THOM GROUP S.A.S.

Unaudited Consolidated Financial Statements

Three-month period ended December 31, 2020

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1. Unaudited consolidated financial statements

a. Consolidated balance sheet

Assets	Notes	31/12/2020	30/09/2020
In €m			
Goodwill	a.	361.4	363.1
Leasehold rights	b.	119.1	119.0
Trademarks	b.	135.9	135.9
Other intangible assets	b.	27.7	24.6
Property, plants and equipments		75.9	78.1
Financial assets		16.4	16.0
Fixed assets		**736.5**	**736.8**
Inventories	c.	210.9	193.9
Trade receivables and related accounts		13.3	7.6
Other receivables		42.9	37.8
Prepaid expenses		11.8	11.4
Marketable securities		0.1	0.1
Cash		312.5	196.6
Current assets		**591.6**	**447.3**
Deferred tax assets		**9.2**	**8.8**
Loan-issuance fees	**f.**	**4.6**	**4.9**
Over issue discount	**f.**	**2.9**	**3.1**
Total assets		**1,344.8**	**1,200.9**
		-	-

Equity and liabilities	Notes	31/12/2020	30/09/2020
In €m			
Share capital		372.4	372.4
Share premium		2.7	2.7
Consolidated reserves		(190.5)	(192.4)
Net income attributable to owners of the parent		30.5	1.9
Currency translation reserves		(0.0)	0.0
Equity attributable to owners of the parent	**d.**	**215.1**	**184.6**
Non-controlling interests		**0.0**	**0.0**
Provisions	**e.**	**14.0**	**12.4**
Deferred tax liabilities		**9.8**	**3.9**
Bank loans	f.	90.2	89.9
Convertible bonds	f.	196.3	190.5
Senior debt	f.	568.5	568.7
Other financial liabilities	f.	1.1	1.6
Profit-sharing reserves		6.1	2.3
Trade payables and related accounts		141.4	70.6
Tax and payroll liabilities		89.5	60.7
Fixed asset payables		3.3	5.3
Other liabilities		8.6	8.8
Debt		**1,105.0**	**998.4**
Deferred revenues		**0.9**	**1.7**
Total liabilities		**1,344.8**	**1,200.9**

b. Consolidated income statement

Income Statement	Notes	31/12/2020	31/12/2019
In €m			
Sales	a.	239.6	266.8
Reversals of provisions		17.0	16.6
Other operating income		2.8	1.3
Costs of goods sold	b.	(73.3)	(83.8)
Other operating expenses	c.	(43.7)	(49.0)
Taxes and duties		(2.2)	(3.1)
Personnel expenses	d.	(47.9)	(58.0)
Depreciation, amortization and provisions		(28.2)	(23.0)
Operating income		**64.1**	**67.8**
Financial income (expense)	e.	(12.9)	(16.5)
Recurring income		**51.2**	**51.3**
Non-recurring income (expense)	f.	(7.7)	(3.7)
Income tax	g.	(12.9)	(15.3)
Net income		**30.5**	**32.3**
Net income attributable to non-controlling interests		(0.0)	(0.0)
Net income attributable to owners of the parent		**30.5**	**32.3**
Number of shares		*372,366,742*	*372,366,742*
Basic earnings per share (in €)		*0.08*	*0.09*
Diluted earnings per share (in €)		*0.08*	*0.09*

c. Consolidated cash-flow statement

Cash-Flow statement	31/12/2020	30/09/2020	Var.
In €m			
EBITDA	**76.1**	**120.6**	**(44.5)**
CVAE & Closed stores	(0.8)	(4.3)	3.5
Change in working capital	63.4	(8.4)	71.7
Income tax paid	(1.3)	(2.8)	1.5
Other non-recurring income (expenses)	(4.5)	(4.8)	0.3
Net cash flows from/ (used in) operating activities	**132.9**	**100.3**	**32.6**
Acquisition of property, plant & equipment, intangible assets	(8.4)	(26.1)	17.7
Disposal of property, plant & equipment, intangible assets	0.5	0.4	0.2
Change in receivables and payables on fixed assets	(2.4)	(6.2)	3.9
Net cash flows from/ (used in) investing activities	**(10.2)**	**(31.9)**	**21.7**
Free Cash Flow	**122.7**	**68.4**	**54.3**
RCF drawing / repayment	(0.5)	89.8	(90.3)
Interests on loans and bonds	(6.3)	(25.9)	19.6
Bank debt		-	-
Equity Injection	-	52.8	(52.8)
Repayment of convertible bonds	-	(52.2)	52.2
Other interests paid	(0.0)	(0.2)	0.2
Net cash flows (used in)/from financing activities	**(6.8)**	**63.7**	**(70.5)**
Net cash flows before specific projects	**-**	**-**	**-**
Change in equity	**(0.0)**	**-**	**(0.0)**
Specific events	**-**	**-**	**-**
Net increase / (decrease) in cash and cash equivalents	**115.9**	**132.1**	**(16.1)**
Cash and cash equivalents at the beginning of the period	**196.7**	**64.7**	**132.1**
Cash and cash equivalents at the end of the period	**312.6**	**196.7**	**115.9**
Change in cash	**115.9**	**132.1**	**(16.1)**

d. Reconciliation of operating income to EBITDA

Bridge from Operating Income to EBITDA	31/12/2020	31/12/2019	Var.
In €m			
Operating Income	**64.1**	**67.8**	**(3.7)**
Reversals of provisions	(17.0)	(16.6)	(0.3)
Depreciation, amortization and provisions	28.2	23.0	5.2
Business tax (CVAE)	0.8	1.6	(0.8)
Contribution of closed stores	0.0	(0.1)	0.1
EBITDA	**76.1**	**75.6**	**0.5**

2. Key events

The following consolidated financial statements cover the three-month period ended December 31, 2020.

a. Sales network

Thom Group S.A.S. ("Thom Group") operates through its European subsidiaries 1,003 stores as of December 31, 2020 as well as four e-commerce platforms and eight websites. Nine stores were opened over the three-month period ended December 31, 2020 (vs. five stores opened or acquired over the same period last year). 13 stores were closed during the quarter (vs. nine stores during the same period last year).

b. COVID-19 crisis

During the quarter, Thom Group's activity was impacted by the "second wave" of the COVID-19 pandemic and the strict lockdown rules imposed in our main countries, which resulted in our stores being temporarily closed during:

- i) 30 days in France (from October 28 to November 28, 2020)
- ii) Weekends, public holidays and the eve of public holidays in most of Italy (from November 6 to December 31, 2020), with a full lockdown in Northern Italy where most of our Italian stores are located (from November 6 to December 31, 2020)
- iii) 15 days in Germany with a full lockdown (from December 16 to December 31, 2020).

In addition to the lockdowns, most of France was placed under curfew (starting at 8 p.m.) from December 15, 2020 and a stricter 6 p.m. curfew was implemented in certain regions.

During this "second wave", the Group's activity has been strongly impacted because of the temporary shutdown of its subsidiaries' activity. Employees impacted by store closings as well as some of the headquarter's employees have been placed in partial unemployment.

- Despite the decrease in total sales, Reported EBITDA was slightly higher compared to the same period last year thanks to i) a good performance of the business in October 2020 when all of our stores were open, ii) a strong performance of e-commerce sales starting in November 2020 during the second lockdown and which continued in December 2020 after our stores reopened, iii) strong network sales in France in December 2020 and iv) cost savings as a result of state-funded furlough schemes that were still in place in our main countries and, to a lesser extent, rent negotiations with landlords
- As a result of the COVID-19 pandemic, a certain number of measures (« COVID plan ») have been taken, including:
  - Implementation of a strict sanitary protocol in our shops, logistics centers and headquarters, in coordination with staff representatives, in order to enhance employees' sanitary safety;
  - Implementation of a cost saving plan to adjust, as fairly as possible, the cost structure to the drop in activity (Opex, Capex). This plan comes with a cash management plan, in cooperation with our suppliers (involving, in particular, a review of purchase planning);

This COVID Plan has allowed Thom Group to mitigate the economic impact of the sanitary crisis.

c. Incorporation of new company

On August 3, 2020, THOM S.A.S. created the company Duo Mu Jewellery (Guangzhou) Co., Ltd, a private limited company with a capital of RMB 750,000 whose registered office is located at Unit, 718, Building 28, No. 999 Fulong Road, Panyu District, Guangzhou, China (« Duo Mu Jewellery »). The purpose of this entity is to develop wholesale business for goods and articles of jewellery. The share capital was paid up in December 2020.

Other group companies with the same business activities have not acquired, during the period, any other financial participation.

d. Strategic projects

The « Salesforce » project, initiated in the first quarter of calendar year 2018 to design a new platform for all of the Group's e-commerce websites, has been successfully deployed with respect to our French brands Marc Orian and Histoire d'Or. The project team remains actively engaged on the migration of the German and Italian platforms planned for FY21.

The « Shine 2020 » project (ERP change to SAP and redesign of Group IT infrastructure), initiated in the first quarter of calendar year 2018, was successfully launched in Germany as of October 1, 2020. The project team remains actively engaged on the migration of the France-Benelux scope, after which it expects to address Italy.

We expect the projects mentioned above to continue to require significant internal and external resources until their completion. Certain employees have been fully dedicated to the project and isolated in a dedicated space. These people, some of whom have left an operational position, have been replaced. The Group has thus committed substantial resources to secure the success of these projects.

3. Accounting policies and measurement methods

a. Accounting policies

Thom Group's consolidated financial statements have been prepared in accordance with CRC Regulation No. 99-02 (French Accounting Regulation Committee) approved by the order of 22 June 1999.

b. Consolidation methods

All of Thom Group's subsidiaries are fully consolidated. The full consolidation method is applied to all subsidiaries over which the parent company exercises exclusive control. Exclusive control is presumed to exist when the parent company holds, either directly or indirectly, the majority of voting rights or appoints the majority of the members of the governing bodies of the subsidiary for two successive financial years or exercises dominant influence by virtue of a contract or clauses in the articles of association.

c. Measurement methods

Goodwill

Upon initial consolidation of a newly acquired company, identifiable assets acquired and liabilities assumed are re-measured and recorded at fair value. In the particular case of Thom Group, the net book values of business goodwill, leasehold rights, brands and, to a lesser extent, inventories and property, plant and equipment were adjusted to be accounted for at fair value.

The excess of the securities purchase price (net of acquisition costs) over the fair value of identifiable assets acquired and liabilities assumed at the acquisition date is recognized as goodwill.

In accordance with §2110 of CRC Regulation No. 2005-10, analysis and expert assessments may be carried out as necessary and goodwill may be adjusted accordingly within a period ending at the end of the financial year following the year of acquisition. Nevertheless, at the end of the year of acquisition, a temporary assessment must be performed for items whose estimate is sufficiently reliable.

Goodwill is recorded at cost less accumulated impairment losses. Impairment losses cannot be reversed.

In accordance with order No. 2015-900 of 23 July 2015 and with regulation No. 2015-903 of 23 July 2015 - ANC No. 2015-07 Regulation (Consolidated accounts) that apply to financial years starting on or after January 1, 2016, the Group has qualified the utilization period of goodwill as unlimited. Consequently, no goodwill amortization has been recorded since October 1, 2016.

Goodwill is subject to an annual impairment test based on the Group's operational split into Cash Generating Units (CGUs). The annual impairment testing consists in determining the recoverable value of the CGUs to which the goodwill is allocated and comparing them with the net book value of the assets concerned. The recoverable value of a CGU is determined based on its fair market value or value-in-use. The fair market value is determined based on the average EBITDA over the prior two years multiplied by a transaction multiple which reflects the acquisition value of Thom Group in 2010 and current market multiples (method combining comparable transactions and comparable stock market multiples). Value-in-use is obtained via the Discounted Cash Flows method (DCF).

Brands

Brands were valued by discounting forecast royalties to perpetuity. This approach equates a brand's value with the present value of theoretical royalties, net of tax and costs incurred in maintaining the brand. As such, royalties required to be paid for a brand's use can be determined based on sales growth rates, which in turn depend on market outlook and royalty rates.

Only brands that are commercially viable have been valued.

Considering that the Group's brands represent indefinite-life intangible assets, they are not amortized but are subject to an annual impairment test.

Leasehold rights

Only the portion of business goodwill that is subject to legal protection is recorded under leasehold rights. Any residual amount is recognized under goodwill.

Legally-protected leasehold rights are not amortized. This is the case in France where the lessee of a commercial lease is entitled to an almost unlimited number of lease renewals. Consequently, the useful life of leasehold rights is undefined and indefinite.

Leasehold rights are subject to an annual impairment test. The required impairment is the difference between the net book value in the consolidated accounts and the fair market value determined from the valuations carried out by experts.

Leasehold rights related to stores abroad are not considered to have enough legal protection to be recognized under intangible assets. Consequently, the full amount paid is recorded under goodwill.

Other intangible assets

Software is recognized at cost and amortized over periods ranging from one to five years, depending on its useful life.

Property, plant and equipment

Property, plant and equipment are measured at cost. Depreciation is calculated based on the estimated useful lives of different categories of assets, in accordance with the legislation in force (straight-line method).

Estimated useful lives are as follows:

- Fixtures and fittings: 5 to 7 years
- Sales equipment: 3 years
- Office equipment: 3 years
- Office furniture: 10 years
- IT equipment: 3 years
- Machinery: 5 years

Fixed assets held under finance leases are recognized in the consolidated financial statements as if they had been acquired through financing. The assets are recorded under fixed assets on the balance sheet and depreciated according to their expected useful lives. The lease obligations are recognized under financial debts. Lease rentals are split between debt repayments and financial interests.

Financial assets

Non-consolidated investments are recorded at cost. An impairment is recognized if their fair value falls below their purchase price.

Guarantee deposits granted to lessors are recorded under other financial assets on the consolidated balance sheet.

Inventories

Inventories are valued at actual acquisition costs when monitored on a unit basis and are valued under the weighted average cost method when monitored by reference. Actual cost and weighted average cost are both net of rebates as well as gold and US-dollar hedging costs (recorded when incurred).

Inventory depreciation is recorded based on losses observed on defective products during the fiscal year compared to the opening balance. The loss rates thus calculated, after deductions of re-invoicing to suppliers and / or the melting value of gold products, are applied to inventories at closing, according to their ageing. The weight of the stocks by age is also tested, the change in inventories of the highest age group (as a % of the total stock) is depreciated at 100%.

Depreciation of raw materials is recorded when the market price is lower than the purchase price.

Trade receivables and related accounts

Trade receivables are recorded at their nominal value. A provision for depreciation is recognized when their recoverable value is lower than their net book value. Recoverable value is measured based on the overdue amounts and the age of the receivables.

Prepaid expenses

Prepaid expenses mainly include rents, insurance premiums and leasehold rights. Lease rights paid to lessors when opening new stores in shopping centers are recognized in the income statement over the duration of the lease.

Loan-issuance fees, bond discounts and bond premiums

Loan issuance fees are capitalized and amortized on a straight-line basis over the loan duration.

When bonds are issued above par, the premium is recorded as a liability and progressively recognized as a financial income over the bond duration.

When bonds are issued below par, the discount is recorded as an asset and progressively recognized as a financial expense over the bond duration.

Marketable securities

Marketable securities are recognized at cost. An impairment is recognized when their market value falls below their acquisition cost.

Deferred tax

Deferred taxes are recorded according to the liability method on the temporary differences between the carrying amount and tax base of assets and liabilities. Deferred taxes are measured using the enacted tax rates at the closing date expected to apply to taxable income when the temporary differences are expected to reverse. Deferred tax assets are recognized for tax loss carryforwards, but they are impaired if their recovery is not likely.

Provisions for risks and charges

Provisions for risks and charges are recognized for probable outflows of resources to third parties, without any benefit in return for the Group. They are estimated based on the most probable assumptions at the reporting date.

In April 2001, the Group launched a loyalty card scheme, which entitles customers to a voucher after five purchases. The voucher amounts to 10% of the total amount paid for the five purchases and can only be used for subsequent purchases.

In compliance with Opinion no. 2004-E issued on 13 October 2004 by the French National Accounting Board, the Group recognizes provisions for customers’ vested rights from first purchase and loyalty card issuance. Vested rights are calculated from the issuance date of the loyalty card, based on the estimated probability that a voucher will be issued and used, and using the average value of vouchers adjusted to cost price.

Foreign currency transactions

They mainly relate to purchases in foreign currencies. These purchases are initially recorded at the actual spot rate at the time the transaction is made. Foreign currency gains or losses generated by the hedging instruments implemented by the Group are then included in the costs of goods purchased.

Post-employment benefits

At retirement, Group’s employees in France receive an indemnity in accordance with the provisions of the watch-jewellery retail collective agreement. This commitment represents an off-balance sheet item. The corresponding costs are incurred in the salaries on the effective year of employee departure.

In Italy, the TFR (Trattamento di fine Rapporto) is based on a compulsory employer contribution of 7.4% of gross salary. The expenses and liabilities are recorded in the income statement and the balance sheet. A portion of the TFR can be allocated to funds. Subscription to these funds is voluntary. The contribution is shared between the employee and the company.

In Germany, post-employment benefits are based on a compulsory employer contribution of 10% of gross salary. The expenses and liabilities are recorded in the income statement and the balance sheet.

Non-recurring income and expenses

Non-recurring income and expenses represent items arising from events or transactions that are clearly distinct from the ordinary activities of the Group. They mainly include store pre-opening costs (staff costs, rents, fees) and the costs related to disposed or closed stores, except for changes in depreciation of leasehold rights that are recognized in operating income and expenses.

4. Consolidation scope

As of December 31, 2020, the Group consisted of the following companies:

Scope of consolidation						
Company	**Legal Form**	**Country**	**Control %**	**Interest %**	**Entry Date**	**Consolidation Method**
Thom Group	SAS	France	100.00%	100.00%	01/10/2010	Full Consolidation
Thom	SAS	France	100.00%	100.00%	14/10/2010	Full Consolidation
Histoire d'Or Monaco	SARL (Monaco)	Monaco	99.99%	99.99%	02/03/2011	Full Consolidation
Histoire d'Or Belgium	SA (Belgium)	Belgique	100.00%	100.00%	14/10/2010	Full Consolidation
Histoire d'Or - Joalharia e Relojoarl	Portuguese Law	Portugal	100.00%	100.00%	14/10/2010	Full Consolidation
Thom Asia	Hong Kong Law	Hong-Kong	100.00%	100.00%	avr. 2011	Full Consolidation
Thom India	Indian Law	Inde	100.00%	100.00%	avr. 2014	Full Consolidation
Thom Nederland	BV	Pays-Bas	100.00%	100.00%	24/02/2015	Full Consolidation
Oro Vivo	AG	Allemagne	100.00%	100.00%	17/10/2016	Full Consolidation
Stroili Oro	S.p.A	Italie	100.00%	100.00%	13/10/2016	Full Consolidation
Thom Up	SAS	France	100.00%	100.00%	11/05/2018	Full Consolidation
Histoire d'Or Luxembourg	SARL (Lux)	Luxembourg	100.00%	100.00%	01/06/2018	Full Consolidation
Jools	SAS	France	100.00%	100.00%	28/05/2018	Full Consolidation
Thom Trade	SAS	France	100.00%	100.00%	28/03/2019	Full Consolidation
Thom Trade Italy	Srl	Italie	100.00%	100.00%	27/05/2019	Full Consolidation
Duo Mu Jewellery (China)	WOFE	China	100.00%	100.00%	dec 2020	Full Consolidation

One new legal Chinese entity, “Duo Mu Jewellery”, which has Wholly Foreign Owned Enterprise (WFOE) status, was registered and its share capital was paid up in December 2020.

The annual closing date for all Group companies is September 30, except for Thom India and Duo Mu Jewellery due to local legislation.

Investments in Economic Interest Groups (EIG) which manage shopping centers and over which the Group has no significant influence are disclosed under financial assets.

5. Comparability

There were no significant events which would have materially affected the comparability of the consolidated accounts of the periods ended December 31, 2019 and December 31, 2020 presented in the notes to the financial statements.

6. Notes to the Balance Sheet

a. Goodwill

Goodwill					
In €m	Opening	Acquisition	Disposal	Reclass.	Closing
Gross					
France	386.6	-	(2.4)	-	384.2
Italy	89.3	-	-	-	89.3
RoE	3.7	-	-	-	3.7
Goodwill, gross	**479.6**	**-**	**(2.4)**	**-**	**477.2**
Amortization					
France	(114.1)	-	0.7	-	(113.4)
Italy	(2.2)	-	-	-	(2.2)
RoE	(0.2)	-	-	-	(0.2)
Amortization	**(116.5)**	**-**	**0.7**	**-**	**(115.8)**
Amortization					
Fance	272.5	-	(1.7)	-	270.8
Italy	87.1	-	-	-	87.1
RoE	3.6	-	-	-	3.6
Goodwill, net	**363.1**	**-**	**(1.7)**	**-**	**361.4**

Note: Until September 30, 2016, goodwill was amortized over a 20-year period. Amortization started on October 14, 2010 for the acquisitions of Histoire d'Or Europe (France) and Financière MO Holding (France) Groups and from the relevant acquisition dates for the assets acquired in Belgium (RoE) and Italy.

Since October 1, 2016, Thom Group has qualified the goodwill utilization period as unlimited. Consequently, no goodwill amortization has been recognized since October 1, 2016, in accordance with paragraph 21130 of CRC Regulation No. 99-02.

Goodwill was subject to an annual impairment test based on the Group's operational split into Cash Generating Units (CGUs)(cf. note 3.c). No impairment loss was recognized as of September 30, 2020 as a result of the annual impairment tests. There was no indication of impairment as at December 31, 2020. As a result, no impairment test was performed at this date.

The disposals for the year relate to the business goodwill of the stores that were sold or closed in France for a total amount of €1.7 million in net book value.

b. Intangible assets

Intangible assets						
In €m	**Opening**	**Acquisition**	**Disposal**	**Reversal**	**Reclass.**	**Closing**
Gross						
Leasehold rights	176.9	-	(1.8)	-	-	175.1
Trademarks	136.7	-	-	-	0.1	136.8
Software	19.2	0.3	-	-	0.5	19.9
Other	1.9	-	(1.6)	-	-	0.3
Intangible assets in progress	18.9	3.8	-	-	(0.5)	22.2
Gross intangible assets	**353.6**	**4.1**	**(3.4)**	**-**	**-**	**354.3**
Amortization and depreciation						
Leasehold rights	(57.9)	(0.1)	(0.2)	2.2	-	(56.0)
Trademarks	(0.8)	(0.0)	-	-	(0.0)	(0.9)
Software	(13.8)	(0.6)	-	-	0.0	(14.4)
Other	(1.6)	(0.0)	1.4	-	-	(0.2)
Intangible assets in progress	-	-	-	-	-	-
Amortization and depreciation	**(74.1)**	**(0.8)**	**1.2**	**2.2**	**-**	**(71.5)**
Net						
Leasehold rights	119.0	(0.1)	(2.0)	2.2	-	119.1
Trademarks	135.9	(0.0)	-	-	0.0	135.9
Software	5.4	(0.4)	-	-	0.5	5.5
Other	0.3	(0.0)	(0.3)	-	-	0.0
Intangible assets in progress	18.9	3.8	-	-	(0.5)	22.2
Net intangible assets	**279.5**	**3.3**	**(2.2)**	**2.2**	**-**	**282.8**

Note: As of December 31, 2020, leasehold rights amounted to €119.1 million net book value and mainly related to stores in France. Leasehold rights were subject to impairment tests in September and no further impairment test was required as of December 2020. The annual impairment is the difference between the net book value in the consolidated accounts and the fair market value determined from the valuations carried out by experts (cf. note 3.c).

As of December 31, 2020, brands were recognized on the Group's balance sheet for €135.9 million net book value and mainly included: Stroili at €103 million, Histoire d'Or at €26.9 million, Trésor at €2.8 million, Franco Gioielli at €1.7 million and Marc Orian at €1.5 million.

Each brand was subject to an annual impairment test. They were valued based on the discounted cash-flows method, i.e. by discounting forecast royalties to perpetuity (cf. note 3.c). The net book values of some brands are significantly lower than their value in use at the closing date for the Group's consolidated financial statements. There was no indication of impairment as at December 31, 2020. As a result, no impairment test was performed at this date.

Some intangible assets such as business goodwill are not recognized as such on the balance sheet and are reclassified to goodwill.

The increase of €3.8 million in intangible assets in progress mainly related to the SAP and Salesforce projects.

c. Inventories

Inventories		
In €m	31/12/2020	30/09/2020
Raw materials and packaging inventories	25.7	22.6
Finished goods	202.1	183.8
Gross inventories	**227.8**	**206.4**
Depreciation	**(16.8)**	**(12.5)**
Net inventories	**210.9**	**193.9**

Note: Raw materials mainly include gold. The increase by €3.1 million of raw material inventories during the period was due to a significant increase of €7.7 million in France relating to a significant gold purchase in October 2020, partially offset by a €4.7 million decrease in physical gold stock in Italy due to reduced scraps collection because of the COVID-19 lockdowns.

Group hedge policy remains unchanged but, considering the erratic evolution of the rates during the COVID-19 pandemic and its impact on forwards prices, the Group has optimized hedging costs by favouring storage of part of the physical gold acquired in its stores, rather than market swaps (cf. Off Balance Sheet commitments).

Stroili's and Oro Vivo's contributions to net inventories as of December 31, 2020 were €86.7 million and €11.5 million, respectively.

Finished goods are mainly located in stores. The increase in finished goods inventories of €18.3 million was mainly explained by lower sales in Italy due to COVID-19 lockdowns (€11.2 million impact) and by high volumes of purchases by year-end in France due to the seasonality of the business (€7.2 million).

Inventory depreciation is recorded based on losses on defective and unsold products of the year, compared to the previous year's inventories. This depreciation is completed by a test on the weights of slow-moving items.

d. Shareholders' equity

Equity								
In €m	Share capital	Share premium	Consolidated reserves	Net income	Currency translation reserves	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Equity at 30 September 2020	**372.4**	**2.7**	**(192.4)**	**1.9**	**0.0**	**184.6**	**0.0**	**184.6**
Increase in share capital	(0.0)	-	(0.0)	-	-	(0.0)	-	(0.0)
Increase in share capital by bonds convertible into shares	-	-	-	-	-	-	-	-
Allocation of net income	-	-	1.9	(1.9)	-	0.0	-	0.0
Net income for the year	-	-	-	30.5	-	30.5	0.0	30.5
Equity at 31 December 2020	**372.4**	**2.7**	**(190.5)**	**30.5**	**(0.0)**	**215.1**	**0.0**	**215.1**

Note: The share capital of €372,366,742 is divided in (i) 219,532,679 ordinary shares of €1 each, (ii) 481,998 preferred shares of €1 each, fully subscribed and paid up, and (iii) 2,176,458,066 preferred shares of €0.07 each (ADP R4).

Share premium is made of:

- 2,540,000 share purchase warrants issued on October 14, 2010 at a unit price of €1 for a total of €2,540,000. Each warrant gives to its holder the right to purchase a number of company shares at the price of €1 per share; the number of shares that may be purchased will depend on economic criteria determined upon the sale of the company shares by Bridgepoint, the main Shareholder.
- The capital increase of 2,000 preference shares on April 30, 2015 is accompanied by an additional paid-in capital of €190,000. Each preference share gives to its holder the right to benefit from any issue of new shares according to economic criteria determined upon the sale of the company shares by the largest Shareholder.

Basic and diluted net earnings per share were a profit of €0.08 as of December 31, 2020 vs. a profit of €0.09 as of December 31, 2019.

e. Provisions for risks and charges

Provisions for risks and charges						
In €m	Opening	Increase	Reversals used	Reversals unused	Reclass.	Closing
Provisions for loyalty vouchers	8.2	7.9	-	(8.2)	-	7.9
Social litigations	1.5	0.1	(0.0)	-	-	1.6
Commercial, tax and other litigations	2.7	2.4	(0.1)	(0.2)	(0.3)	4.5
	12.4	**10.4**	**(0.1)**	**(8.4)**	**(0.3)**	**14.0**

Note: Provisions in respect of loyalty scheme are calculated based on probable future costs incurred by the Group (cf. note 3.c).

f. Financial debts

Financial debt					
In €m	Less than one year	1 to 5 years	More than 5 years	31/12/2020	30/09/2020
Principal and capitalized interests	-	191.3	-	191.3	170.5
Accrued and capitalized interests of the year	5.0	-	-	5.0	20.0
Convertible bonds	**5.0**	**191.3**	**-**	**196.3**	**190.5**
	-	-	-	-	-
Principal	8.4	556.6	-	565.0	565.0
Accrued interests	3.5	-	-	3.5	3.7
Senior Debt	**12.0**	**556.6**	**-**	**568.5**	**568.7**
	-	-	-	-	-
RCF	89.8	-	-	89.8	89.8
Accrued interests, accrued commitment fees	0.4	-	-	0.4	0.1
Bank loans	**90.2**	**-**	**-**	**90.2**	**89.9**
	-	-	-	-	-
Bank overdrafts	**-**	**-**	**-**	**-**	**-**
	-	-	-	-	-
Debts on finance leases	0.3	0.8	-	1.1	1.6
	-	-	-	(0.0)	0.0
Other financial debts	**0.3**	**0.8**	**-**	**1.1**	**1.6**
	-	-	-	-	-
Total financial debts	**107.4**	**748.7**	**-**	**856.1**	**850.7**

Convertible bonds

Thom Group has issued three bonds convertible into shares (OCA): 225,049,000 convertible bonds (OCA1) and 3,360,000 convertible bonds (OCA2) issued on October 14, 2010 with a nominal value of €1; and 1,140,000 convertible bonds (OCA3) issued on October 14, 2011 with a nominal value of €1. The OCA1, OCA2 and OCA3 that are not converted into shares will be redeemed on August 7, 2025. The bonds can be converted into shares at any time within the 30 days prior to the maturity date. The new shares will be paid-up based on one new share with a nominal value of €1 for 10 bonds with a nominal value of €1 each.

The OCA1, OCA2 and OCA3 bear fixed-rate interest. Interest is capitalized on October 14 each year and is redeemable at the maturity of the bonds.

Senior Debt

The tranche B of the senior debt ("TLB") was drawn on August 7, 2017 for an amount of €565 million, redeemable at maturity in 2024. The TLB bore interest at EURIBOR (with a 0% floor) plus a 4.00% margin as of December 31, 2020. The Group's debt reduction (de-leveraging) has resulted in an improvement in the applicable margin.

The 1% Original Issue Discount (OID) on the subscription of the TLB is accounted for as a redemption premium. It amounts to €5.7 million and is amortized over the term of the debt.

Under the terms of the TLB, Thom Group must respect a debt ratio (financial net debt/ TLB EBITDA) which should be below 7x at the end of each quarter. This bank covenant was respected at December 31, 2020.

Bank loans

In addition to the TLB, a revolving credit facility ("RCF") of €90 million is available for a period of 6 years, bearing interest at EURIBOR (with a 0% floor) plus a 2.75% margin for the drawn amount and 35% of the same rate for the undrawn amount. The Group's debt reduction (de-leveraging) has resulted into an improvement in the applicable margin.

As of December 31, 2020, this credit line was drawn for €89.8 million.

7. Notes to the income statement

a. Sales

Sales		
In €m	**31/12/2020**	**31/12/2019**
France	161.9	163.3
Foreign	67.9	89.4
Sales to affiliates	2.7	1.7
Stores sales	**232.4**	**254.4**
Sales of precious metals	6.5	11.5
Invoicing to suppliers	0.4	0.5
Purchasing & logistics services	0.1	0.1
Other income	0.2	0.3
Other sales	**7.2**	**12.4**
Total sales	**239.6**	**266.8**

Note: Stroili’s contribution to sales of precious metals amounted to €5.0 million for the period ended December 31, 2020.

b. Costs of goods sold

Costs of goods sold		
In €m	**31/12/2020**	**31/12/2019**
Purchase of finished goods and raw materials	(94.7)	(83.5)
Change in inventories	21.4	(0.3)
Total costs of goods sold	**(73.3)**	**(83.8)**

c. Other operating expenses

Other operating expenses		
In €m	**31/12/2020**	**31/12/2019**
Real property leases	(16.3)	(20.9)
Expenses related to real property leases	(2.6)	(2.6)
Advertising	(8.9)	(9.7)
Transport	(3.0)	(2.3)
Insurance	(0.4)	(0.4)
Maintenance	(1.1)	(1.5)
Consultancy fees	(2.4)	(2.3)
Bank fees	(1.2)	(1.1)
Information system and technology	(1.0)	(0.7)
Telecommunication and network expenses	(0.9)	(0.8)
Energy and utilities	(1.0)	(1.3)
Travel, accomodation and courtesy costs	(0.6)	(1.8)
Other	(4.4)	(3.6)
Total	**(43.7)**	**(49.0)**

(1) Other costs for €4.4 million mainly include the cost of temporary workers, the lease costs of company cars and other miscellaneous charges.

d. Personnel expenses

Personnel expenses		
In €m	**31/12/2020**	**31/12/2019**
Wages and salaries	(34.0)	(41.5)
Social security charges	(11.3)	(13.5)
Employee profit-sharing	(2.6)	(3.0)
Total personnel expenses	**(47.9)**	**(58.0)**

Note: The decrease in Wages and salaries is explained by the use of part-time work measures in all the Group subsidiaries in the context of the COVID-19 pandemic.

Employee profit-sharing includes social contribution.

e. Financial income and expenses

Financial income and expenses		
In €m	**31/12/2020**	**31/12/2019**
Interests on bank borrowings and Revolving Credit Facility	(6.9)	(6.4)
Amortization of bond redemption premium	(0.2)	(0.2)
Capitalized interests on convertible bonds	(5.8)	(9.3)
Financial expenses for customer deferred payments	(0.2)	(0.3)
Foreign currency exchange	0.2	(0.1)
Other	(0.0)	(0.1)
Financial income (expense)	**(12.9)**	**(16.5)**

Note: The decrease in Capitalized interests on convertible bonds is mainly attributable to the repayment of €152.2 million aggregate principal amount of convertible bonds in the financial year ended September 30, 2020.

f. Non-recurring income and expenses

Non-recurring income and expenses			
In €m		**31/12/2020**	**31/12/2019**
Pre-opening costs	**(1)**	(0.4)	(0.6)
Tax and payroll-related adjustments and commercial litigations		-	-
Other income and expenses	**(2)**	(3.3)	(0.5)
Non-recurring gain (loss) on operations		**(3.7)**	**(1.1)**
Income from disposal of leasehold rights (and equivalents)		0.5	0.1
Net book values of disposed fixed assets	**(3)**	(4.5)	(2.7)
Non-recurring amortization, depreciation and provisions		0.0	-
Non-recurring gain (loss) on disposal of fixed assets		**(4.0)**	**(2.6)**
Total non-recurring income & expenses		**(7.7)**	**(3.7)**

(1) Pre-opening costs of €0.4 million are costs incurred for the opening of new stores or for the refurbishment of existing stores when the refurbishment involves the closure of a store for an extended period. These expenses mostly include rents, staff costs and fees.

(2) Other non-recurring income and expenses of €3.3 million net include:

- €2.1 million of ongoing refinancing and recapitalization operations of the Group
- €1.1 million of non-recurring indemnities

(3) The net book value of disposed fixed assets of €4.5 million mainly includes the disposal of goodwill, leasehold rights and facilities of closed stores, as well as disposal of fixed assets following store refurbishments.

g. Income tax expense

Breakdown of net tax expense

Income tax		
In €m	**31/12/2020**	**31/12/2019**
Current income tax	(7.5)	(8.5)
Deferred income tax	(5.5)	(6.8)
Total income tax	**(12.9)**	**(15.3)**

Note: The net income tax expense for the period amounted to €12.9 million compared to €15.3 million last year and is detailed as follows:

- The net income tax expense recognized by the tax group for French companies amounted to €12.3 million compared to €11.5 million last year. The increase of €1.1 million is attributed to the Group's operating performance despite the COVID-19 pandemic.
- The net income tax expense recognized by foreign subsidiaries amounted to €0.7 million compared to €3.4 million last year. The decrease of €3.1 million is mainly related to Italy and attributed to the COVID-19 pandemic's impact on business.

8. Other information

a. Subsequent events

i. Acquisition of Thom Group by Altamir

The Acquisition

On January 24, 2021, Altamir and Bridgepoint, among others, entered into an Offer Letter, pursuant to which Bridgepoint granted Goldstory S.A.S. (the "Issuer") an exclusivity period and the Issuer granted to Bridgepoint a put option exercisable by the Sellers after completion of the information-consultation process in connection with the acquisition of Thom Group by Altamir (the "Acquisition"), which is required under French law.

The Acquisition closed on February 26, 2021 (the "Acquisition Completion Date"). Since then, Altamir and certain of its affiliates, certain members of management and certain co-investors own, directly or indirectly, 100% of the issued and outstanding shares of Thom Group. The purchase price for the Acquisition was approximately €514.0 million.

For the purpose of the Acquisition a bidco, Goldstory S.A.S., was created above Thom Group.

The Uses & Sources of the transaction

At the Issuer level, the total funds necessary to complete the transaction of approximately €1,109.0 million were financed with the proceeds of high-yield notes (€620 million), an equity contribution (€360 million) and available cash on Thom Group's balance sheet (c. €129.0 million):

- **The Equity Contribution**

  On the Acquisition Completion Date, (i) Altamir and certain of its affiliates, certain members of management and certain co-investors made cash contributions and contributions-in-kind, directly and indirectly, to the Issuer in an aggregate amount of €250.0 million and (ii) vendor financing was provided by a Bridgepoint affiliate and Qualium Investissement in an aggregate amount of €110.0 million in the form of vendor bonds. These vendor bonds are located in a topco above Goldstory S.A.S.

- **The Refinancing**

  Goldstory refinanced Thom Group's TLB with (i) €370 million aggregate principal amount of 5.375% senior secured notes due 2026 and (ii) €250 million aggregate principal of floating rate notes due 2026 (with a margin of EURIBOR plus 550bps) (collectively, the "Notes"). A portion of the proceeds from the offering was on-lent to Thom Group under proceeds loans to repay amounts outstanding under the TLB by Thom Group. As of December 31, 2020, the aggregate amount of indebtedness outstanding under the TLB, including accrued interest of €3.5 million, was €568.5 million.

  The €90.0 million RCF has also been refinanced, with a new maturity on September 1, 2025.

Post-Completion Liquidations

Following the Acquisition Completion Date, we expect to liquidate European Jewellers I S.A. ("Luxco 1") and European Jewellers II S.A. ("Luxco 2"), the intermediate holding companies between Goldstory and Thom Group. In the event that these post-completion liquidations have not occurred within 120 days of the Acquisition Completion Date, Luxco 1 and Luxco 2 will guarantee the Notes and grant certain additional collateral. In connection with such liquidations, any additional guarantees and collateral granted by Luxco 1 and Luxco 2 will be automatically released and the pledge by the Issuer over the shares of Luxco 1 will be released and replaced by a pledge by the Issuer over the shares of Thom Group.

Post-Completion Mergers

Following the Acquisition Completion Date, we expect to merge Financière Goldfinger S.A.S., Financière Goldfinger III S.A.S., Financière Goldfinger IV S.A.S. and Financière Goldfinger V S.A.S. (collectively, the "Mancos") into the Issuer. In connection with such mergers, the pledges granted by the Issuer over the shares of the Mancos will be automatically released.

ii. COVID-19 measures

On January 14, 2021, the French government announced new measures in response to the COVID-19 pandemic. While most of the country had been placed under curfew (starting at 8 p.m.) since December 15, 2020, a stricter 6 p.m. curfew that was already in place in certain regions of France was extended to the entire country.

Similarly, on January 15, 2021, a decree issued by the Prime Minister of Italy extended the state of emergency in Italy until April 30, 2021 and imposed new restrictive measures starting on January 17, 2021. Northern Italy is one of the regions placed in the "red zones" category, putting the region in near-lockdown with only supermarkets, pharmacies and stores selling essential items being allowed to remain open. These new restrictive measures in Italy will cover a region where approximately 130 of our stores are located. On January 23, 2021, the Italian government designated Lombardy as an "orange" zone, allowing stores to reopen.

In addition, from February 1, 2021, the French government has closed all shopping malls bigger than 20,000 square meters (no official end date to this measure has been communicated as of the date hereof). The Prime Minister of France stated that a new lockdown could be put in place if France were to face an increase in COVID-19 cases.

In Germany, the lockdown started on December 16, 2020 was extended until March 28, 2021. There could be a local lockdown, by Länder, after that date.

The Group's activity has been materially adversely impacted, during this period, because of the partial or total shutdown of its subsidiaries' activity. Employees impacted by shops closings as well as some employees at the headquarters have been placed in partial unemployment.

A similar kind of cost saving plan as for the 1st and 2nd lockdowns has been implemented to manage stores' shutdowns.

The financial impact of these new measures is not yet known.

b. Off-balance sheet commitments

iii. Post-employment benefits (France)

Post-employment benefits are calculated once a year. As of September 30, 2020, post-employment benefits in France were off-balance sheet and amounted to €696,000. The main actuarial assumptions remain the same as for the previous year and are as follows:

- Discount rate: 0.73%
- Salary increase rate: 2.5%
- Calculation of employee turnover by socio-professional category based on historical data at each entity
- INSEE mortality table (T168)

iv. Pledges

- Pledged securities accounts containing Thom shares for the benefit of TLB investors and issuers of the RCF
- Pledge on inter-company loans and current accounts held by Thom Group and Thom for the benefit of the above-mentioned parties
- Pledge on bank accounts of Thom Group and Thom for the benefit of the above-mentioned parties
- Pledge on brands held by Thom Group and Thom for the benefit of the above-mentioned parties

v. Hedges

Due to its activity, the Group is exposed to changes in foreign exchange rate (USD/EUR), gold price and EURIBOR interest rates in respect of its senior debt. These changes may negatively impact the Group's earnings and financial statements. The Group follows a centrally administered risk management policy and uses various derivative financial instruments to hedge its exposure to these risks. Counterparties are selected based on their international ratings as well as for diversification purposes.

As of December 31, 2020, the fair values of these instruments were as follows:

		31/12/2020			30/09/2020		
En m€		**Fair Value**	**On B/S**	**Off B/S**	**Fair Value**	**On B/S**	**Off B/S**
Currency hedge USD/EUR		(2.7)	-	(2.7)	(1.2)	-	(1.2)
Gold price hedge		(0.0)	-	(0.0)	0.8	-	0.8
Euribor hedge	(1)	1.0	0.8	0.2	1.1	0.8	0.3
Total		**(1.8)**	**0.8**	**(2.6)**	**0.8**	**0.8**	**(0.0)**

(1) Premiums paid for caps used for hedging EURIBOR interest rates related to the TLB have been recognized on balance sheet and amortized over the duration of the contracts. The remaining balance amounted to €0.76 million as of December 31, 2020 compared to €0.81 million as of September 30, 2020.

Currency hedge

A significant portion of the Group companies' purchases are denominated in USD. The EUR/USD exchange rate risk is hedged by currency forwards and structured products. As of December 31, 2020, the Group's long positions aggregated $64.3 million (against $63.8 million as of September 30, 2020), hedging nearly all its USD-denominated payment needs for the next fiscal year.

Currency hedge (purchase of USD against EUR)		
In USD million	**31/12/2020**	**30/09/2020**
Collar		
Notional amount in USD	**34.3**	**25.3**
Expiry:		
- due within one year	*18.3*	*11.0*
- due in more than one year	*16.0*	*14.3*
Forward contracts		
Notional amount in USD	**30.0**	**38.5**
Expiry:		
- due within one year	*30.0*	*33.5*
- due in more than one year	*-*	*5.0*

Gold fixing hedge

The Group purchases products containing gold at a minimum quantity of 1,600 ounces of gold per month. Gold price risk is hedged by swaps and synthetic calls. As of December 31, 2020, the Group's long positions aggregated 6,400 ounces of gold, only in synthetic calls, as well as physical gold held in inventory, which represented approximately eight months of gold purchases as of December 31, 2020, thus providing an overall hedge of twelve months relating to gold price fluctuations following the end of the three-month period ended December 31, 2020.

Gold price hedge		
In ounces	**31/12/2020**	**30/09/2020**
Synthetic calls		
Hedged quantity (ounces)	**6,400**	**12,800**
- Purchases against EUR	*6,400*	*12,800*
- Purchased against USD		*-*
Expiry:		
- due within one year	*6,400*	*12,800*
- due between one and two years	*-*	*-*

EURIBOR interest rate hedge

EURIBOR interest rate risk related to the TLB is hedged through interest rate caps for €508.5 million until August 7, 2022, then for €282.5 million until August 7, 2023, and finally for €169.5 million until August 7, 2024.

vi. Commitments received

As of December 31, 2020, the Group had an RCF of €90 million, of which €0.1 million was, by way of a letter of credit issued by a French bank participating in the RCF, used to counter-guarantee the guarantees granted by an Italian bank in favour of lessors.

The Group also has a guarantee payable on first demand to guarantee the payment of head office rents for an amount of €0.5 million.

vii. Commitments given

Excess Cash-Flow due for FY19 for a total of €8.4 million in May 2020 will be reimbursed in May 2021 in accordance with the waiver dated April 7, 2020.

Other commitments given by Thom Group as of December 31, 2020:

- Bank guarantees in favour of lessors for €1.9 million

Commitments given by Stroili as of December 31, 2020:

- Bank guarantees in favour of lessors for €15.4 million.

Commitments given by OroVivo as of December 31, 2020:

- Bank guarantees in favour of lessors for €1.0 million.

THOM GROUP

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