our policies apply to all employees of GFG along with any third parties acting on behalf of the Company, who must also adhere to similar standards and establish and maintain appropriate anti-bribery and anti-corruption policies.

In order to combat bribery or corruption and to ensure a zero tolerance is adhered to, the Company provides practical guidance to all employees regarding Anti-Bribery and Anti-Corruption measures, to ensure employees are equipped to make the right decisions and take the correct actions. The Company's employee guidelines set out key red flags to assist employees when identifying bribery and corruption in the workplace. Employees must escalate matters of bribery and corruption immediately to their respective line manager and the Legal Department, which forms part of the Company's Global Legal and GRC function. The GRC is an integrated collection of capabilities that enables the Company to reliably achieve objectives, address uncertainty and act with integrity.

Corruption risks linked to the operations of the global business:	Risk mitigation steps taken by the Company:
Dealings with Government Officials *The majority of our business relationships will be carried out with private individuals and businesses. However, it is possible that we may have interactions with governments and their officials.*	– Due Diligence to identify Government Officials/Politically Exposed Persons – Written contractual agreements formalising dealings with Government Officials – Gifts and entertainment, political and charitable donations involving Government Officials require approval from the Group General Counsel
Other Third Parties	– Due diligence on the third parties. – Written contractual agreements formalising relationships with third parties; – Record keeping and traceability of payments
Political Donations	– Due diligence on the recipient of the donations and any associated person; – Requires approval of the Management Board and Group General Counsel – Record keeping and traceability of payments
Charitable Donations	– Due diligence on the recipient of the donations and any associated person; – Requires approval by the Regional Head of Legal in cash up to € 15k or in kind up to € 50k. Further approval required from the Group General Counsel and Group Treasury for amounts in excess of those – Record keeping and traceability of payments

It consists of a set of functions that oversees and manages risks and compliance across our organisation. The Global Legal and GRC function monitors all risks that might impact the Company's business performance, which includes not only legal, compliance and financial risks, but also reputational, social and environmental risks.

The Global Legal and GRC function periodically conducts mandatory training sessions for employees. Our Business Conduct & Ethics Policy is included in our Employees onboarding process and is at all times available on the Company's intranet, along with our Anti-Bribery and Anti-Corruption Policy. We intend to further enhance the compliance training schedule in 2020, ensuring that all employees globally receive training on core Company policies regularly. Training is supplemented by internal campaigns, news flashes and targeted training sessions.

We actively encourage a SpeakUp! culture, with a non-retaliation policy for those employees who report issues in good faith. Incidents can be reported internally to line managers, People & Culture or the Global Legal and GRC function, or can be reported anonymously online or via telephone, using a platform administered by an independent third-party provider.

There were no known incidents of bribery or corruption during 2019.

GROUP MANAGEMENT REPORT

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GROUP MANAGEMENT REPORT

FUNDAMENTAL INFORMATION ABOUT THE GROUP

2.1 BUSINESS MODEL AND GROUP STRUCTURE

Business model

Global Fashion Group is the leading online fashion & lifestyle destination in our markets, and we operate in 17 countries across three main geographic regions: APAC, LATAM and CIS. As a global business with deep local roots in markets with diverse cultures and lifestyles, this diversity is at the heart of everything we do and gives real meaning to our purpose of 'True Self Expression'. From our people, to our customers and partners, we exist to empower everyone to express their true selves. Covering the entire value chain of an online retailer, we provide our 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 our four established ecommerce platforms. Each platform is operated under an individual brand name: THE ICONIC (in Australia and New Zealand), ZALORA (in Singapore, Hong Kong, Indonesia, the Philippines, Malaysia, Taiwan and Brunei), Dafiti (in Brazil, Argentina, Chile and Colombia) and Lamoda (in Russia, Belarus, Kazakhstan and Ukraine). In markets with low online penetration and high growth opportunities, we are setting the benchmark in online fashion & lifestyle, and our vision is "To be the #1 online destination for fashion & lifestyle in growth markets". Our deeply rooted local insights help us to provide inspiring and seamless customer experiences from discovery to delivery, and we are committed to doing this responsibly by being people and planet positive across everything we do.

Our customers are young, diverse, highly engaged and digitally native. They are predominantly female, and aged between 18 and 45 years. We focus on this customer segment because of their demonstrated 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 45 million social media followers across the top five social media platforms in our operating segments, our customers love interacting with our content and apps.

We offer our customers an assortment that is both expansive and relevant, reflecting the scale and diversity of our markets. Covering all key fashion & 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 our diverse customer base, our 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.

We source our products from brand partners via two business models: Retail, where we own the inventory of products sold to our customers, and Marketplace, where our brand partners hold the inventory and list products on our apps and websites. As the only online fashion & lifestyle platform of scale in our markets, GFG facilitates market entry for these brands and helps them overcome the traditional challenges of logistics, infrastructure, geography and regulatory processes. GFG also generates ancillary revenues by providing distinct B2B Fashion Services to brands. These include fulfilment services for products that brands sell through their own online channels, media solutions and data analytics.

Our operational infrastructure is fashion-specific, highly efficient and scaled for growth. GFG operates ten regional fulfilment centres with a maximum daily output capacity of over 800,000 items. Our 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 35 options across our markets. Fully in-house customer support is provided 24/7 in the majority of our markets and in eleven different languages. This commitment to delivering an outstanding shopping experience to our customers has yielded a consistently high net promoter score ("NPS") of around 80% over the last three years.

While technology underpins our entire business, it is our highly diverse team of more than 12,500 people – with a passion for fashion & lifestyle and strong capabilities across all of the disciplines needed to execute our business model – with a unique combination of art and science that brings about our compelling customer proposition.

Our data science teams are at the forefront of innovation, creating smart solutions from deep and relevant insights. The apps built by our technology teams use these insights to help improve our decision-making across the business on a daily basis. Based on this foundation, our 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 our customers via our apps, that offer inspiration and style at your fingertips, through personalised browsing, engaging content and relevant product recommendation. Once an order is placed, our 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 services teams.

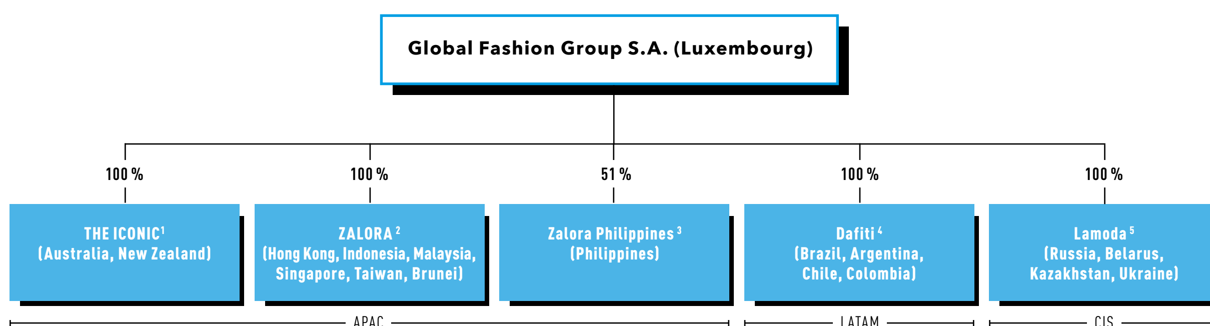
Our people also combine strong global expertise with deep local know-how, with over 98% of our team being based in our countries of operation.

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 1.7 for composition of subscribed capital, own shares and refer to section 1.8 for free shares given to employees in the Group Annual Report.

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 2019, 79 entities are consolidated in the consolidated financial statements of the Group. The following diagram provides a simplified overview of the Group structure.



[1] *THE ICONIC* operations are conducted by Internet Services Australia 1 Pty Ltd. In Australia and New Zealand.

[2] *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.

[3] *Zalora* Philippines operations are conducted by BF Jade E-Services Philippines Inc.

[4] *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.

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

Business segments

The Group consists of three operating segments, which also comprise our reportable segments: APAC, LATAM and CIS.

APAC

GFG operates locally under two brands in APAC: THE ICONIC and ZALORA. THE ICONIC was launched in late 2011, and is now the leading online fashion and sports retailer in Australia and New Zealand by online sales. ZALORA launched in 2012 and is the market leader by online sales in Singapore, Hong Kong, Indonesia, the Philippines, Malaysia, Taiwan and Brunei.

LATAM

In LATAM, GFG operates under the Dafiti brand in Brazil, Argentina, Chile and Colombia. Launched in 2011, Dafiti is now ranked first in the region for online fashion & lifestyle sales.

CIS

In CIS, GFG operates under the Lamoda brand in Russia, Belarus, Kazakhstan and Ukraine. Launched in 2011, Lamoda has grown to be the leading online retailer for fashion in the region by online sales.

2.2 CORPORATE STRATEGY AND TARGETS

Guided by our vision of being the #1 online fashion & lifestyle destination in our markets, we are the leading player in 17 high-growth markets, where fashion & lifestyle spending is expected to benefit from positive demographic changes and an accelerating shift from offline to online.

The latest data from Euromonitor indicates that in 2018 these 17 markets accounted for € 320 billion of the global market for fashion & lifestyle (online and offline combined), making it the second largest consumer category globally (after food and drink).

Our experience demonstrates that the online fashion & lifestyle market provides the market leaders with significant competitive advantages. We intend to leverage our market-leading positions, scale, local know-how and operational excellence to benefit strongly from these growth opportunities.

Category expansion is another source of penetration upside

We are leveraging our existing technology, fulfilment and customer service infrastructure to expand into adjacent product categories and segments, such as accessories, beauty, kids or home, where penetration remains significantly below that of apparel or footwear. We are also broadening our sportswear offering by adding additional merchandise to grow this rapidly evolving category. However, the primary driver for category expansion is an improvement in the customer experience. We listen carefully to our customers and expand into categories that we know they want.

Enhancing the customer experience by leveraging technology and innovation

We create an inspiring and seamless shopping experience for our customers, offering an unparalleled, relevant and broad assortment across fashion & lifestyle categories. Based on our vast and rich data, we provide our customers with a highly personalised and inspiring shopping experience. As we collect more data, we can further tailor our product offerings to optimise our assortment, including own brands, and improve the personalisation, convenience and presentation of our products.

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. We believe 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. Our scalable, custom-built technology platforms is integrated across our operations within each region and reflects the global and local nature of our business. We developed our predominantly in-house technology platforms in a localised manner with technology stacks tailored to each major market. This enhances flexibility and enables us to quickly respond to local business expectations and regulatory requirements. We have overlaid onto our localised technology stacks a growing global toolkit of advanced centralised solutions, including our global Marketplace platform for brands (SellerCenter), pricing tools and business intelligence tools.

We have opportunities to improve customer convenience by enhancing our operational infrastructure. For example, in Brazil, most returns are currently handled by the local mail service, which means customers are often required to queue at a local office to post the items to be returned. We believe that the lack of a more convenient return service negatively affects our conversion rates. Accordingly, we are working with our delivery partners to establish drop-off points that provide customers with a more convenient way of returning products.

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

Partnership models enhance the scalability of our business

For our brand partners, we offer instant access to highly engaged audiences in large and growing fashion markets and flexible and tailored support in selling their products to customers. We purchase products from them that we anticipate will enjoy strong demand across our markets, but also give brands access to our Marketplace, where they act as third-party sellers via our apps and websites.

In Marketplace, we support third-party sellers by offering them additional services, such as content production, warehousing, delivery and customer service. Marketplace allows us to provide a broader assortment of products, including new products. We earn commissions, set as a percentage of the relevant sales price, which increases with the level of services we provide. In 2019, our average commission was 32% (2018: 31%).

As we do not purchase the products we sell through Marketplace, we incur insignificant costs of sales and do not bear inventory risk. However, depending on what services we provide to the respective brand e.g. warehousing and/or delivery, we may incur fulfilment expenses.

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

Grow our Fashion Services business

We leverage our infrastructure by supporting 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, and the traffic coming to our platforms to offer companies media solutions to market their brands. We intend to deepen the services we offer, allowing us to strengthen relationships with our current brand partners and to attract new brand partners to join our ecosystem. Increased Fashion Services allow us to better utilise our existing resources, positioning us to generate additional revenue without incurring significant additional expenses.

Potential to expand and adapt our geographic footprint

We closely monitor expansion opportunities as well as changes in our various regional markets, and expand and adapt our geographic footprint accordingly. With operations built for scale and capable of geographic expansion, we continually search for opportunities to expand into new geographic markets. When expanding into a new market, we seek to leverage our existing technology, fulfilment and customer service infrastructure as well as our expertise in global operations to produce synergistic benefits. We also seek to leverage our local know-how and operational excellence to continue catering to local demand in each market. We closely monitor developments in our existing regional markets and modify our geographic

footprint, including opportunistic divestitures or sales of subsidiaries and/or other parts of our business. For example, we sold our India subsidiary Jabong in 2016 and our remaining 47% stake in our Middle East subsidiary Namshi in February 2019.

Further enhance our financial profile

Over time, we intend to further improve our financial profile, including driving market share with a long-term target for organic NMV growth of 20% on a constant currency basis per year. We are increasing the share of Marketplace to expand selection and lower inventory risk, with a benefit of increasing gross margin as well. We also intend to focus on further improving unit economics, reducing the payback periods for customer acquisition costs and increasing customer loyalty. Further drivers include operating leverage in technology and administrative expenses, as well as investments into technology and fulfilment infrastructure to improve the customer experience, and drive customer loyalty and operating efficiency.

Both customer and order growth, supported by increasing order frequency and a growing average order value have resulted in a strong track record of growth, improving our clear path to profitability.

2.3 INTERNAL MANAGEMENT SYSTEM

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

Non-Financial Information

Non-financial information, such as environmental, social, human rights and the fight against corruption, are integrated in the section 1.10 to 1.12 of the Group Annual Report.

2.4 EMPLOYEES

At the end of 2019, GFG had 12,828 employees (2018: 11,038), representing an increase of 16.2% on the prior year. Average headcount increased by 2,241 to 12,161, driven mainly by the development of warehouse, fulfilment and delivery capabilities across the Group.

2.5 RESEARCH AND DEVELOPMENT

We operate a scalable, custom-built technology platforms that is integrated across the operations within each of our regions and reflects both the global and local nature of our business. We developed our predominantly in-house technology platforms in a localised manner with technology stacks tailored to each major market. Our technology platform provides substantial flexibility and enables us to efficiently respond to local business expectations and regulatory requirements.

Our technology is developed and continuously maintained by an experienced global team of more than 1,000 engineers, product managers and data scientists. In order to continuously strengthen our team's presence in each of our regions, we leverage a global technology talent pool.

REPORT ON ECONOMIC POSITION

2.6 MACROECONOMIC AND SECTOR-SPECIFIC ENVIRONMENT

GFG operates in the online fashion & 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 & lifestyle sector, and within this sector, development of the online channel.

Macroeconomic conditions in the regions within GFG's footprint developed favourably in 2019. According to IMF estimates [1], real GDP experienced positive growth in all three of our geographic reporting segments. In Australia, Brazil and Russia, the largest country by revenue in each of GFG's three regions, real GDP growth was 2.8%, 1.1% and 2.3%, respectively. For 2020, positive real GDP growth is expected for every country of operation except for Argentina.

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 2019, 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 2019 more than 85% of our cash flows in our three 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 & lifestyle sector are expected to outperform the overall sector, with an annual growth of 16% from 2019 to 2023. With a market volume of € 22 billion in 2019, online sales comprised only 8% of total spend in the fashion & lifestyle sector. Given online penetration of the fashion & lifestyle sector was 23% in the US and 19% to 22% in Western Europe in 2019, we believe this indicates significant headroom to grow online penetration in our markets.

The overall fashion & lifestyle sector in GFG's geographic footprint is expected to develop favourably with an estimated annual growth rate of 6% until 2023 [2]. This growth rate is considerably higher than the annual growth rate forecast of 3% over the same period for developed markets such as the United States ("US") and Western Europe [2]. 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.

1 Source: International Monetary Fund: World Economic Outlook Database 2019.

2 Source: Euromonitor International. Based on the markets for apparel and footwear, beauty and personal care, personal accessories and eyewear.

GFG's markets are at an earlier stage in the structural shift of fashion & lifestyle spend from offline to online than either the US and Western Europe. 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 smart-phone and online shopping habits;

- The lack of a broad brick-and-mortar fashion retail offering, with floorspace of only 5 sqm per capita in our markets, compared to 77 sqm and 53 sqm per capita in the US and Western Europe, respectively[1];

- 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 our markets, we believe we will be one of the major beneficiaries of these developments. We consider ourselves the market leader in our sector and footprint, and will continue to focus on growth and gaining further market share.

[1] Source: PlanetRetail.

[2] Source: Euromonitor International. Based on the markets for apparel and footwear, beauty and personal care, personal accessories and eyewear.

2.7 SIGNIFICANT EVENTS IN THE REPORTING PERIOD

On 18 February 2019, the Group entered into an agreement to sell its 46.93% share of Namshi Holding Limited to Emaar Malls. The transaction was completed on 25 February 2019 for a total consideration of US$129.5 million (€ 114.3 million).

On 11 March 2019, management decided to close Lost Ink Limited ("Lost Ink"). Lost Ink is a private label fashion business based in the UK and is a wholly owned subsidiary of Global Fashion Group Middle East Holdings (UK) Limited. The impact on adjusted EBITDA for the year ended 31 December 2019 is a loss of € 7.5 million.

In April 2019, Matthew Price joined the Group as Chief Financial Officer. Matthew was most recently CFO of Moneysupermarket.com Group plc and has held key financial roles at Costa Coffee in the UK and Asia, as well as Sainsbury's.

On 3 June 2019, the Company announced its intention to conduct an IPO and a listing of its shares on the regulated market (Prime Standard) of the Frankfurt Stock Exchange. The Company successfully listed its shares on 2 July 2019, raising net proceeds of € 186.1 million. Please refer to section 1.7 for IPO related takeover law. Please refer to section 5 for composition of subscribed capital.

2.8 FINANCIAL PERFORMANCE

The variance in revenue and margin over the course of the year reflects the seasonality of fashion sales. The Group's presence in the northern hemisphere (our CIS business), 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 results for the year ended 31 December 2019 shows continued strong revenue growth and further progress toward break-even. Please refer to section 4 for the Group consolidated financial statements.

Results of operations

In €m	For the year ended 31 Dec 2019	2018	% change
Revenue	1,346.0	1,155.9	16.4%
Cost of sales	(806.2)	(706.2)	(14.2%)
Gross profit	**539.8**	**449.7**	**20.0%**
Selling and distribution costs	(455.2)	(378.6)	(20.2%)
Administrative expenses	(193.4)	(214.3)	9.7%
Other operating income	15.1	3.4	
Other operating expenses	(27.5)	(17.1)	
Net impairment losses of financial assets	(3.9)	(0.8)	
Loss before interest and taxes	**(125.1)**	**(157.7)**	**20.7%**
Result from investment in associate	3.2	(9.1)	
Finance income	18.5	1.2	
Finance costs	(14.7)	(32.3)	
Result from indexation of IAS 29 Hyperinflation	1.6	1.2	
Loss before tax	**(116.5)**	**(196.7)**	**40.8%**
Income taxes	(28.1)	(5.2)	
Loss for the year	**(144.6)**	**(201.9)**	**28.4%**

Adjusted EBITDA bridge

In €m	For the year ended 31 Dec 2019	2018	% change
Earnings before interest and taxes	(125.1)	(157.7)	20.7%
Depreciation and Amortisation[1]	61.6	32.5	
EBITDA	(63.5)	(125.2)	49.3%
Share-based payment expenses	5.2	55.2	
One-off costs and income[2]	21.2	-	
Pro-forma IFRS 16 adjustment[3]	-	20.2	
Adjusted EBITDA	**(37.1)**	**(49.8)**	**25.3%**

1 Including depreciation on IFRS 16 right-of-use assets, in FY 2019.

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.

3 The pro-forma IFRS 16 adjustment was included for purposes of comparability of Adjusted EBITDA for 2019 and 2018 as IFRS 16 Leases was only applied as of 1 January 2019. Therefore, Adjusted EBITDA for 2018 presented in the table above is not consistent with Adjusted EBITDA presented in the segment information contained in the consolidated financial statements.

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.

Key performance indicators and financial information

In €m	For the year ended 31 Dec 2019	2018
Group key performance indicators		
Active customers (in millions)	13.1	11.2
NMV (€ m)	1,777.8	1,453.5
Constant Currency Growth (%)	23.0%	22.5%
NMV/Active Customer (€ m)	136.1	130.2
Number of Orders (in millions)	34.6	28.2
Order Frequency	2.6	2.5
Average Order Value (€)	51.3	51.6
Financial performance		
Revenue (€ m)	1,346.0	1,155.9
Constant Currency Growth (%)	17.2%	18.7%
Gross Profit (€ m)	539.8	449.7
Adjusted EBITDA (€ m)	(37.1)	(49.8)
Adjusted EBITDA (as % of revenue)	(2.8%)	(4.3%)
Financial position		
Net working capital (€ m)	(12.0)	(10.3)
Cash and cash equivalents (€ m)	277.3	105.0
Pro-forma cash (€ m)	300.8	139.9
Capex (€ m)	72.1	41.9

Growth of NMV

In 2019, NMV grew by 23.0% on a constant currency basis, to € 1,777.8 million (2018: € 1,453.5 million).

The growth in NMV was as a result of an increase of 17.0% in Active Customers to 13.1 million, and NMV per Active Customer rising by 5.1% on a constant currency basis to € 136.1m, underpinned by our leading customer experience.

Customer orders were up by 23.0% to 34.6 million (2018: 28.2 million) in FY 2019, and on average customers purchased 2.6 times per year (2018: 2.5 times), an increase of 5.1%.

Technology innovations focused on app functionality have delivered new levels of customer engagement and strengthened GFG's app-first approach. 50% of NMV in 2019 was generated through our apps (2018: 42%), an increase of 8 pp compared to last year.

Marketplace continues to outgrow retail, and now represents 21% of NMV, up from 15% for the last year.

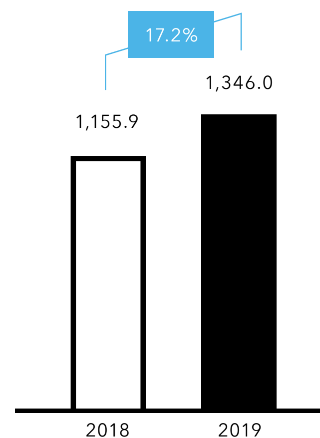
Growth of Revenue

The strong growth in NMV delivered solid revenue growth. In 2019, revenue grew by 17.2% on a constant currency basis, increasing by € 190.1 million to € 1,346.0 million (2018: € 1,155.9 million).

GFG continues to be at the forefront of defining what an inspiring customer experience looks like in its markets. In 2019, GFG's broad assortment strategy evolved with more exclusive global brand collaborations, further development of the modest fashion segment with another successful Hari Raya festival season, and the launch of a new way of shopping sustainably through Considered at THE ICONIC.

Operational developments in 2019 have enhanced the delivery experience offered in South East Asia and CIS. 'Zalora Now', a subscription programme including free next day delivery, was launched in region, while the pick-up-point network in CIS grew to cover over 12,000 locations. In Brazil, construction of the new fulfilment centre is well-progressed and on track to open in 2020.

Growth of revenue [1] (€m)



[1] Constant currency basis

Improvements to Adjusted EBITDA

While not statutory measures under IFRS, management also considers Adjusted EBITDA and Adjusted EBITDA margin as key performance indicators to assess the underlying operating performance of the business.

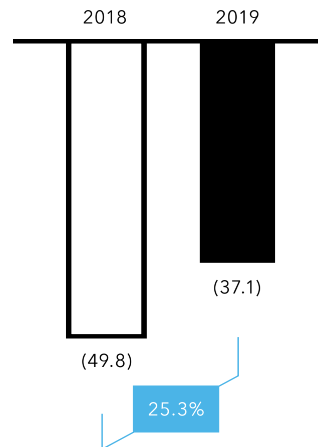
In 2019, the Group generated an Adjusted EBITDA loss of €(37.1) million, compared to €(49.8) million in 2018, on a pro-forma basis, adjusting for the impact of IFRS 16. Adjusted EBITDA margin was (2.8)%, improving from (4.3)% in 2018. Cost leverage in both marketing and technology and administration costs was partially offset by increases in the year in fulfilment expenses, driven by an increase in the GFG Marketplace fulfilment proposition.

Adjusted EBITDA excludes an expense for share-based payments of € 5.2 million (2018: € 55.2 million) and one-off costs and income outside the normal course of business. These mainly relate to the costs of the IPO (€ 4.9 million), one-off tax adjustments (€ 14.8 million), non-trading income (€ 6.0 million) and the wind-down costs and adjusted EBITDA relating to the Lost Ink business (€ 7.5 million).

Loss for the year

In 2019, Loss for the year decreased by 28.4% to € 144.6 million (2018: loss € 201.9 million). Losses before interest and taxes of € 125.1 million improved by 20.7% compared to 2018, with increased gross profits being partially offset by higher selling and distribution costs. Finance income and costs have improved year-on-year as the result of a net income from investment in associates including the gain relating to the sale of the Group's remaining interest in Namshi.

Analysis of Adjusted EBITDA (€m)



2.8.1 Report by Segment

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

Segment Growth for the Year

NMV growth was solid across all regions. APAC delivered 22.7% constant currency growth, delivering the highest growth in Active Customers of 21.7%, on a rolling twelve-month basis, across all segments. CIS NMV growth was the highest of all regions, at 24.4%. LATAM also delivered strong growth at 21.9%.

The highest revenue growth was seen in APAC, at 20.9% on a constant currency basis. LATAM and CIS also delivered solid revenue growth of 18.4% and 14.5%, respectively. CIS Revenue growth was significantly lower than NMV growth for the year, due to the acceleration of Marketplace participation seen in the region over the last year.

Segment Results of the Group Year 2019

CIS delivered the highest growth in gross margin, increasing 3.6 pp year-on-year, driven by increased Marketplace revenue. APAC increased by 1.4 pp year-on-year, driven by improvements in South East Asia. LATAM gross margin slightly declined by 0.5 pp as a result of price investment and country mix.

Segment Results of the Group for the year ended 31 December 2019

In €m	APAC	LATAM	CIS	Total Fashion Business	Other	Reconciliation	Total
Net Merchandise Value	621.3	557.8	598.7	1,777.8	-	-	1,777.8
Revenue	498.6	401.4	442.9	1,342.9	27.8	(24.7)	1,346.0
Gross profit	192.3	164.6	187.2	544.1	19.7	(24.0)	539.8
% Margin	38.6%	41.0%	42.3%				40.1%
Adjusted EBITDA	(22.4)	6.1	4.3	(12.0)	(25.0)	(0.1)	(37.1)

Segment Results of the Group for the year ended 31 December 2018

In €m	APAC	LATAM	CIS	Total Fashion Business	Other	Reconciliation	Total
Net Merchandise Value	501.9	484.3	467.3	1,453.5	-	-	1,453.5
Revenue	409.0	359.0	376.4	1,144.4	66.3	(54.8)	1,155,9
Gross profit	152.1	149.0	145.8	446.9	51.9	(49.1)	449.7
% Margin	37.2%	41.5%	38.7%				38.9%
Adjusted EBITDA	(36.6)	0.1	(13.8)	(50.3)	(20.2)	0.5	(70.0)

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 2019	2018
Net cash used in operating activities	**(68. 9)**	**(85.3)**
Net cash from/(used in) investing activities	**63.5**	**(65.6)**
Net cash from financing activities	**169.5**	**5.2**
Change in cash and cash equivalents	164.1	(145.7)
Exchange-rate related and other changes in cash and cash equivalents	8.2	(0.6)
Cash and cash equivalents at the beginning of the year	105.0	251.4
Cash and cash equivalents at the end of the year	**277.3**	**105.0**

In 2019, GFG generated a negative cash flow from operating activities of € 68.9 million (2018: € 85.3 million). The lower net cash used in operations is mainly driven by changes in provisions, reduced share-based payments and offset by higher outflows from working capital.

Net cash inflow from investing activities is due to the proceeds from the disposal of Namshi and movements in restricted cash during the period, partially offset by additions to property, plant and equipment and intangible assets. During the year, the Group acquired property, plant and equipment with a total cost of € 45.8 million (2018: €24.1 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 € 20.9 million (2018: € 15.0 million) of which € 19.9 million (2018: € 11.5 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 IPO in July of € 186.1 million. This was partially offset by IFRS 16 lease payments of €20.5 million which, in the prior period, before the introduction of IFRS 16, were included as part of net cash used in operating activities.

2.8.3 Financial position

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

Assets

In €m	For the year ended 31 Dec 2019	2018	Change
Non-current assets	552.3	539.3	13.0
Current assets	652.2	416.1	236.1
Total assets	**1,204.5**	**955.4**	**249.1**

Equity and Liabilities

In €m	For the year ended 31 Dec 2019	2018	Change
Equity	649.5	603.8	45.7
Non-current liabilities	98.9	34.7	64.2
Current liabilities	456.1	316.9	139.2
Total equity and liabilities	**1,204.5**	**955.4**	**249.1**

Total assets of the Group increased by €249.1 million when compared with 31 December 2018. The increase partially relates to the recognition of right-of-use assets relating to IFRS 16, the new accounting standard for leases which became effective as of 1 January 2019. Property, plant and equipment, inventory and cash all increased during the year, but this was partially offset by the disposal of the Middle East business.

On transition to IFRS 16, the Group recognised an additional €75.0 million of right-of-use assets and €75.0 million of lease liabilities. The net book value of right-of-use assets as at 31 December 2019 was € 95.2 million. Total lease liabilities of € 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 2019, Capex additions were € 72.1 million (2018: €41.9 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 increased by €47.9 million to €234.0 million as a result of a Group-wide increase in business volumes and the seasonality of our local businesses.

Pro-forma cash increased from €139.9 million to €300.8 million, as a result of proceeds from the disposal of the Middle East business (€ 114.3 million) and proceeds from the IPO (€ 186.1 million), which were partially offset by capital expenditure and operational outflows. Included within the year end cash balance is €23.5 million (2018: €34.9 million) of restricted cash and cash on deposit, primarily related to our revolving credit facility.

Movements in equity for the period relate primarily to losses incurred for 2019, partially offset by favourable translation adjustments.

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

At 31 December 2019, current liabilities were € 456.1 million, an increase of € 139.2 million. This increase reflects the current portion of finance lease liabilities under IFRS 16 of € 23.2 million, discounted to present value, an increase in trade and other liabilities of € 60.0 million, reflecting the impact of seasonality on the Group's working capital, and an increase in non-financial liabilities of € 13.3 million.

2.9 COMPARISON OF ORIGINAL GROUP GUIDANCE AND ACTUAL 2019 FIGURES

2019 has been a positive year for the Group, as it has delivered on the market guidance for the year on all key performance metrics. The table below summarises the actual results versus the guidance:

FY 2019

In €m	FY 2019	Guidance	
NMV (€m)	1,778	€ 1.7 – 1.8bn	✓
Growth (%)	23.0%	20% – 23%	✓
Revenue (€m)	1,346	Min € 1.3bn	✓
Adj. EBITDA (€m)	(37.1)	Further progress to break even	✓
Adj. EBITDA margin (%)	(2.8)%	Further progress to break even	✓
Capex (€m)	(72.1)	(80.0)	✓

The Group also broke even for the first time in Q4 2019 with a positive EBITDA margin of 0.2%.

2.10 OVERALL ASSESSMENT OF THE ECONOMIC POSITION BY THE MANAGEMENT BOARD

The Management Board is pleased with the positive business development in the 2019 financial year. The Group increased its NMV and revenue in line with management guidance and Adjusted EBITDA increased as a result of ongoing leverage in cost of sales, marketing, technology and administration costs, allowing us to continue on our clear path to profitability.

2.11 REPORT ON POST BALANCE SHEET EVENTS

Since the end of the financial year, the Group has entered into a joint venture with Russian Post, the national post operator of Russia, for the construction and operation of a new fulfilment centre in the Moscow region. An initial term sheet was signed on 13 January 2020.

There have been no other significant events, outside the ordinary course of business, affecting the Group since 31 December 2019.

REPORT ON RISKS AND OPPORTUNITIES

1. GFG operates a risk management programme based on ISO standards. Through this programme risks are identified, treated and monitored according to the Group's risk appetite.

2. GFG has implemented a range of controls over financial reporting which are reviewed through an annual programme of self-assessment, with further independent validation by the Internal Audit team.

3. In addition to areas that present threats, GFG has identified, through its risk management programme, areas of uncertainty that present business opportunities which it will seek to take advantage of in future.

GFG acknowledges that risks are an ordinary and necessary part of conducting business, and in the generation of shareholder value. GFG seeks to understand and actively manage risks in accordance with its risk appetite, rather than to avoid risks.

GFG recognises that risk management is an integral part of good corporate governance, and that it is central to good decision making and for ensuring the successful execution of our strategy.

2.12 RISK MANAGEMENT

GFG Risk Management Framework

GFG applies the ISO 31000: 2018 methodology for Enterprise Risk Management. The risk management system can be broadly characterised into four main phases:

1. Risk Management Objectives and Scope
2. Risk Assessment (Identify and Analyse)
3. Risk Treatment
4. Risk Monitoring

1. Risk Management Objectives and Strategy

The objectives and strategy of GFG's Risk Management system is as follows:

- GFG applies a consistent and systematic approach to identify, assess, and manage its key enterprise risks. The ultimate objective being to ensure that there is adequate and appropriate understanding of these risks both at a Group consolidated and regional level;

- Risk management strategies (including risk transfer/insurance) are devised for identified risks which are not in line with our risk appetite. GFG directs its time and resources to risks with the greatest potential impact;

- The level of risk that GFG is willing to accept is determined by the Management Board (via the Group GRC Committee) based on careful examination of the specific circumstances surrounding each risk, and GFG's risk appetite statements;

- GFG strives to continually build a culture of risk awareness and ownership across the entire organisation;

- GFG is a complex organisation operating within a fast-paced industry where change and disruption are constants. As such, the responsibility for identifying and managing risks is shared across the Group to ensure responsive and effective risk management; and

- GFG is committed to providing risk transparency of the Group's key risks, and provides a risk report to the Management Board, and the Audit Committee on a six-monthly basis, or more frequently if the risk is material.

Following our recent IPO in July 2019, GFG is currently rationalising and optimising its governance systems and structures, including its risk management framework, to ensure it is more in line with best practices for listed entities. Periodic reviews of the Risk Management Framework are undertaken to ensure that the Management Board and Audit Committee are comfortable that the risk approach continues to be in line with expectations.

2. Risk Assessment (Identify and Analyse)

2.1 Risk Identification

Risks are identified through a combination of sources, including but not limited to:

- Business strategy;
- Interviews with Senior Executive Leaders and Management;
- Consideration of macroeconomic and socio-political environment trends and global events across our territories;
- Consideration of the GFG Risk Universe which mirrors the end-to-end value chain of the business;
- Internal reviews including Internal Audit Reports, Regional GRC Committee discussions, Internal Control Assessments; and
- Thought leadership from respected third parties on top global risks, and benchmarking with publicly available risk assessments published by peer organisations.

2.2 Risk Analysis

Key enterprise risks which are identified are analysed with executive risk owners (considering risk factors, root causes, and probably impacts) and are then rated using the GFG Risk Likelihood/ Severity matrix:

Risk management

Risk analysis

Likelihood		1	2	3
Likely (> 50%) (annual or multiple times a year)	C	Moderate	High	Critical
Possible (20% – 50%) (1 – 3 years)	B	Low	Moderate	High
Unlikely (< 20%) (3+ years)	A	Very low	Low	Moderate
Impact scale		Low	Moderate	Significant
as a % of Revenue		< 2%	Between 2% and 5%	> 5%
In € millions		< € 26M	Between € 26M - € 65M	> € 65M

Severity

3. Risk Treatment

Risk treatment plans are devised by the Executive risk owner for each key risk identified on the GFG Risk Matrix. Plans are devised based on deep understanding of the risks and take into account the risk appetite of the Group. These plans are ultimately endorsed by the Group GRC Committee acting on behalf of the Management Board. See section 1.5 for more information.

In broad terms, risk treatments can fall under the categories laid out in section 2.13 below. The appropriate risk treatment adopted depends on GFG's risk appetite:

- Risk elimination: Any exposure to the risk is considered unacceptable, and hence the business eliminates the risk by stopping the business activity(ies) which gives rise to the exposure;

- Risk mitigation: This is where the current level of risk, taking into account existing risk mitigation measures and controls, is deemed to be higher than acceptable. Hence additional measures and investment are directed to reduce the level of risk;

- Risk transfer/financing: This is where a risk or portion of risk is transferred to another party. The most common example of this is insurance. The feasibility of risk transfer is always considered as part of overall risk treatment measures; and

- Risk acceptance: This is where current level of risk is considered optimal and aligned to the organisation's risk appetite. Little to no additional mitigation activity and investment are prioritised to further treat this risk.

4. Risk Monitoring

- GFG is committed to providing risk transparency of the Group's key risks, and provides a risk report to the Group GRC Committee (which represents the Management Board), and the Audit Committee (which represents the Supervisory Board) on a six-monthly basis, or more frequently if the risk is material;

- In assessing the consolidated Group risk position, each GFG Region also completes a risk assessment every six months, the outcomes of which are reviewed and endorsed by the Regional GRC Committee, which is chaired by the Regional CEO;

- The work of the GFG Internal Audit team also forms a key part of the risk monitoring system, assisting management in the effective discharge of their responsibilities by providing independent, objective assurance over the governance, control and risk management activities within their processes. Internal Audit also conducts ad-hoc advisory work designed to add value and improve the Group's operations. The scope of the Internal Audit work performed includes financial, operational and technology processes;

- GFG Internal Audit performs regular follow-ups of remedial actions identified through its Audit cycle and formally reports progress through various channels, including quarterly updates to the Audit Committee. Observations identified within the internal audit reports are further considered as part of the Group-wide risk assessments and highlight potential areas where further support is required from Group and Regional Risk functions. Internal Audit takes a risk-based approach to executing its annual plan with regular consultations provided by Executive Management, Regional Leadership and the Group Risk and Internal Controls functions. As a safeguard to independence, Internal Audit has a functional reporting line to the Chairman of the Audit Committee, their work plan is approved by the Audit Committee, rather than the Management Board, and the Audit Committee holds private sessions with the Head of Internal Audit without members of the Management Board being present; and

- The Group Internal Controls function performs periodic testing over key controls which provide a level of assurance over the accuracy of our financial statements. The result of internal controls assessments are reported to the Group CFO, as well as the Group GRC Committee.

System of Internal Control over Financial Reporting

As a part of the internal control system, GFG has implemented a range of controls over its financial reporting that consist of preventive, detective and monitoring measures, covering transactional and Group accounting (including the consolidation process) and operational functions. The control measures provide assurance over the accuracy and consistency of the financial statements, and include layers of independent approval, automated application based control, and segregation of duties in key and high-risk processes.

The design and operating effectiveness of internal controls are reviewed through an annual programme of self-assessment testing that is performed by local management and specialist controls teams. The GFG Internal Audit team independently reviews the work performed and re-tests key controls to ensure accuracy and consistency in testing approach, documentation and reporting across the Group.

2.13 RISKS AND OPPORTUNITIES REPORT

GFG is committed to the identification, monitoring, and management of material risks associated with our business activities across the Group. GFG and its regional business units undertake a risk review process every six months, in accordance with the GFG Risk Management Framework.

This section outlines the principal enterprise risks and uncertainties which were identified through the most recent risk review process in 2019. These are not set out in any particular order, and GFG recognises that risks can change over time, so therefore there may be other risks currently deemed insignificant, or yet unknown risks that might have a negative impact on the business in the future.

Strategic and external risks

Country risk: Geopolitical and Macro-economic	The Group's businesses are concentrated across several emerging and growth markets, that GFG considers having the greatest potential for growth in fashion ecommerce. This exposes us 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 active monitoring of the geo-political, socio-economic, and regulatory regimes within our territories • Strong governance and compliance programmes to ensure compliance with local legislation, along with proactive engagement with relevant regulators
Competition	The fashion ecommerce industry is characterised by intense competition, and GFG regions face increasing competitive pressure both online/offline and from local and established global players. **Key mitigating activities/ initiatives** • Ongoing proactive scanning and consideration of the competitive environment • Continued focus on protecting the unique selling points of the regional businesses • Best practices are shared across the Group • Building strong trusted relationships with Brands to unlock better assortments

Operational risks

People	GFG considers our high-performing, agile, and entrepreneurial culture to be a key performance driver. In addition, the deep local knowledge that our Regional teams hold is a key enabler of our success across our diverse geographic footprint. Being a relatively lean business, with a flat structure, we acknowledge that there is a risk that major turnover of key staff will result in operational disruption, loss of knowledge, 'know how', and/or negatively impact our culture. **Key mitigating activities/ initiatives** • Continued focus on building leadership capabilities and bench strength across the Group • Succession planning for our Senior Executive level "C-Suite" is an area of focus, as well as building strength across the Group
Major disruption to critical infrastructure	There is a risk of business interruption due to disruption to our fulfilment centres or critical technology infrastructure which impacts our ability to trade or operate. **Key mitigating activities/ initiatives** • Risk transfer via our insurance programmes • Focus on cloud infrastructure to minimise risk and impact of outages • Third party specialists such as external penetration testing are engaged to continually test and refine our technology resilience. Focus on improving business continuity planning practices, although we recognise we are still maturing in this discipline
Major Fulfilment Centre relocations	Over the next two years, there are a number of key physical fulfilment centre moves and/or expansions planned in order to support our growth across key geographies. There is a risk that these moves are not executed successfully or in a timely manner, which could impact our ability to scale. **Key mitigating activities/ initiatives** • Strong project management processes and governance, with timely escalation protocols for material deviations in timeframes/budgets
Technology Adoption	Technology is the core enabler for our business and our competitive advantage. It is ubiquitous and embedded in every facet of the Group including the webstore, sales, marketing, assortment planning, pricing, fulfilment, and customer service. Major systems upgrades require forward planning and can involve mid to long term gestation periods. There is a risk that if our technology and system upgrades are not initiated in a timely manner, we might lose our competitive advantage and limit our ability to scale effectively. Our investment in technology is always balanced with the availability of resources and funding, given our financial position. **Key mitigating activities/ initiatives** • Regional technology strategies are developed in line with business strategy, and projects are prioritised considering the strategy • Group Technology provides a strategic portfolio view of technology to ensure that technology rollouts take into consideration economies of scale to the best possible extent

Cyber and information security	Cyber and information security risk continues to be an increasingly ubiquitous risk faced by organisations of all sizes and maturities. GFG relies on leveraging its customer data to better understand and serve our customers. We recognise that cyber security threats could stem from both internal and external sources, and our response to this risk is commensurate with this understanding. **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 of our systems • Investment in information security systems and resources • Continual focus on improving all aspects of security practices • Regular and periodic third-party external penetration testing to identify weaknesses, in addition to bug bounty programmes
Social & Environmental Sustainability	GFG sources and sells products produced in factories in emerging markets under private label brands. While this product category makes up only a small part of the overall range, there is a risk that these products are produced in factories which do not align with GFG's ethical trade standards. Specific risks noted in relation to supplying factories in the countries we source from include modern slavery, inadequate health and building safety standards, high levels of overtime and non-payment of due wages and benefits. We recognise that a transparent ethical and sustainable supply chain is also a positive differentiator in the market, and aligns to the values of our customers and staff in many markets. In addition, in some geographies, our workforce is sourced via third-party labour agencies that employ migrant/potentially vulnerable workers. Hence there is a risk that these agencies do not meet GFG Group standards in terms of treatment of workers. Specific risks noted in relation to agency workers include retention of passports, payment of recruitment fees and poor accommodation standards. Lastly environmental risks exist, including a risk that GFG operations breach environmental regulations leading to reputational damage and/or fines/penalties from regulators. Increasing frequency and severity of extreme weather events may pose a risk to our operations or that of our suppliers. In the long term the broader impacts of climate change may impact cost and accessibility of the materials used to manufacture our products or other resources needed to operate our business. **Key mitigating activities/ initiatives** • Clear GFG Corporate Sustainability governance and standards are set and driven by the GFG Sustainability Committee, which is a committee of the Supervisory Board • Reviews and audits are undertaken of supplier factories in accordance with GFG Ethical Trade Manual (aligned with accredited global standards) • Migrant/vulnerable worker audits and inspections are carried out on a risk basis • Development of comprehensive environmental management programmes, which mitigate our impacts and transition to more sustainable materials for our products and our packaging which have a lower environmental footprint • Business continuity plans The full and extensive list of our work in this space is captured in the GFG Sustainability Report in section 1.10.

Financial risks

Budget and planning	The fashion ecommerce business in the developing and growth markets in which GFG operates is highly volatile and influenced by a variety of variables and external factors (such as the timing of stock intake, competitor behaviour, or major political shifts) which makes business performance challenging to anticipate and accurately budget for. GFG recognises that in any organisation regardless of size, a budget, planning and forecast must continually evolve and improve. There is a risk that actual results may not be in line with budget/forecasts which could lead to cost base increases which are not adequately compensated by the resulting profit. **Mitigating activities/ initiatives** • Strong budgeting disciplines and extensive review/challenge process • Focus on monitoring of key budget input drivers and output KPIs and comparing those against budget • Continuous improvements to the budgeting process • Implementation of a system and processes to help surface additional data points on demand • Efforts of raising separate financing for the new Fulfilment Centres
Foreign currency exposure	The Group's revenue streams are generated in local currencies, however a small proportion of global supplier contracts and operating expenses are paid in currencies which are different from the income currencies for example USD, GBP and EUR. **Mitigating activities/ initiatives** • The Group maintains an effective natural hedge • Continued monitoring of FX exposures across the Group and use of FX hedging as and when appropriate • Group Treasurer leading treasury function to continually optimise policies and procedures for FX management, across the regions
Funding and liquidity	The Group currently has a significant cash balance available but operates at a net loss and continues to invest in its technology and fulfilment assets. The Group continues to work towards becoming cash flow neutral in the medium term. **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 • Focus on strong cost controls, to improve operating cash burn • The Group undertook the following key transactions which have further solidified the cash position: 1) The Group listed on the Frankfurt Stock Exchange on 2 July 2019, raising net proceeds of € 186.1m; 2) disposal of the remaining stake in its Middle East operations on 25 February 2019, for € 114.3m; 3) Put in place a local working capital facility of € 5.2m in the Philippines JV.

Compliance and Regulatory risks

Compliance with laws, regulations, and standards

As a Group which operates across 17 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 have varying levels of development compared to those in, for example, Western Europe. As such, the scope of laws and legal requirements may be unclear or enforcement may be non-transparent. If regulation or legal requirements in two or more countries conflict with each other, GFG may be unable to avoid violating laws and regulations in one or several jurisdictions.

In 2019, GFG recognised the following two areas which has seen increased focus by global regulators:

1. Tax authorities internationally have been increasing their focus on multinational ecommerce companies. Direct and indirect digital taxes could be introduced.

2. New Data Protection legislation in our territories, increased enforcement activity, and higher fines levied by regulators.

Mitigating activities/ initiatives

- Investment in Legal and Compliance teams in each Region, with monitoring via Regional and Group GRC Committees
- In-depth review of our material compliance obligations undertaken as part of the recent due-diligence processes in the lead up to our IPO
- Continuous review of changes to international and domestic legislation, assessment of the impact on the Group's business model and ensuring transfer pricing policies are updated

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 that may enhance our growth prospects or facilitate improved profitability. The primary opportunities that we have identified are:

Macroeconomic developments: We believe that growth opportunities in our markets will be driven by several macroeconomic, demographic and operational tailwinds that will shift customer behaviour, 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 & lifestyle products, and grow the share of ecommerce within this sector. In 2018, ecommerce comprised only 6% of the fashion & lifestyle sector in our markets. There is significant headroom for this to grow as customer behaviour continues to shift towards increasing usage of smartphones for transactions and a preference for convenience.

Category and segment expansion: Significant scope exists for GFG to continue rolling out all fashion & lifestyle categories across its regions and thus grow its market share. These categories include apparel, footwear, accessories, sports performance, kids, beauty and home. Currently, the sports performance, kids and beauty categories are only developed to varying degrees in each of our regions, but management's objective is to expand all of these categories by adding relevant brands and growing assortment width. We believe continued expansion of these adjacent categories will increase average basket values and spend per customer, encouraging customers to see GFG as a one-stop destination for fashion & lifestyle. Additionally, GFG has the opportunity to expand its coverage across price levels and other market-specific white spots. With respect to price levels, there is the opportunity to further develop our offering in the premium and entry luxury segments. With respect to potential assortment white spots in any of our markets, our strategy is to develop own brand lines that seek to fill those gaps.

Technology: Further innovation in technology will enable GFG to create an even more inspiring and seamless shopping experience for our customers. For example, data analytics can be used to create an assortment catalogue that is increasingly curated and personalised for each customer. Our teams continually develop new features and capabilities that improve the engagement and stickiness of our platform and apps. We believe our 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. On the back-end, there are opportunities for GFG to further centralise certain tools or platforms, thereby simplifying our IT landscape and reducing maintenance and costs. Further automation of operations, including in fulfilment centres, is also an opportunity to improve operational efficiency as well as the customer experience.

Expansion of value-added fashion services: We believe there is an opportunity to further develop GFG's value-added fashion services business, which is currently still nascent and comprises only a small portion of total revenues. We are continuing to advance our capabilities in areas such as media services, end-to-end fulfilment solutions and white label ecommerce solutions for third party brands. Not only does this create new revenue streams from the brands that use these services, but it also deepens our relationships with them and further integrates those brands into our platform.

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 APAC and LATAM. Any potential geographic expansion would be focused on markets that offer similar benefits and opportunities to GFG's existing regions. These include markets that are relatively nascent in terms of ecommerce penetration, that offer an early mover advantage, that have sizable populations with attractive demographics, and that could be served with GFG's existing operating infrastructure.

2.14 REPORT ON EXPECTED DEVELOPMENTS AND OUTLOOK

In 2020, GFG aims to grow NMV between 17-20 %, delivering more than € 2.0 billion in NMV and in the region of € 1.5 billion revenue on a constant currency basis.

The impact on the Australian consumer of the bushfires, together with a warm winter in CIS means that we are expecting the year to start around the lower end of this range. GFG also plans to make significant progress on the path to profitability in 2020, with the target of being profitable at an Adjusted EBITDA level no later than 2021. Capex investment will be in the region of €55 million. This guidance excludes any potential negative impact caused by the COVID-19 outbreak.

Luxembourg, 2 March 2020

On behalf of the Supervisory Board

Cynthia Gordon

Building a better working world

3. INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Global Fashion Group S.A.
5, Heienhaff
L-1736 Senningerberg

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 2019, 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 2019, 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 Ethics Standards Board for Accountants' Code of Ethics for Professional 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 fulfiled 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 the overall IT control environment and the IT controls in place, assisted by our information technology specialists. We tested the operating effectiveness of controls around access rights, system development, program changes and IT dependent business controls to establish that changes to the system were appropriately authorized and were developed and implemented properly including those over segregation of duties and the linkage to usage data that drives revenue recognition.

- We tested the end-to-end reconciliation from the ecommerce 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 cutoff 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.

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- 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.

- 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 26 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 recognized 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 2019.

- 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 17 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 2019, goodwill amounts to € 184.4 million and intangible assets to € 141.2 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.

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 15 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.

In addition, 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 considering 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 31 and 32 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, annual report and the corporate governance statement on section 1.4 to section 1.9 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.

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

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.

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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 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.

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Report on other legal and regulatory requirements

We have been appointed as "réviseur d'entreprises agréé" by the General Meeting of the Shareholders on 31 May 2019 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 6 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 1.4 to section 1.9 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.

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, 2 March 2020

CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

In €m	Note	2019	2018
Revenue	26	1,346.0	1,155.9
Cost of sales		(806.2)	(706.2)
Gross profit		**539.8**	**449.7**
Operating (expenses)/income			
Selling and distribution expenses	27, 28	(455.2)	(378.6)
Administrative expenses	27, 28	(193.4)	(214.3)
Other operating income	29	15.1	3.4
Other operating expenses	29	(27.5)	(17.1)
Net impairment losses of financial assets [1]		(3.9)	(0.8)
Loss before interest and tax (EBIT) [2]		**(125.1)**	**(157.7)**
Result from investment in associates	9	3.2	(9.1)
Finance income	30	18.5	1.2
Finance costs	30	(14.7)	(32.3)
Result from indexation of IAS 29 Hyperinflation	36	1.6	1.2
Loss before tax		**(116.5)**	**(196.7)**
Income taxes	31	(28.1)	(5.2)
Loss for the year		**(144.6)**	**(201.9)**
Loss for the year attributable to:			
Equity holders of the parent		(137.0)	(196.0)
Non-controlling interests		(7.6)	(5.9)
Loss for the year		**(144.6)**	**(201.9)**
Loss per share			
Basic and diluted loss per share attributable to ordinary equity holders of the parent (€)	12	(1.0)	(2.9)

[1] Net impairment losses of financial assets are calculated by considering allowance for 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 IAS 29 hyperinflation as well as before results from investment in associates.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

In €m	Note	2019	2018
Loss for the year		**(144.6)**	**(201.9)**
Other comprehensive loss			
Items that will be subsequently reclassified to profit or loss			
Exchange differences on translation to presentation currency		(2.9)	(34.7)
Other changes		-	(0.4)
Net other comprehensive loss for the year, net of tax		(2.9)	(35.1)
Total comprehensive loss for the year, net of tax		(147.5)	(237.0)
Total comprehensive loss for the year attributable to:			
Equity holders of the parent		(139.2)	(229.2)
Non-controlling interests		(8.3)	(7.8)
Total		**(147.5)**	**(237.0)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

ASSETS

In €m	Note	31 Dec 2019	31 Dec 2018
Non-current assets			
Property, plant and equipment	13	106.7	70.1
Right-of-use assets	14	95.2	-
Goodwill	15	184.4	185.6
Other intangible assets	15	141.2	136.2
Investments in associates	9	0.1	107.9
Other financial assets	18	24.1	38.7
Income tax receivables		0.2	0.1
Other non-financial assets	16	0.4	0.7
Total non-current assets		**552.3**	**539.3**
Current assets			
Inventories	17	234.0	186.1
Trade and other receivables	18	52.1	55.2
Other financial assets	18	16.7	16.9
Income tax receivables		2.2	2.1
Other non-financial assets	16	69.9	50.8
Cash and cash equivalents	19	277.3	105.0
Total current assets		**652.2**	**416.1**
Total assets		**1,204.5**	**955.4**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019 (continued)

EQUITY AND LIABILITIES

In €m	Note	31 Dec 2019	31 Dec 2018
Equity			
Common share capital	20	2.1	0.7
Share premium	20	184.4	-
Convertible preference shares	20	-	0.8
Treasury shares	20	(7.7)	(7.5)
Capital reserves	20	2,102.2	2,102.2
Other reserves	20	0.3	0.3
Share-based payment reserves	20, 21	117.1	111.3
Accumulated deficit	20	(1,715.4)	(1,581.0)
Foreign currency translation reserve	20	(41.7)	(39.5)
Equity attributable to equity holders of the parent		641.3	587.3
Non-controlling interests	20	8.2	16.5
Total equity		**649.5**	**603.8**
Non-current liabilities			
Lease liabilities	14	82.9	4.0
Other financial liabilities	24	-	17.5
Provisions	23	3.4	3.5
Deferred tax liabilities	31	12.2	9.3
Non-financial liabilities	25	0.4	0.4
Total non-current liabilities		98.9	34.7
Current liabilities			
Borrowings	22	5.4	0.6
Lease liabilities	14	23.2	1.9
Trade payables and other financial liabilities	24	311.6	251.6
Provisions	23	24.3	9.1
Income tax liabilities	25, 31	29.1	4.5
Non-financial liabilities	25	62.5	49.2
Total current liabilities		456.1	316.9
Total Liabilities		555.0	351.6
Total equity and liabilities		**1,204.5**	**955.4**

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			
Balance 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	21	-	-	-	-
Adjustment for Hyperinflation	36	-	-	-	-
Share conversion[1]	20	0.8	-	(0.8)	-
Proceeds from issued share capital	20	0.6	188.6	-	-
Transaction costs on issue of shares	20	-	(4.2)	-	-
Acquisition of treasury shares	20	-	-	-	(0.2)
Other adjustment	20	-	-	-	-
Balance at 31 December 2019		**2.1**	**184.4**	**-**	**(7.7)**

[1] Conversion of convertible preference shares to common share capital. See note 20.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

In €m	Note	Common share capital	Share premium	Convertible preference shares	Treasury shares
		Attributable to Shareholders of the Company			
As at 31 December 2017		0.7	-	0.8	(7.5)
Adjustments for hyperinflation	36	-	-	-	-
At 1 January 2018		0.7	-	0.8	(7.5)
Loss for the year		-	-	-	-
Other comprehensive loss		-	-	-	-
Total comprehensive loss for the year		-	-	-	-
Share-based payments	21	-	-	-	-
Other changes in equity	20	-	-	-	-
Changes in NCI without loss of control	20	-	-	-	-
Balance at 31 December 2018		**0.7**	**-**	**0.8**	**(7.5)**

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**

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	**-**	**74.7**	**(1,392.3)**	**(6.7)**	**771.9**	**21.5**	**793.4**
-	-	-	2.2	-	2.2	-	2.2
2,102.2	**-**	**74.7**	**(1,390.1)**	**(6.7)**	**774.1**	**21.5**	**795.6**
-	-	-	(196.0)	-	(196.0)	(5.9)	(201.9)
-	-	-	-	(32.8)	(32.8)	(2.3)	(35.1)
-	**-**	**-**	**(196.0)**	**(32.8)**	**(228.8)**	**(8.2)**	**(237.0)**
-	-	36.6	-	-	36.6	-	36.6
-	0.3	-	-	-	0.3	-	0.3
-	-	-	5.1	-	5.1	3.2	8.3
2,102.2	**0.3**	**111.3**	**(1,581.0)**	**(39.5)**	**587.3**	**16.5**	**603.8**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

In €m	Note	2019	2018
Cash flows from operating activities			
Loss before tax		(116.5)	(196.7)
Adjustments for:			
Depreciation of property, plant and equipment and right-of-use assets	28	39.3	13.0
Amortisation of intangible assets	28	22.3	19.5
Share-based payment expenses	21	5.2	55.2
Interest income	30	(5.2)	(1.2)
Interest costs	30	14.5	6.6
Share of losses of investment accounted for using the equity method	9	1.7	9.1
Foreign currency (gains)/losses	30	(14.3)	6.8
Other non-cash transactions		2.5	15.5
Gains from disposal of property, plant and equipment and intangible assets		-	(0.4)
Changes in provisions		14.8	(3.1)
Gains from disposal of associated entities	9	(4.9)	-
Cash used in operations before changes in working capital		**(40.6)**	**(75.7)**
Increase in trade and other receivables		(13.8)	**(16.5)**
Increase in inventories		(39.5)	**(39.2)**
Increase in trade and other payables		41.0	**54.5**
Cash used in operations		**(52.9)**	**(76.9)**
Cash flow from share-based payments arrangements		(3.3)	(1.2)
Income taxes paid	31	(2.5)	(2.5)
Interest received		5.3	1.0
Interest paid		(15.5)	(5.7)
Net cash used in operating activities		**(68.9)**	**(85.3)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(45.8)	(24.1)
Proceeds from sale of property, plant and equipment		0.7	1.0
Cash inflow from gaining control		-	0.6
Acquisition of subsidiaries, associated companies and investments		-	(1.1)
Cash inflow from disposal of subsidiaries and associated companies	9	114.3	-
Acquisition of intangible assets and capitalised development expenditures	15	(20.9)	(15.0)
Cash inflow/(outflow) from other securities, deposits and transfer of restricted cash	19	15.2	(27.0)
Net cash from/(used in) investing activities		**63.5**	**(65.6)**

In €m	Note	2019	2018
Cash flows from financing activities			
Proceeds from borrowings and other financial liabilities		5.6	0.4
Repayment of borrowings		(0.4)	(1.5)
Capital contributions from Shareholders		-	8.6
Payments under lease liabilities		(20.5)	(2.3)
Proceeds from issuance of common share capital	20	189.0	-
Transaction costs on issuance of shares	20	(4.2)	-
Net cash from financing activities		**169.5**	**5.2**
Cash and cash equivalents at the beginning of the year		105.0	251.4
Effect of exchange rate changes on cash and cash equivalents		8.2	(0.6)
Cash and cash equivalents at the end of the year	19	**277.3**	**105.0**

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 2 March 2020. 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&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 private label brands. The Group operates in growth markets across three regions in 17 countries under the following labels: Dafiti (LATAM), Lamoda (CIS), THE ICONIC and ZALORA (APAC).

On 18 February 2019, the Group entered into an agreement to sell its 46.93% share of Namshi Holding Limited to Emaar Malls. The transaction was completed on 25 February 2019 for total consideration of USD 129.5 million (€ 114.3 million). See note 9 for further details.

On 11 March 2019, the Group decided to close Lost Ink Limited ('Lost Ink'). Lost Ink is a private label fashion business based in the UK and is a wholly owned subsidiary of Global Fashion Group Middle East Holdings (UK) Limited. The impact on adjusted EBITDA (please refer to section 7.1 for definition) for the year is a loss of € 7.5 million.

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 Initial Public Offering ("IPO"). The offering consisted of 40,000,000 newly issued shares with a further 4,000,000 shares available as part of the greenshoe option. 2,000,000 shares were issued on 5 August 2019, resulting in net greenshoe proceeds of € 9.0 million.

On 2 July 2019, following the IPO above, the 2018 ESOP programme has been modified as further detailed in note 21.

The variance in revenue and margin over the course of the period reflects the seasonality of fashion sales. The Group's presence in the northern hemisphere (our CIS business); 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. Promotional events, such as Black Friday and Cyber Monday, also drive sales in the fourth quarter.

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. IFRS 16 has been applied for the first time in 2019 using the modified retrospective

approach so comparatives are not restated. A number of other amendments to IFRS are also effective from 1 January 2019 but they do not have a material effect on the Group's financial statements. As Argentina became a hyperinflationary economy in 2018, IAS 29 has been applied for both the current and the prior reporting period.

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 2019 and 2018. 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 intragroup 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 represents 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 associate 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.

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%.

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.

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 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. The Group initially recognises financial assets on the date when they are originated.

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.

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".

In the Group these instruments were represented by the put option on the investment in an associate in Namshi Holding Limited, which was disposed of during the year (see note 9 for more 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 life time 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 impaired and written off. 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 and cash equivalents. 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.

Loans and receivables

Loans and receivables were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market. After initial measurement, such

financial assets were subsequently measured at amortised cost using the effective interest ("EIR") method, less impairment. Amortised cost was 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 was included in finance income in the statement of profit or loss. The losses that arose from impairment were recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

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.

Fair value determination of put options

The valuation of the Namshi put option was determined by using valuation techniques (option-pricing-model or "OPM"). The Company used its judgement to make assumptions of peer companies (stock price volatility), of exit scenarios (allocation of exit proceeds to share classes), of dividend yields and of the risk free interest rate at the end of each reporting period. The put lapsed during the period as a result of the sale of Namshi. For further information see note 35.

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 note 24 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.

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.

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.

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

Leases (from 1 January 2019)

The Group has adopted IFRS 16 for the first time for the year ended 31 December 2019. Please see note 5 for details.

Leases (until 31 December 2018)

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether its fulfilment is dependent on the use of a specific asset or on conveyance of a right to use the asset, even if that right is not explicitly specified in the arrangement.

Operating lease

Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss for the year on a straight-line basis over the term of the lease. When assets are leased out or subleased under an operating lease, the lease payments receivable are recognised as rental income on a straight-line basis over the term of the lease and included into other operating income.

Finance lease

Finance leases that transfer to the Group substantially all of the risks and rewards incidental to ownership of the leased asset, are capitalised at the commencement of the lease at the fair value of the leased item or, if lower, at the present value of the minimum lease payments. A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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.

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
Trademark	15
Customer relationships	6-16

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 salability. When the circumstances that previously caused inventory to be written down below cost no longer exist, the write down is reversed.

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. 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 determining fair value less costs of disposal, the Group considers a combination of the market capitalisation and valuation multiples in a sum-of-the-parts framework. 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.

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.

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.

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 23 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 21 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 have 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 2019 Share Plan. The approach used to account for vesting conditions when measuring equity-settled transactions also applies to the cash-settled awards.

Revenue recognition

The Group generates revenues mainly from the sale of fashion & 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 good 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 26). 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.

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.

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 17.

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 for further information we refer to note 31. We reconsidered the Group's tax risks in the context of adopting IFRIC 23. Please refer to note 5 for further information.

The Group operates in certain developing 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 categorised 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 categorised 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 32 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.

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 do not include restructuring activities that the Group is not yet committed to or significant future investments 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 15.

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 21.

5. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

New and amended standards and interpretations

IFRS 16 Leases

The Group has adopted IFRS 16 Leases for the first time in these consolidated financial statements. The effects from this first-time adoption are further explained below. A number of other amendments are effective from 1 January 2019 onwards, but they do not have a material effect on the Group's financial statements.

Adoption of IFRS 16
IFRS 16 represents a new approach to lease accounting that requires a lessee to recognise assets and liabilities for the rights and obligations created by leases. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position.

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. Please refer to note 14 for Leases disclosure.

Policy applicable from 1 January 2019
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;
- the exercise price under a purchase option that is reasonably certain to be exercised; and
- 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.

Impacts on financial statements

Finance leases are carried over into IFRS 16 on the basis of their carrying amount under IAS 17 at 1 January 2019. On transition, the Group recognised an additional €75.0 million of right-of-use assets and €75.0 million of lease liabilities.

When measuring lease liabilities, the Group discounted lease payments using an average incremental borrowing rate of 8.76% at 1 January 2019, applicable to each region's financial structure.

For the purposes of presentation in the year end consolidated financial statements as at 31 December 2019, right-of-use assets of € 95.2 million are included in the consolidated statement of financial position. Non-current and current finance lease liabilities of € 82.9 million and €23.2 million respectively are presented as lease liabilities in the consolidated statement of financial position as of 31 December 2019. Depreciation of right-of-use assets of € 22.1 million and lease interest expenses of € 7.7 million are presented within in selling and distribution, administrative expenses and finance costs respectively on the consolidated statement of profit or loss for the year ended 31 December 2019. Cash flow from financing activities includes cash outflows from the repayment of the principal portion of lease liabilities of € 20.5 million. The portion of the lease payments related to the interest component is presented in the cash flow from operating activities as interest paid. In the prior period, all lease payments were included in the cash flow from operating activities.

Reconciliation of Lease Liabilities

In €m	1 Jan 2019
Lease commitment at 31 December 2018 as disclosed in the Group's consolidated financial statements	**92.8**
Discounted using the incremental borrowing rate at 1 January 2019	(14.5)
Finance lease liabilities recognised as at 31 December 2018	**78.3**
Extensions and termination options outside the scope of IFRS 16	(3.9)
Variable lease payments based on an index or a rate	0.6
Residual value guarantees	-
Lease liabilities recognised at 1 January 2019	**75.0**

IFRIC Interpretation 23
Uncertainty over Income Tax Treatment
The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty. The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Group.

Other taxes are covered by IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The Group applies a framework to manage tax risks within the Group covering both income taxes under IAS 12/IFRIC 23 and other taxes under IAS 37. Where any tax risks are identified, for which it is more likely than not that the tax position taken by the Group is likely to be successfully challenged by the tax authorities, a provision is made in the financial statements.

Standards issued but not yet effective

The following new standards and amendments to standards are effective for annual periods beginning on or after 1 January 2019. The Group has not adopted any of the new or amended standards early in preparing these consolidated financial statements. The Group expects to adopt such standards on the compulsory adoption date or at the date of endorsement of the EU, if later.

Standard	Impending change	To be applied from	Effects
Amendments to references to the Conceptual Framework in IFRS Standards	The IASB issued in 2018 a revised version of its Conceptual Framework for Financial Reporting. Therefore, references in various standards, interpretations and IFRS practice statements were updated so that they refer to the 2018 Conceptual Framework.	1 January 2020	No significant effect expected
Amendments to IFRS 3: Definition of Business	Clarifies the minimum requirements for transactions or other events to be considered as a business. Furthermore, guidance on application and illustrative examples were enhanced.	1 January 2020	No significant effect expected
Amendments to IAS 1 and IAS 8: Definition of Material	Clarifies the definition of material, its application on financial statements as well as enhances and unifies guidelines regarding the application of material.	1 January 2020	No significant effect expected
Amendments to IFRS 9, IAS 39 and IFRS17: Interest Rate Benchmark Reform	When determining whether a forecast transaction is highly probably, a company shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the reform.	1 January 2020	No significant effect expected
IFRS 17: Insurance Contracts	IFRS 17 contains a consistent model to account for Insurance contracts. The standard established principles for the recognition, measurement, presentation and disclosures of insurance contracts and eliminates differences in accounting practices, IFRS 17 supersedes the interim standard IFRS 4.	1 January 2021	No effect expected
Amendments to IAS 1: Classification of Liabilities	The amendment will provide a more general approach to the classification of liabilities under IAS based on the contractual arrangements in place at the reporting date.	1 January 2022	No significant effect expected

GFG worldwide

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.

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

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 & lifestyle ecommerce products. Products are not disaggregated in CODM reporting.

Reportable segment information for the years ended 31 December 2019 and 31 December 2018 is set out below:

Reportable segment information for the year ended 31 December 2019

In €m	APAC	LATAM	CIS	Total Fashion Business	Other	Reconciliation[1]	Total
Revenues from external customers	496.8	401.4	442.9	1,341.1	4.9	-	1,346.0
Intersegment Revenue	1.8	-	-	1.8	22.9	(24.7)	-
Revenue	**498.6**	**401.4**	**442.9**	**1,342.9**	**27.8**	**(24.7)**	**1,346.0**
Cost of sales	(306.3)	(236.8)	(255.7)	(798.8)	(8.1)	0.7	(806.2)
Gross profit	**192.3**	**164.6**	**187.2**	**544.1**	**19.7**	**(24.0)**	**539.8**
Operating expenses							
Selling, distribution and administrative expenses	(230.8)	(164.9)	(211.0)	(606.7)	(48.9)	7.0	(648.6)
Other							(16.3)
EBIT	**(54.1)**	**0.6**	**(26.1)**	**(79.6)**	**(32.7)**	**(12.8)**	**(125.1)**
EBITDA[3]	**(40.5)**	**11.1**	**(3.6)**	**(33.0)**	**(30.3)**	**(0.2)**	**(63.5)**
Non-recurring items (see below)							26.4
Adjusted EBITDA[4]	**(22.4)**	**6.1**	**4.3**	**(12.0)**	**(25.0)**	**(0.1)**	**(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 expenses							(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[2]							(14.8)
Non-trading income[5]							6.0
Loss before tax							**(116.5)**
Other segmental information:							
Depreciation and amortisation	13.6	10.5	22.5	**46.6**	2.4	12.6	**61.6**
Non-recurring items:							
Share-based payment expense							5.2
IPO related costs							4.9
Wind down of Lost Ink Limited							7.5
One-off tax adjustments[2]							14.8
Non-trading income[5]							(6.0)

[1] The reconciliation column includes consolidation adjustments.

[2] Relates to tax audit provisions for other taxes, VAT refund, irrecoverable indirect taxes and other.

[3] 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.

[4] 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 IPO, one-off tax adjustments, non-trading income and costs relating to the wind-down of Lost Ink Limited.

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

Reportable segment information for the year ended 31 December 2018

In €m	APAC	LATAM	CIS	Total Fashion Business	Other	Reconci-liation[1]	Total
Revenues from external customers	408.7	359.0	376.4	1,144.1	11.8	-	1,155.9
Intersegment Revenue	0.3	-	-	0.3	54.5	(54.8)	-
Revenue	**409.0**	**359.0**	**376.4**	**1,144.4**	**66.3**	**(54.8)**	**1,155.9**
Cost of sales	(256.9)	(210.0)	(230.6)	(697.5)	(14.4)	5.7	(706.2)
Gross profit	152.1	149.0	145.8	**446.9**	51.9	(49.1)	**449.7**
Operating expenses							
Selling, distribution and administrative expenses	(202.4)	(170.9)	(182.8)	(556.1)	(37.1)	0.3	(592.9)
Other							(14.5)
EBIT	**(57.6)**	**(25.7)**	**(40.2)**	**(123.5)**	**(18.1)**	**(16.1)**	**(157.7)**
EBITDA[2]	**(53.6)**	**(19.9)**	**(30.5)**	**(104.0)**	**(17.7)**	**(3.5)**	**(125.2)**
Share-based payment							55.2
Adjusted EBITDA[3]	**(36.6)**	**0.1**	**(13.8)**	**(50.3)**	**(20.2)**	**0.5**	**(70.0)**
Reconciliation to loss before tax:							
Result from investment in associate							(9.1)
Finance income							1.2
Finance costs							(32.3)
Share-based payment expenses							(55.2)
Depreciation and amortisation							(32.5)
IAS 29 Hyperinflation result							1.2
Loss before tax							**(196.7)**
Other segmental information:							
Depreciation an amortisation	4.0	5.8	9.7	**19.5**	0.4	12.6	**32.5**

[1] The reconciliation column includes consolidation adjustments.

[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 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 IPO, one-off tax adjustments, non-trading income and costs relating to the wind-down of Lost Ink Limited.

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 €302.0 million (2018: € 284.0 million) in Brazil, € 409.7 million (2018: € 348.0 million) in Russia and € 263.8 million (2018: € 235.1 million) in Australia.

During 2019 and 2018 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:

Non-current assets by region

In €m	2019	2018
APAC	172.2	149.9
LATAM	218.4	171.4
CIS	133.2	69.1
Other	4.2	110.0
Total	**528.0**	**500.4**

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 2019	Ownership 31 Dec 2018
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 SARL, 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	99.14%	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%

	Principal activity	Registered office	Ownership 31 Dec 2019	Ownership 31 Dec 2018
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, Ukraine, Kiev	Call centre	Kiev	100%	100%
Kupishoes LLC, Moscow, Russia	Online Retail	Moscow	100%	100%
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	Pick-up points	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	92.53%	92.53%
Brillant 1257 GmbH & Co. Verwaltungs KG, Berlin, Germany	Holding	Berlin	87.75%	87.75%
Brillant 1257. GmbH & Co. Zweite Verwaltungs KG, Berlin, Germany	Holding	Berlin	88.87%	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	91.90%	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	87.21%	87.21%
BF Jade E-Services Philippines Inc., Makati City, Philippines	Online Retail	Makati City	50.99%	50.99%
Brillant 1257. GmbH & Co. Fünfte Verwaltungs KG, Berlin, Germany	Holding	Berlin	89.35%	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	91.29%	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	90%	90%
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%

	Principal activity	Registered office	Ownership 31 Dec 2019	Ownership 31 Dec 2018
Brillant 1257. GmbH & Co. Neunte Verwaltungs KG, Berlin, Germany	Holding	Berlin	90%	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	91.50%	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%
New Middle East eCommerce I GmbH [1], Berlin, Germany	Holding	Berlin	-	100%
New Middle East eCommerce II GmbH [1], Berlin, Germany	Holding	Berlin	-	100%
Middle East eCommerce Holding GmbH [1], Berlin, Germany	Holding	Berlin	-	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 Middle East Holdings (UK) Limited, London, UK	Holding	London	100%	100%
Jade 1218. GmbH, Berlin, Germany	Holding	Berlin	94.81%	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	91.01%	91.01%
Tricae Comercio Varejista Ltda, Sao Paulo, Brazil	Online Retail	Sao Paulo	99.90%	99.90%
Jade 1159. GmbH, Berlin, Germany	Holding	Berlin	94.71%	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	91.36%	91.36%
Kanui Comercio Varejista Ltda, Sao Paulo, Brazil	Online Retail	Sao Paulo	99.90%	99.90%

[1] New Middle East eCommerce I, New Middle East eCommerce II and Middle East eCommerce Holding GmbH have been merged with Bigfoot GmbH as of 1 November 2019.

At 31 December 2018 and 2019 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. As of 31 December 2018 and 2019 no subsidiaries with material non-controlling interests existed.

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 Rocket Internet and Kinnevik as they have the ability to exercise significant influence as Shareholders of the Group as well as their subsidiaries and joint ventures (referred to as 'Rocket Group' and 'Kinnevik 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 2019 and 2018 respectively:

Since 2 July 2019, following the IPO, 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 Groups 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 2019 and 2018 respectively.

The figures disclosed in relation to Rocket Internet and Namshi Holding Limited are only for the periods to 2 July 2019 and 25 February 2019 respectively, as per below.

Related party transactions

In €m		Sales to related parties	Purchases from related parties	Interest expense on bridge loan	Amounts owed by related parties	Amounts owed to related parties
Entities with significant influence over the Group:						
Rocket Internet	2019	-	(0.1)	-	-	-
	2018	-	(0.3)	-	-	-
Associates:						
Namshi Holding Limited	2019	0.3	-	-	-	-
	2018	0.5	-	-	-	-
Key management personnel of the Group:						
Other directors' interests	2019	-	-	-	-	-
	2018	-	-	-	-	-

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) plus the members of the Supervisory Board of the Group, was as follows:

In €m	For the year ended 31 Dec 2019	2018
Short-term employee benefits	2.8	2.2
Share-based payments charge	0.1	10.3
Total	**2.9**	**12.5**

Further details of directors' remuneration can be found in the remuneration report in section 1.8, 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 € 3.7 million in relation to the put option carrying value and € 0.7 million 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 25 February 2019.

As at 31 December 2018, the Group's only financial instrument measured at fair value was the financial asset arising from the Namshi put option (note 35).

10. BUSINESS COMBINATIONS

There were no business combinations in the year ended 31 December 2019.

During the year ended 31 December 2018, the Group acquired Pick-Up.Ru for a total cash consideration of €1.1 million.

The fair values of the identifiable assets and liabilities of Pick-Up.Ru as of the date of acquisition were:

In €m	Fair value at acquisition
Assets	
Intangible assets	1.3
Cash and cash equivalents	0.6
Trade receivables	0.5
Other non-financial current assets	0.1
Liabilities	
Deferred tax liabilities	0.1
Short term borrowings	0.9
Income tax liability	0.1
Non-financial current liabilities	1.0
Total identifiable net assets at fair value	**0.4**
Goodwill arising on acquisition	**0.7**
Purchase consideration transferred	1.1

For the 12 months ended 31 December 2018, Pick-Up.Ru contributed revenue of €3.7 million and a loss of €0.8 million to the Group's results.

11. 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	2019	2018
Audit and audit-related services:		
Audit of the parent Company and consolidated financial statements	1.2	1.3
Audit of the Company's subsidiaries	1.6	1.7
Non-audit services:		
Other assurance services	1.1	0.1
Other services relating to taxation	0.1	-
Total fees	**4.0**	**3.1**

12. LOSS PER SHARE

Basic Earnings Per Share ("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. Please refer to note 20 for details of the movements in common share capital during the current financial year.

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

Loss per share

	For the year ended 31 Dec	
In €m	2019	2018
Loss attributable to ordinary equity holders of the parent for basic earnings	**(137.0)**	**(196.0)**
Weighted average number of ordinary shares for basic EPS [1]	132.0	67.9
Basic and diluted EPS from continuing operations (€)	(1.0)	(2.9)

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 20 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.

13. 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 2018	27.0	51.1	11.8	89.9
Additions	5.7	10.2	11.0	26.9
Reclassifications	0.4	13.4	(15.5)	(1.7)
Disposals	(0.4)	(1.2)	(0.4)	(2.0)
Currency translation differences	(2.5)	(7.2)	(0.7)	(10.4)
At 31 December 2018	30.2	66.3	6.2	102.7
Additions	7.7	5.1	36.1	48.9
Reclassifications	7.0	8.1	(15.1)	-
Disposals	(1.3)	(1.1)	-	(2.4)
Currency translation differences	1.5	6.1	0.2	7.8
At 31 December 2019	**45.1**	**84.5**	**27.4**	**157.0**
Depreciation and impairment				
At 1 January 2018	(10.7)	(12.7)	-	(23.4)
Depreciation charge for the year	(5.3)	(7.5)	(0.2)	(13.0)
Disposals	0.2	1.1	-	1.3
Currency translation differences	1.0	1.8	0.1	2.9
Merger	-	-	(0.4)	(0.4)
At 31 December 2018	(14.8)	(17.3)	(0.5)	(32.6)
Depreciation charge for the year	(6.7)	(10.3)	(0.2)	(17.2)
Reclassifications	-	-	(0.3)	(0.3)
Disposals	1.0	1.1	-	2.1
Currency translation differences	(0.7)	(1.9)	0.3	(2.3)
At 31 December 2019	**(21.2)**	**(28.4)**	**(0.7)**	**(50.3)**
Net book amount				
At 31 December 2019	**23.9**	**56.1**	**26.7**	**106.7**
At 31 December 2018	15.4	49.0	5.7	70.1

As of 31 December 2019 and 2018, there were no assets held for sale.

14. 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 2019
Right-of-use assets	
Property	49.6
Warehouse	45.5
Office equipment and other	0.1
	95.2
Lease liabilities	
Current	23.2
Non-current	82.9
	106.1

For the adjustments recognised on adoption of IFRS 16 on 1 January 2019, please refer to note 5. Please refer to note 4 for critical judgements related to leases.

Additions to right-of-use assets during the year were €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:

	For the year ended 31 Dec	
In €m	2019	2018
Depreciation charge of right-of-use assets		
Property	11.7	-
Warehouse	10.3	-
Office equipment and other	0.1	-
	22.1	**-**
Interest expense (included in finance costs)	7.6	-
Expense relating to short-term leases	5.1	-
Expense relating to leases of low-value assets that are not shown above as short term leases	0.2	-
	12.9	**-**

The total cash outflow for leases in 2019 was €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 5 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 2019, € 0.1 million is not expected to be payable and has hence been excluded from the lease liabilities.

(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 2019, potential future cash outflows of € 2.7 million have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

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

As at 31 December 2019, the Group was committed to several leases, but the lease has not yet commenced. The Group estimate future cash outflows of €21.9 million from these commitments.

15. GOODWILL AND OTHER INTANGIBLE ASSETS

In €m	Note	Goodwill	Internally developed intangible assets / Website costs	Software/ Licenses / Rights	Trademark	Customer Relationships	Other	Total other intangible assets
Cost								
At 1 January 2018		826.9	6.1	22.6	426.1	164.7	-	619.5
Additions		-	11.5	3.5	-	-	-	15.0
– due from business combinations	10	0.7	-	-	0.4	0.1	0.8	1.3
Reclassifications		-	0.3	0.6	-	-	-	0.9
Currency translation differences		(70.2)	(1.0)	(2.6)	(37.6)	(15.2)	(0.2)	(56.6)
At 31 December 2018		**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**

In €m	Note	Goodwill	Internally developed intangible assets / Website costs	Software/ Licenses / Rights	Trademark	Customer Relationships	Other	Total other intangible assets
Amortisation and impairment								
At 1 January 2018		(623.4)	(2.8)	(14.8)	(342.6)	(109.7)	-	(469.9)
Amortisation charge for the year		-	(2.5)	(5.1)	(6.6)	(5.0)	-	(19.2)
– due from business combinations		-	-	-	-	-	(0.3)	(0.3)
Reclassifications		-	(0.1)	0.1	-	-	-	-
Currency translation differences		51.6	0.3	1.8	33.0	10.3	0.1	45.5
At 31 December 2018		**(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)**
Net book amount								
At 31 December 2019		**184.4**	**23.6**	**7.2**	**66.4**	**43.7**	**0.3**	**141.2**
At 31 December 2018		185.6	11.8	6.1	72.7	45.2	0.4	136.2

As of 31 December 2019 and 2018, there were no intangible assets in which title was restricted.

Impairment testing of CGUs containing goodwill

During the year ended 31 December 2019 and 31 December 2018, the Group tested for impairment in its CGUs and recognised no impairment losses. As at 31 December 2019, the market capitalisation of the Group was below the book value of its equity, indicating a potential impairment of goodwill and impairment of the assets of the CGUs. In 2019 the Group's move from the Market Approach to a DCF method is intended to align with common practices of investors transacting in GFG's markets.

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 a lower level than the Groups regional operating segments, reported to the CODM. APAC segment is separated into ZALORA and THE ICONIC on the basis that their cash flows are largely independent.

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

In €m	31 Dec 2019	31 Dec 2018
ZALORA	-	-
THE ICONIC	56.7	56.0
CIS	0.7	0.6
LATAM	127.0	129.0
Total	**184.4**	**185.6**

In 2018, the recoverable amount of each CGU was calculated based on fair value less costs of disposal using the Market Approach, and more specifically the guideline public company method. In particular, the recoverable amount of each CGU was determined by applying enterprise value ("EV") to last twelve months ("LTM") revenue multiples.

Impairment approach for the year ended 31 December 2019

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 were as follows:

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

Out of the four regional CGUs, the estimate of recoverable amount for LATAM is the most sensitive to the discount rate assumption. Any increase of the discount rate by +60 basis points or more could have led to the recognition of an impairment loss for LATAM.

Impairment approach for the year ended 31 December 2018

Management calculated a median peer group EV/LTM revenue multiple of 0.9x. Management noted that the significant decline in the peer group's median multiple compared to the prior year (2.4x median multiple in 2017) was in part driven by a general stock market decline at the end of 2018, but also driven by a number of company specific issues and profit warnings affecting the stock prices of the selected guideline public companies in the second half of 2018. Based on Management's assessment of the strengths and weaknesses of each CGU relative to the peer group companies, Management selected discounts to the peer group median ranging between -18% and +29% These discounts/premiums were applied to the median peer group multiple of 0.9x to arrive at a selected 2018 LTM revenue multiple for each CGU, individually, as outlined below:

31 Dec 2018				Sensitivity Analysis
	Peer's median Q4 2018	Premium/ (Discount)	Multiple	Minimum multiple to pass impairment test
Dafiti (LATAM)	0.9x	6%	0.9x	0.4x
Lamoda (CIS)	0.9x	(18%)	0.7x	0.3x
Zalora (APAC)	0.9x	(6%)	0.8x	0.4x
The Iconic (APAC)	0.9x	29%	1.1x	0.5x

The table above also shows the threshold EV/LTM revenue multiple that would have triggered an impairment for each CGU at year ended 31 December 2018.

16. OTHER NON-FINANCIAL ASSETS

Other non-financial assets are as follows:

In €m	31 Dec 2019	31 Dec 2018
Non-current		
Prepayments	0.1	0.4
VAT and Tax refunds	0.1	0.3
Other non-financial assets	0.2	-
Other non-financial assets (non-current)	0.4	0.7
Current		
Prepayments	23.5	13.7
VAT and Tax refunds	38.3	30.9
Other non-financial assets	0.4	0.3
Right to recover returned goods	10.0	5.9
Less: Provision for impairment	(2.3)	-
Other non-financial assets (current)	69.9	50.8
Total non-financial assets	**70.3**	**51.5**

17. INVENTORIES

Inventories net of provision are as follows:

In €m	31 Dec 2019	31 Dec 2018
Raw materials and supplies	2.2	1.7
Finished goods and merchandise	252.4	202.7
Less: Provisions on finished goods and mer-chandise	(20.6)	(18.3)
Total inventories	**234.0**	**186.1**

During 2019, € 13.3 million (2018: € 8.4 million) was recognised as an expense write-off for inventories carried at net realisable value. This is recognised in cost of sales.

18. TRADE RECEIVABLES AND OTHER FINANCIAL ASSETS

Trade receivables and other financial assets are as follows:

In €m	31 Dec 2019	31 Dec 2018
Non-current		
Receivables from deposits/ restricted cash	23.5	34.9
Other financial receivables	0.6	3.8
Other financial assets (non-current)	24.1	38.7
Current		
Trade and other receivables	52.5	55.4
Less: loss allowance (see note 33)	(0.4)	(0.2)
Trade and other receivables (current)	52.1	55.2
Other financial assets		
Receivables from deposits/ restricted cash	5.4	8.7
Receivables from loans	1.4	2.5
Receivables from employees	0.2	0.1
Contract assets	1.5	1.4
Other financial receivables	8.9	4.6
Less: provision for impairment of other financial receivables	(0.7)	(0.4)
Other financial assets (current)	**16.7**	**16.9**

As of 31 December 2019 non-current receivables from deposits, restricted cash and term deposits include € 23.5 million (2018: € 34.9 million) restricted cash that provides guarantees to banks, suppliers and leasing partners. Please see note 37 for further details on the revolving credit facility.

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 33. For restricted cash, the Group applies a simplified 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. Please refer to note 22 for borrowings.

19. CASH AND CASH EQUIVALENTS

In €m	As at 31 Dec 2019	As at 31 Dec 2018
Short-term deposits	96.2	-
Cash at bank and in hand	181.1	105.0
Total cash and short-term deposits	**277.3**	**105.0**

For short-term deposits and cash at bank the Group applies a simplified 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 €0.2 million was recognised as of 31 December 2019 (2018: nil).

20. EQUITY

Common share capital

As at 31 December 2019, the issued share capital is 214,765,517 common shares (31 December 2018: 67,861,754), 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 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 [1]	**214,765,517**	**0.01**	**2.1**	**184.4**

[1] Out of which, 20,236,939 are held as treasury shares.

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.

Treasury shares

On July 1, 2019, the Company repurchased 20,054,561 in connection with the Share Redistribution. These common shares are currently being held in treasury solely for the purpose of cancellation. The Company holds 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. The value of treasury shares has been deducted from equity.

Authorised Capital

In the context of the new Share Plan in note 21, the Board approved the future issuance of shares under the terms of the plan.

The tables below summarise the authorised common share capital:

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 € 117.1 million as at 31 December 2019 (2018: € 111.3 million). The share-based payment reserve is used to recognise the value of equity settled share-based payments provided to directors and employees (note 21).

Non-controlling interest

As of 31 December 2019 and 2018 non-controlling interests mainly consisted of management participations.

Share capital

			2019			2018
	No.	Par Value	€m	No.	Par Value	€m
Authorised						
Common shares	398,759,978	0.01	4.0	97,566,870	0.01	1.0
Issued						
Common shares	214,765,517	0.01	2.1	67,861,754	0.01	0.7

Convertible preference shares

			2019			2018
	No.	Par Value	€m	No.	Par Value	€m
Authorised						
Convertible preference shares	-	-	-	86,478,792	0.01	0.9
Issued						
Convertible preference shares	-	-	-	84,828,235	0.01	0.8

21. SHARE-BASED PAYMENTS/ SHARE-BASED COMPENSATION

As at 31 December 2019, 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 € 5.2 million (2018: € 55.2 million) is comprised of:

- € 2.0 million (2018: € nil) relating to the 2019 share plan;
- €2.3 million (2018: €29.6 million expense) relating to the 2018 employee share option plan;
- € 0.9 million (2018: € 25.6 million) relating to former plans. The cancellation of the Q2 2015 employee stock option plan in 2018 created a larger than usual charge in the comparative period.

(a) 2019 Share Plan
During Q3 2019, the Company launched a new employee incentive programme, the 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 due to vest in April 2020 are subject to a lock up period of 1 year from the date of the IPO, be-ing 2 July 2019. Certain senior level executives will be 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 is 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 achieve-ment 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.

In 2019, 3,945,410 share units were granted to participants of the 2019 Share plan. Of these awards, 212,840 have been forfeited and 1,103,704 are subject to a holding period of 4 years from the grant date. The number of awards due to vest in 2020 is 1,561,577. 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 €2.11.

(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 relate 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 Frank-furt Stock Exchange have made vested share options exercisable (subject to a 12 month lock-up period) 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 have 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 was performed using fixed conversion ratios determined by the GFG Board.

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 meas-urements 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 ac-counting 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	2019	2018[1]
	€	€
Weighted average fair values at measurement date	2.32	6.77
The expected life (years)	0.50	2.00
Risk Free Rate	0.01%	0.75% - 7.88%
Expected Volatility (%)	37.45%	38.77%
Exercise Price	0.01 – 12.96	0.01 – 9.74
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:

Share option awards	Weighted Average Exercise Price	Number of Options
	2019	2019
Outstanding at the beginning of the period	**7.42**	**7,401,456**
Granted during the period	5.99	2,880,028
Cancelled during the period	-	-
Forfeited during the period	7.71	(746,794)
Exercised during the period	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**

In 2018, upon the adoption the 2018 ESOP, the previous 2015 ESOP was cancelled for all relevant participants and hence all remaining expenses to be recognised were accelerated. There are now only 355,153 options remaining at a weighted average exercise price of € 36.61. This resulted in an additional share-based payment expense of € 18.5 million in 2018.

The weighted average fair value of options granted during the year was € 1.63.

The expenses broken down for employee services in relation to the new ESOP is shown on the below table:

In €m	2019	2018
Expense arising from equity-settled share-based payment transactions	3.8	11.0
Expense arising from cash-settled share-based payment transactions	(1.9)	14.3
Expenses arising from long-term employee benefits (IAS 19)	(0.1)	1.8
Expenses arising from applicable employer social charges	0.5	2.5
Liability arising from cash-settled portion of share-based payments	9.4	13.1
Liability arising from long-term employee benefits (IAS 19)	1.2	1.8
Liability arising from applicable employer social charges	2.7	2.5

Liabilities are included within Trade payables and other financial liabilities and have been reclassified from non-current to current in the current financial year as it is anticipated that the liabilities will be settled post the expiry of the 12 month lock-up period.

22. BORROWINGS

The Group has the following borrowings:

In €m	31 Dec 2019	31 Dec 2018
Current		
Borrowings	5.4	0.6
Total borrowings	**5.4**	**0.6**

The tables below summarise the changes in the Group's borrowings arising from financing:

In €m	1 Jan 2018	Cash flows	FX movement	New borrowings	31 Dec 2018
Interest bearing bank borrowings (current)	0.9	(1.1)	0.8	-	**0.6**

In €m	1 Jan 2019	Cash flows	FX movement	New borrowings	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 37.

23. PROVISIONS

Movements in provisions for liabilities and charges are as follows:

In €m	Provisions for sales returns	Tax risks	Litigation risks	Other	Total
Carrying amount at 1 January 2018	**3.8**	**7.1**	**2.2**	**3.0**	**16.1**
Additions	0.1	5.8	0.2	1.3	7.4
Reversals	(0.4)	(0.5)	-	(0.5)	(1.4)
Used	-	(2.8)	-	(2.9)	(5.7)
Reclassifications	(3.3)	-	-	-	(3.3)
Currency	(0.1)	(0.3)	(0.2)	0.1	(0.5)
Carrying amount at 31 December 2018	**0.1**	**9.3**	**2.2**	**1.0**	**12.6**
Carrying amount at 1 January 2019	**0.1**	**9.3**	**2.2**	**1.0**	**12.6**
Additions	0.8	14.4	1.0	1.4	17.6
Reversals	(0.7)	-	(0.4)	(0.2)	(1.3)
Used	-	(0.3)	(0.9)	(0.2)	(1.4)
Reclassifications	-	(2.7)	-	0.9	(1.8)
Currency	-	2.0	-	-	2.0
Carrying amount at 31 December 2019	**0.2**	**22.7**	**1.9**	**2.9**	**27.7**

Provisions amounted to € 27.7 million as of 31 December 2019 (31 December 2018: € 12.6 million) where of € 3.4 million are classified as non-current (2018: € 3.5 million) mostly relating to restoration obligations and provision for gratuity and anniversary, and € 24.3 million as current (2018: € 9.1 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 32 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 2019.

24. TRADE PAYABLES AND OTHER FINANCIAL LIABILITIES

In €m	31 Dec 2019	31 Dec 2018
Non-Current		
Other financial liabilities [1]	-	17.5
Total	**-**	**17.5**
Current		
Trade payables	274.1	237.6
Other financial liabilities [1]	21.9	4.0
Refund liabilities	15.6	10.0
Total	**311.6**	**251.6**
Total trade and other financial liabilities	**311.6**	**269.1**

[1] The liabilities relating to share-based payment programmes in the amount of € 13.5 million have been reclassified to current in order to align to the timing of the financial obligations.

Refund liabilities, included in non-current and current other financial liabilities reflect the Group's obligation to refund its customers for returned goods.

25. OTHER NON-FINANCIAL LIABILITIES

In €m	31 Dec 2019	31 Dec 2018
Non-Current		
Liabilities from taxes	0.4	-
Accruals for personnel related expenses	-	0.4
Other non-financial liabilities (non-current)	**0.4**	**0.4**
Current		
Liabilities from taxes	10.8	6.5
Liabilities to employees/ Accruals for personnel related expenses	20.5	16.2
Liabilities from social security	4.0	3.1
Contract liabilities	26.5	22.7
Other non-financial liabilities	0.7	0.7
Other non-financial liabilities (current)	**62.5**	**49.2**
Income tax liabilities	29.1	4.5
Total non-financial liabilities	**92.0**	**54.1**

As of 31 December 2019, liabilities from taxes relate primarily to VAT obligations and amounted to € 10.8 million (2018: € 6.5 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.

26. REVENUE

Revenues for the year are as follows:

In €m	2019	2018
Sale of goods	1,221.6	1,074.0
Other	124.4	81.9
Total Revenue	**1,346.0**	**1,155.9**

Other revenues include marketplace revenue, advertising and supply chain services and wholesale revenue. Breakdowns of revenues by each segment and by geographical areas are disclosed in note 6.

27. EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses for the year are as follows:

In €m	2019	2018
Wages and salaries [1]	193.4	163.7
Social security costs [2]	36.2	29.8
Share-based payment expense	5.2	55.2
Total	**234.8**	**248.7**

1 Wages and salaries included in Cost of sales amounts to € 2.5 million (2018: € 3.7 million) and amounts included within Selling and Distribution expenses and Administrative expenses were € 190.9 million (2018: € 160.0 million).

2 Social security contributions included in Cost of sales amounts to € 0.3 million (2018: € 0.4 million) and amounts included within Selling and Distribution expenses and Administrative expenses were € 35.9 million (2018: € 29.4 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 2019 was:

	APAC	LATAM	CIS	Other [1]	Total
Average number of employees	2,495	2,696	6,834	136	**12,161**

The average monthly number of employees in 2018 was:

	APAC	LATAM	CIS	Other [1]	Total
Average number of employees	2,125	2,589	5,044	162	**9,920**

1 "Other" includes employees of headquarters and other business activities.

28. DEPRECIATION AND AMORTISATION EXPENSES

Depreciation and amortisation expenses incurred during the financial year were included in expenses per function as follows:

In €m	2019	2018
Included in selling and distribution expenses		
Depreciation of property, plant & equipment	13.5	10.2
Depreciation of right-of-use assets	15.6	-
Amortisation of intangible assets	8.7	6.6
Included in general and administrative expenses		
Depreciation of property, plant & equipment	3.7	2.8
Depreciation of right-of-use assets	6.5	-
Amortisation of intangible assets	13.6	12.9
Total	**61.6**	**32.5**

29. OTHER OPERATING INCOME AND EXPENSES

During the year, the Group sold the right of use of an intangible asset to a third party for a total consideration of € 6.0 million, which is included within other operating income.

Other operating expenses for the year are as follows:

In €m	2019	2018
Write-off of receivables	1.3	1.0
Other taxes	17.9	7.7
Loss from disposal of property, plant and equipment	0.3	-
Other expenses	8.0	8.4
Total other operating expenses	**27.5**	**17.1**

30. FINANCIAL RESULT

The financial result for the year is as follows:

In €m	Note	2019	2018
Financial Result			
Interest income		5.2	1.2
Interest expenses		(6.7)	(6.6)
Interest expense on lease liabilities		(7.7)	-
Depreciation on financial assets		(0.3)	-
Foreign exchange gain/ (loss)		13.3	(10.0)
Fair value changes[1]		-	(15.7)
Total financial result		**3.8**	**(31.1)**

[1] In 2018, this relates to fair value change in the Namshi put option. Please refer to note 35 for more details.

31. INCOME TAXES

Income tax expense is as follows:

In €m	2019	2018
Current tax	(24.9)	(3.2)
Thereof prior year	1.2	(0.2)
Deferred tax	(3.2)	(2.0)
Income tax expense for the year	**(28.1)**	**(5.2)**

Income tax paid in 2019 amounts to € 2.5 million (2018: € 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	2019	2018
Profit/(loss) before tax	**(116.5)**	**(196.7)**
Weighted average applicable tax rate (in %)	22.98%	19.9%
Tax calculated at domestic tax rates applicable to profits in the respective countries	26.8	39.1
Tax effect of items which are not deductible or assessable for taxation purposes:		
Share-based payment expenses	(1.1)	(2.4)
Other permanent differences	(9.1)	(0.1)
Income which is exempt from taxation	13.6	(0.9)
Expenses not deductible for tax purposes	(20.4)	(22.3)
Utilisation of previous unrecognised tax losses	0.9	2.1
Unrecognised tax loss carry forwards for the year	(14.7)	(21.6)
Adjustments in respect of prior years	(22.0)	-
Other	(2.1)	1.0
Income tax expense for the year	**(28.1)**	**(5.2)**

Deferred tax effects relating to each component of other comprehensive income

In 2019 and 2018 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. € 3,033.8 million (2018: 3,238.8 million). The tax loss carry forwards expire as follows:

In €m	2019	2018
Tax loss carry forward expiring by the end of:		
Within one year	10.4	4.9
After one year but not more than five years	52.0	85.9
More than five years	86.2	31.7
Indefinite	2,885.2	3,116.3
Total tax loss carry forwards	**3,033.8**	**3,238.8**

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 2019	Exchange differences	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 €m	1 Jan 2018	Exchange differences	Charged/ (credited) to profit or loss	31 Dec 2018
Tax effect of deductible/(taxable) temporary differences and tax loss carry forwards				
Difference between tax and accounting value of:				
Trade name	(25.9)	-	3.4	(22.5)
Customer relationship	(13.2)	-	2.4	(10.8)
Technology	(0.3)	-	(0.3)	(0.7)
Tax loss carryforwards	21.5	-	(2.4)	19.2
Other	10.2	-	(4.7)	5.5
Net deferred tax asset/(liability)	**(7.7)**	**-**	**(1.6)**	**(9.3)**
Recognised deferred tax asset	31.7	-	(7.1)	24.6
Recognised deferred tax liability	(39.4)	-	5.5	(33.9)

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 € 45.1 million (2018: € 113.2 million) of unremitted earnings of subsidiaries for which no deferred tax liabilities were recognised.

32. 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 (2018: € 12.5 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 revolving credit facility (note 37).

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 2019, potential tax risks, including the issues above, estimated by the Group amount to € 137.2 million (2018: € 40.1 million) including € 54.4 million in relation to income tax and € 82.7 million in relation to indirect tax (2018: € 5.4 and € 34.7 million), of which provisions of € 47.2 million (2018: € 8.5 million) including € 24.5 million in relation to income tax and € 22.7 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 2019, the Group had commitments of € 5.3 million primarily relating to the completion of a new fulfilment centre in Brazil.

33. FINANCIAL RISK MANAGEMENT

In the course of its ordinary business activities, Global Fashion Group 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 35 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 remote 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 85% 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 2019, if the € had strengthened/weakened by +/-10% against all other currencies with all other variables held constant, the impact on profit for the year would have been € 3.9 million (2018: € 3.4 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 €.

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 2019, the exposure to credit risk for trade receivables by type of counterparty was as follows:

In €m	Gross carrying amount	Loss Allowance
Type		
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 2019:

In €m	Gross carrying amount	Loss allowance
Current (not past due)	48.8	(0.3)
1-30 days past due	2.4	-
31-60 days past due	0.3	-
61-90 days past due	0.5	-
More than 90 days past due	0.5	(0.1)
Total	**52.5**	**(0.4)**

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

In €m	2019
Balance at 1 January 2019	0.2
Net remeasurement of loss allowance (as per income statement)	0.4
Balance at 31 December 2019	**0.6**

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, banking facilities and reserve borrowing facilities (for example, the RCF facility as further detailed in note 37), by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and financial liabilities.

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 2019 and 2018 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 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**

The maturity analysis of financial liabilities at 31 December 2018 is as follows:

In €m	Demand and less than 1 year	From 1 to 5 years	Over 5 years	Total
Liabilities				
Borrowings	0.6	-	-	0.6
Trade payables and other financial liabilities	251.6	17.5	-	269.1
Lease liabilities	1.9	4.0	-	5.9
Total future payments, including future principal and interest payments	**254.1**	**21.5**	**-**	**275.6**

The increase in financial liabilities during 2019, was due to the first time adoption of *IFRS 16 Leases*.

34. 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. The Group's capital is regularly monitored with the use of equity ratios. The equity ratio is total Shareholders equity expressed as a percentage of total assets. The equity ratio at the reporting date amounts to 53.2% (2018: 61.5%).

In €m	31 Dec 2019	31 Dec 2018
Equity attributable to equity holders of the parent	641.3	587.3
Total Assets	1,204.5	955.4
Equity Ratio	53.2%	61.5%

There were no changes made to the objectives, policies or processes during the period from incorporation up to 31 December 2019.

35. 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.

The fair values of other financial assets and financial liabilities measured at amortised cost as well as of finance lease liabilities approximate their carrying amount, as there were no significant changes in the applicable market rates since these instruments were recognised initially.

As at 31 December 2019, the Group did not have any financial instruments measured at fair value. In the prior year, the Group's only financial instrument measured at fair value was the financial asset arising from the Namshi put option (see note 9). In the period from inception to 31 December 2018, the value of the put option moved as follows:

In €m	Fair value of put option
Fair value at inception (16 August 2017)	21.1
Fair value loss recognised through profit or loss	(1.6)
Fair value of put option as at 31 December 2017	**19.5**
Fair value loss recognised through profit or loss	(15.7)
Fair value of put option as at 31 December 2018	**3.8**

When measuring the fair value of the financial asset, the Group uses an option pricing model with Level 3 inputs that are not based on observable market data (unobservable outputs). Significant unobservable outputs include:

Volatility: 38.77%
Risk free rate: 3.5%

Sensitivity analysis

Below is a comparison of the carrying amounts and fair value of GFG's financial instruments:

	Carrying amount		Fair value		
In €m	2019	2018	2019	2018	Category under IFRS 9
Current financial assets					
Cash and cash equivalents	277.3	105.0	277.3	105.0	Financial assets at amortised costs
Trade and other receivables	52.1	55.2	52.1	55.2	Financial assets at amortised costs
Other financial assets	16.7	16.9	16.7	16.9	Financial assets at amortised costs
Total current financial assets	**346.1**	**177.1**	**346.1**	**177.1**	
Non-current financial assets					
Receivables from deposits/ restricted cash	23.5	34.9	23.5	34.9	Financial assets at amortised costs
Other financial assets	0.6	-	0.6	-	Financial assets at amortised costs
Namshi put option	-	3.8	-	3.8	Fair value through profit or loss
Total non-current financial assets	**24.1**	**38.7**	**24.1**	**38.7**	

	Carrying amount		Fair value		
In €m	2019	2018	2019	2018	Category under IFRS 9
Current financial liabilities					
Trade payables	274.1	237.6	274.1	237.6	Other financial liabilities at amortised cost
Other financial liabilities	37.5	14.0	37.5	14.0	Other financial liabilities at amortised cost
Bank borrowings	5.4	0.6	5.4	0.6	Other financial liabilities at amortised cost
Total current financial liabilities	**317.0**	**252.2**	**317.0**	**252.2**	
Non-current financial liabilities					
Other financial liabilities	-	17.5	-	17.5	Other financial liabilities at amortised cost
Total non-current financial liabilities	**-**	**17.5**	**-**	**17.5**	

The fair value of the non-current financial assets and liabilities did not deviate materially from the fair value of these instruments on initial recognition. Therefore, the carrying amount approximates the fair value of these instruments.

All fair values are Level 3.

36. 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 on the net monetary position in the Income statement is € 1.6 million (2018: € 1.2 million). The 2019 and 2018 financial statements are based on the historic cost approach. The price index used at the reporting date was Instituto de Capacitación Profesional (ICP).

37. REVOLVING CREDIT FACILITY

On 28 August 2018, the Group closed a € 70.0 million facility ending in October 2020. The total facility amount is split between Facility A € 50.0 million and Facility B €20.0 million. Facility A is a base currency revolving credit facility. Facility B is an off-balance sheet letter of credit facility. As at 31 December 2019, utilisation on Facility A was € nil and utilisation on Facility B was €19.3 million.

The interest rate per annum of loans granted under Facility A consists of a margin of 2.25% added to the relevant EURIBOR. Facility B provides for a commission for each requested guarantee letter of 1.30% per annum, which may decrease if the Company's Adjusted EBITDA exceeds certain levels, subject to a minimum commission of €400 per annum and per guarantee letter, as well as a fee for each requested letter of credit (other than guarantee letters) of 1.20% per annum, subject to a minimum fee of €200 per calendar quarter and per letter of credit.

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 is below €600 million, €20 million has been restricted under the facility within other financial assets (non-current). For further information on borrowings please refer to note 22.

38. EVENTS AFTER THE REPORTING PERIOD

Since the end of the financial year, the Group has entered into a joint venture with Russian Post, the national post operator of Russia, for the construction and operation of a new fulfilment centre in the Moscow region. An initial term sheet was signed on 13 January 2020.

There have been no other significant events subsequent to the period 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 2019, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements, and that the Directors' report 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

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adidas

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 IPO, one-off tax adjustments, non-trading income and costs relating to the wind-down of Lost Ink Limited.

Average order value
Average order value is defined as the NMV per order.

Capex
Capital expenditure shows the additions to property, plant and equipment, including those due from business combinations and excluding additions to IFRS 16 Right-of-use assets, and additions to intangible assets.

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.

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.

Net working capital
Net working capital is calculated as inventories plus current trade and other receivables less current trade payables and other financial liabilities.

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 reconciliation

In €m	FY 2019	FY 2018
Cash and cash equivalents	277.3	105.0
Restricted cash and cash on deposit	23.5	34.9
Pro-forma cash	**300.8**	**139.9**

7.2 FINANCIAL CALENDAR

14 May 2020	Q1 2020 Results
22 May 2020	Annual General Meeting
20 August 2020	Q2 2020 Results
12 November 2020	Q3 2020 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
Jovana Lakcevic, Head of PR & Communications
email: press@global-fashion-group.com

Concept / Consulting / Design
Silvester Group
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GFG GLOBAL FASHION GROUP