Annual Report
2012

TOM TAILOR GROUP

THE PERFECT FIT

TOM TAILOR

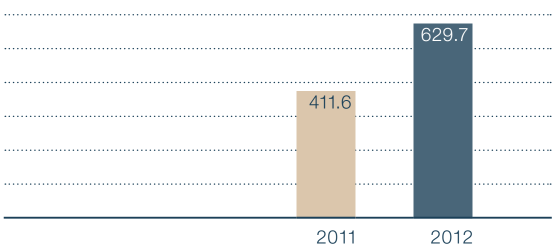
Key Figures

EUR million	2012	2011	Change absolute	Change relative
Revenue	629.7	411.6	218.1	53.0 %
TOM TAILOR Retail	205.8	154.6	51.2	33.1 %
TOM TAILOR Wholesale	270.0	257.0	13.0	5.1 %
BONITA	153.9			
Share of revenue (in %)				
TOM TAILOR Retail	32.7	37.6		
TOM TAILOR Wholesale	42.9	62.4		
BONITA	24.4			
Cost of materials	296.5	210.0	86.5	41.2 %
Gross profit	333.2	201.6	131.6	65.3 %
Gross margin (in %)	52.9	49.0		
Recurring EBITDA	**66.5**	**48.1**	18.4	38.3 %
Recurring EBITDA margin (in %)	10.6	11.7		
One-off items	11.5	1.7	9.8	576.5 %
EBITDA	55.0	46.4	8.6	18.5 %
EBITDA margin (in %)	8.7	11.3		
Recurring EBIT	**34.1**	**27.8**	6.3	22.7 %
Recurring EBIT margin (in %)	5.4	6.8		
One-off items (net of imputed tax effects)	17.9	7.0	10.9	155.7 %
thereof amortisation of TOM TAILOR/BONITA PPA	6.4	5.3	1.1	
thereof financing costs/BONITA acquisition	14.8	–		
thereof negative goodwill from BONITA acquisition	–11.1	–		
thereof cost of BONITA integration	4.4	–		
EBIT	16.2	20.8	–4.6	–22.1 %
EBIT margin (in %)	2.6	5.1		
Recurring net income for the period	**18.9**	**15.0**	3.9	26.0 %
Recurring earnings per share (in EUR)	0.81	0.91	–0.10	–11.0 %
One-off items (including imputed tax effects)	15.8	4.9	10.9	222.4 %
thereof TOM TAILOR/BONITA PPA	4.5	3.7	0.8	
Net income for the period	3.1	10.1	–7.0	–69.3 %
Earnings per share (in EUR)	0.01	0.59	–0.58	
Cash generated from/used in operations	**20.4**	**20.5**	–0.1	–0.5 %
Net cash used in investing activities	35.6	22.6	13.0	57.5 %
Employees as at 31 December (absolute)	**6,133**	**1,541**	4,592	298.0 %
thereof TOM TAILOR Wholesale	541	467	74	15.8 %
thereof TOM TAILOR Retail	1,426	1,074	352	32.8 %
thereof BONITA	4,166			

	31/12/2012	31/12/2011		
Total assets	**771.2**	**320.5**	450.7	140.6 %
Equity	218.9	113.7	105.2	92.5 %
Equity ratio (in %)	28.4	35.5		
Return on equity (in %)	1.4	8.9		
Cash and cash equivalents	**53.4**	**9.3**	44.1	474.2 %
Financial liabilities	301.2	84.0	217.2	258.6 %
Net debt	247.8	74.6	173.2	232.2 %
Net debt/adjusted EBITDA (in years)	3.7	1.6		
Gearing (in %)	**113.2**	**65.6**		

Revenue

EUR million

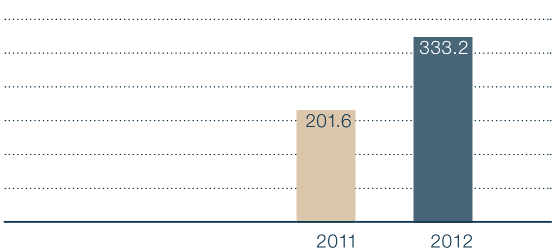


Revenue

+53%

Gross Profit

EUR million

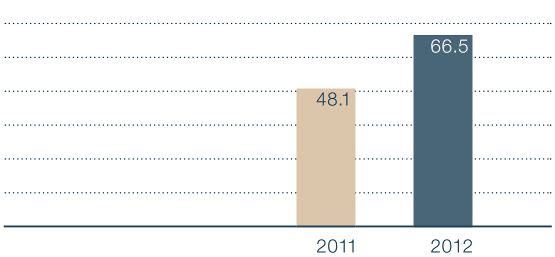


Gross Profit

+65%

Recurring EBITDA

EUR million

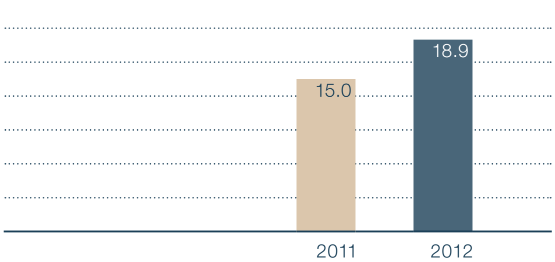


Recurring EBITDA

+38%

Recurring Net Income for the Period

EUR million



Recurring Net Income
for the Period

+26%

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THE PERFECT FIT

By taking over BONITA, the TOM TAILOR GROUP has established itself as a key player in the European fashion sector. The Group now operates some 1,300 retail stores and employs more than 6,100 people, serving all age groups that are relevant for the fashion market. In the course of the ongoing integration process, we are pooling the two companies' strengths strategically – strengths that complement one another perfectly. In this way, we will turn two successful companies into ONE even more successful company.

Contents


TOM TAILOR

Hamburg, March 2013

Dear Shareholders and Friends of the TOM TAILOR GROUP,

2012 was a very special year for TOM TAILOR – we celebrated our 50th birthday and established ourselves as a new heavyweight in the European fashion sector with the acquisition of BONITA. Today, the new TOM TAILOR GROUP with its two umbrella brands – TOM TAILOR and BONITA – is one of Germany's top ten fashion and lifestyle companies. We employ over 6,100 people and operate 1,300 retail and 175 franchise stores. The acquisition of BONITA follows the logic of "retail excellence meets product excellence". BONITA has one of the best retail logistics organisations in the industry in Europe and covers the 40- to 60-year-old target group, complementing TOM TAILOR. TOM TAILOR uses an analytical trend management system that is aligned with customer wishes and has a particular focus on the 15- to 40-year-old target group. TOM TAILOR and BONITA are thus a perfect fit.

Our 2012 Annual Report provides further clear proof of the TOM TAILOR GROUP's successful growth path. Revenue rose by approximately 53% to EUR 630 million. This rise naturally reflects the revenue contribution from BONITA in the period from August to December. However, it also clearly shows that our TOM TAILOR brand is continuing its expansionary course. We saw further increases in both our retail and in our wholesale business. I would like to draw particular attention to TOM TAILOR's retail growth: we increased the number of TOM TAILOR stores by 67 to 315 and lifted revenue by a third to approximately EUR 206 million. Our online business, which can now be accessed from all over Europe, also saw dynamic growth with revenue up 47.5% to EUR 35 million. On a like-for-like basis (i.e. excluding expansion), retail revenue rose by around 15% year-on-year. This means that TOM TAILOR retail again bucked the overall trend in the German textile industry, which saw revenue drop by 2% in 2012. We also have good news to report in the wholesale segment, where revenue rose by approximately 5% to EUR 270 million in 2012. TOM TAILOR is now present in over 2,000 shop-in-shops and opened 20 new franchise stores in the past year.

BONITA has officially been a TOM TAILOR GROUP company since August and contributed approximately EUR 154 million to revenue in the period from August to December. This represents a decrease of approximately 1% as against the prior-year figure, primarily due to the weak fourth quarter. The mild winter weather in December affected performance across the entire textile industry and, unlike TOM TAILOR, BONITA was unable to escape this trend. However, the brand developed slightly better than the weak market.

At the operating level, we made substantial progress in the third quarter of 2012 with migrating our procurement structures from agent-based sourcing to direct sourcing via the TOM TAILOR Sourcing organisation. As at the end of December, around 130 employees in purchasing offices in Bangladesh, India, Indonesia, China and Vietnam were already working exclusively on procuring our merchandise in Asia. Indonesia, for example, has already almost completely migrated to direct sourcing.

As part of our brand strategy, in July we presented TOM TAILOR Denim and TOM TAILOR POLO TEAM to a large industry audience from around the world at Bread & Butter, Germany's leading fashion trade show, in Berlin. The event marked the successful premiere for our premium sportswear brand, TOM TAILOR POLO TEAM, and led to extremely positive feedback from customers and the trade press. In addition, we broadcast our new television commercial on ProSiebenSat.1 Media Group stations in the third quarter.

A major acquisition like this makes financial year 2012 a transitional year for the TOM TAILOR GROUP. We recorded revenue of approximately EUR 630 million, reaching our target of generating revenue of between EUR 625 million and EUR 635 million in 2012. Adjusted EBITDA amounted to EUR 66.5 million in the past financial year and can be interpreted in two different ways. On the one hand, this figure is up significantly by 38% on the previous year, while on the other, it was below the forecast figure of EUR 70 million. This is primarily due to BONITA's contribution to earnings in December, which fell short of expectations as a result of the mild weather. Overall, we recorded adjusted net income for the period of EUR 18.9 million and adjusted earnings per share of EUR 0.81.

We are currently driving forward the integration of BONITA into the TOM TAILOR GROUP and aim to have largely finished this by the end of 2013. The main focus is on the four areas of product development, merchandising, procurement and logistics. Our goal is to bundle TOM TAILOR's and BONITA's strengths and create a common infrastructure that allows us to achieve economies of scale and act faster. We firmly believe that BONITA, whose distribution channels are focused on its own retail stores and which generates extremely attractive gross margins, will make a substantial contribution to consolidated earnings in future.

We have once again set ourselves ambitious goals for 2013, our year of integration. We aim to generate revenue of at least EUR 900 million and increase our profitability with an adjusted EBITDA margin of at least 12%. We will also systematically expand – we plan to open 60 to 70 new retail stores and approximately 200 new shop-in-shops for the TOM TAILOR umbrella brand in 2013. We want to grow primarily in Germany, Austria and Switzerland. BONITA will also expand both its physical and its online presence with the planned opening of 40 new branches and the launch of the BONITA online shop.

Our vision remains unchanged – we want to grow the TOM TAILOR GROUP into one of the largest continental European fashion and lifestyle companies. On behalf of the entire Management Board, I would like to thank all of our employees at BONITA and TOM TAILOR for their hard work and commitment and you, our valued shareholders, for the trust you have placed in our Company.

We hope that you will continue to do so going forward.

Sincerely,

Dieter Holzer

Dieter Holzer

Dieter Holzer
Chief Executive Officer/CEO

TOM TAILOR GROUP


BONITA
FAT FRANK

The Management Board

Dieter Holzer | born 1964 | Chief Executive Officer | CEO

Dieter Holzer has managed the TOM TAILOR GROUP since September 2006. His responsibilities include the corporate strategy, distribution, e-commerce and public relations business areas. He is also responsible for integrating BONITA into the TOM TAILOR GROUP.

Between 1982 and 1985, he completed his vocational training as a retail specialist in the textile trade. After holding several positions in the fashion industry – including in the area of product development – he worked for ESPRIT from 1995 to 2000. As a wholesale manager, he was responsible for the German, UK and Eastern Europe markets. In 2000, he joined Tommy Hilfiger Deutschland as CEO. There, he oversaw the expansion of the company's wholesale, retail and franchise business in the core markets of Germany and Eastern Europe between 2000 and 2006. He was also responsible for the international roll-out of Tommy Hilfiger's e-commerce business. (Second from right in photo)

Dr Axel Rebien | born 1971 | Chief Financial Officer | CFO

Dr Axel Rebien has been with the TOM TAILOR GROUP since October 2005. As CFO, he is responsible for finance and accounting, controlling, investor relations, IT, personnel, logistics and legal affairs.

After completing his vocational training as a bank clerk, Dr Rebien studied economics at Gottfried Wilhelm Leibniz University in Hanover. In 1999, he began his career with the auditing firm Arthur Andersen, initially as a project manager from 2000 to 2002 and, as of 2001, as a manager in the Transaction Advisory Services division. While at Arthur Andersen, he earned his doctorate (Dr. rer. pol.) from the Technical University of Chemnitz with a dissertation on enterprise valuation. After Arthur Andersen merged with Ernst & Young, he worked as a manager in the Transaction Advisory Services division until 2005. (Left in photo)

Udo Greiser | born 1957 | Chief Product Development and Procurement Officer | CPO

In his function as CPO, Udo Greiser has been responsible for product development, procurement and licensing at all divisions of the TOM TAILOR GROUP since March 2012.

He studied economics at the University of Konstanz. After several years in his own retail company, he worked for ESPRIT between 1997 and 2011, performing various functions for the "edc by esprit" brand. As of 2003, he was responsible for edc woman and, as of 2007, he had overall responsibility for all edc divisions. In November 2010, he joined the Global Executive Management Board of ESPRIT as "Global Product Officer (CPO) edc". Most recently, he worked in an advisory capacity for the CBR Fashion Group. (Right in photo)

Dr Marc Schumacher | born 1977 | Chief Retail Officer | CRO

As Chief Retail Officer, Dr Marc Schumacher has been responsible for the retail business segment and marketing at the TOM TAILOR GROUP since July 2011.

Between 1998 and 2001, Dr Schumacher completed an international training programme at HUGO BOSS AG while studying business administration at Stuttgart University of Cooperative Education at the same time. In 2001, he joined the Breuninger Group where he began as an assistant to senior management, subsequently serving as Director of Marketing and Communication between 2003 and 2008. While at Breuninger, he completed an MBA at the Leipzig Graduate School of Management, as well as earning his doctorate in economics (Dr. rer. oec.) with a dissertation on consumer behaviour research. In 2008, he joined TOM TAILOR Holding AG as Director of Retail and International Marketing. (Second from left in photo)

Highlights in 2012

FEBRUARY

Partnership with Women's Magazine BRIGITTE

TOM TAILOR and BRIGITTE join forces to launch a new fashion line. In mid-February, we signed an agreement with Germany's leading women's magazine, which bore fruit in the late summer with the unveiling of exclusively designed fashion articles for the autumn season. "TOM TAILOR by BRIGITTE" is available via the BRIGITTE online shop, the TOM TAILOR e-shop and in selected retail stores. The partnership allows us to expand both our market position and our customer base.

MARCH

Start of New TV Campaign

In 2012, we continued our TV advertising campaign with a new commercial on all ProSiebenSat.1 Media AG channels. The "Chase" spot, in which a crowd of naked people chase after a TOM TAILOR delivery van, is a tongue-in-cheek take on fashion victims' desire for the season's "in" looks. The successful campaign was continued in the autumn with "The chase continues". The latest monthly collection is featured at the end of each spot. Customised measures for all sales channels have also been developed as part of our 360 degree campaign.

JUNE

E-shop Opened in Russia

TOM TAILOR has expanded its brand presence and sales activities in Russia with the launch of an e-shop. Since June, our entire TOM TAILOR "lifestyle world" and accessories – TOM TAILOR CASUAL, TOM TAILOR Denim and the new premium line TOM TAILOR POLO TEAM – have been available online at www.tom-tailor-online.ru. Home to an estimated 140 million people, Russia's online and conventional markets are extremely attractive for TOM TAILOR.

JULY

First Appearance at BREAD & BUTTER in Berlin

We showcased our new TOM TAILOR POLO TEAM brand to a wide international audience at the BREAD & BUTTER fashion trade show in Berlin. BREAD & BUTTER is the leading international fair for street and urban wear. The TOM TAILOR GROUP invested some EUR 1.2 million in its successful trade show presentation.

AUGUST

BONITA Takeover Completed

TOM TAILOR Holding AG completed its acquisition of BONITA, a leading fashion provider for the 40+ target group, on 8 August. BONITA has been a wholly owned subsidiary since this date. This takeover has enabled the TOM TAILOR GROUP to establish itself as a key player on the European fashion market, serving all relevant age groups. The Group now operates some 1,300 retail stores and employs more than 6,100 people.

SEPTEMBER

Direct Procurement via the TOM TAILOR Sourcing Organisation

At the operating level, we made substantial progress in the third quarter of 2012 with migrating our procurement structures from agent-based sourcing to direct sourcing. In the third quarter, we procured the first collections directly via TOM TAILOR sourcing organisation in Asia; from 2013, all Asian goods for the TOM TAILOR umbrella brand will be sourced via the purchasing company.

DECEMBER

TOM TAILOR E-shop goes Europe

The TOM TAILOR E-shop for Europe has gone live. Our collections can now be ordered online in 20 countries across Europe, from Sweden through Portugal to Latvia. The move massively expands our online activities.

Fit Factors

TOM TAILOR and BONITA fit perfectly together. We address complementary target groups and are active in similar markets. In addition, each company has strengths from which the other can benefit.

THE PERFECT FIT

Product Excellence Meets Retail Excellence

TOM TAILOR

- Proven expertise in design and products
- Own sourcing company in Asia
- Substantial marketing know-how
- Years of experience in e-commerce and in the outlet business

BONITA

- High level of standardisation in retailing
- Substantial experience of business expansion
- Fully automated logistics centre with capacity reserves
- Intelligent push-and-pull logistics

TOM TAILOR GROUP

- New key player in the European fashion market
- Excellent market position with two strong complementary umbrella brands
- Adequately targeting all relevant age segments
- Balanced women's and men's portfolio
- Coordinated retail expansion for both umbrella brands
- Significant synergies through economies of scale, particularly in procurement and logistics

Fit Factors

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COMPLEMENTARY BRANDS AND TARGET GROUPS

Since taking over BONITA in the third quarter of 2012, the TOM TAILOR GROUP has also started to target the 40- to 60-year-old age group. With this move, the Group is expanding into a less competitive, less price-sensitive growth segment – a field that is extremely attractive in the long term.

BONITA's focus on this new age group makes it the ideal complement to our TOM TAILOR umbrella brand, which appeals to men and women under 40 and children with its Casual, Denim and POLO SPORT collections. Today, the TOM TAILOR GROUP with its two complementary umbrella brands can target the needs of all relevant age groups.

HIGHER PROFITABILITY THANKS TO RISING RETAIL SHARE

BONITA is exclusively active in the retail sector. Its takeover added nearly 1,000 stores to TOM TAILOR's portfolio of almost 300 stores. BONITA's products are sold exclusively through its own retail stores, which leads to higher margins. Together with BONITA, the Group generated 57 % of its revenue in the retail business in 2012.

SIMILAR REGIONAL PRESENCE

TOM TAILOR and BONITA's regional markets are almost identical – in fact, the maps depicting their respective markets are virtually carbon copies. Together with BONITA's retail business, the TOM TAILOR GROUP lifted its share of revenue in Germany to over 66%. Revenue also increased sharply in the other core markets – Austria, Switzerland, the Benelux countries and France. The advantage: the ability to leverage our joint market knowledge and a stronger negotiating position, for example when renting retail locations.

BROAD PORTFOLIO OF WOMENSWEAR AND MENSWEAR

TOM TAILOR was very strong in the men's fashions segment prior to taking over BONITA. Following the merger, the focus of the new TOM TAILOR GROUP has now shifted to the attractive women's fashion segment, which generates the largest share of revenue – almost 60%. Studies have shown that women spend five times as much on fashion as men. In future, we intend to tap into this potential.

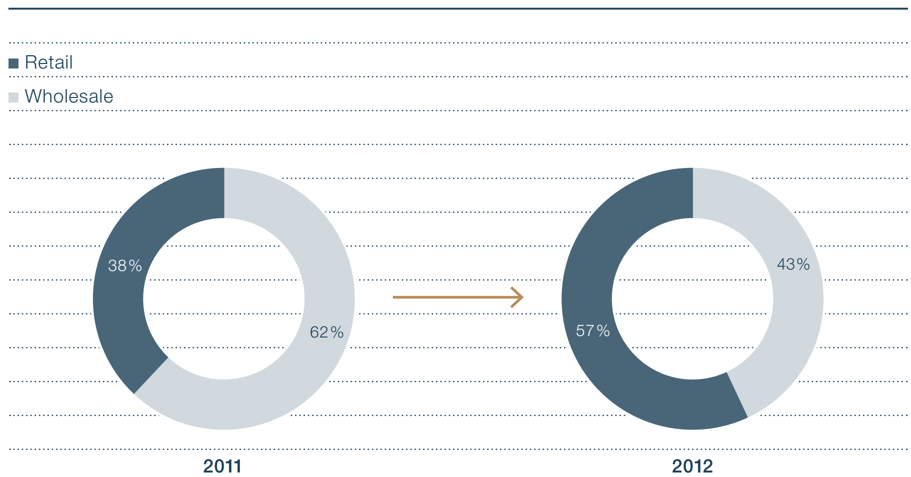
We want to transfer the menswear expertise of our TOM TAILOR umbrella brand to the BONITA men brand, driving the expansion of BONITA men stores. At present, BONITA operates fewer than 60 menswear retail stores out of a total of almost 1,000 stores. These are to be joined by an estimated new 25 stores every year as of 2013.

NEGOTIATING BETTER CONDITIONS TOGETHER

The Group now operates roughly 1,300 retail stores. This scale enables us to negotiate more attractive conditions. Whether renting new space or commissioning shop fittings, we have now reached a size in which initial economies of scale can be achieved. Which in turn improves higher profitability.

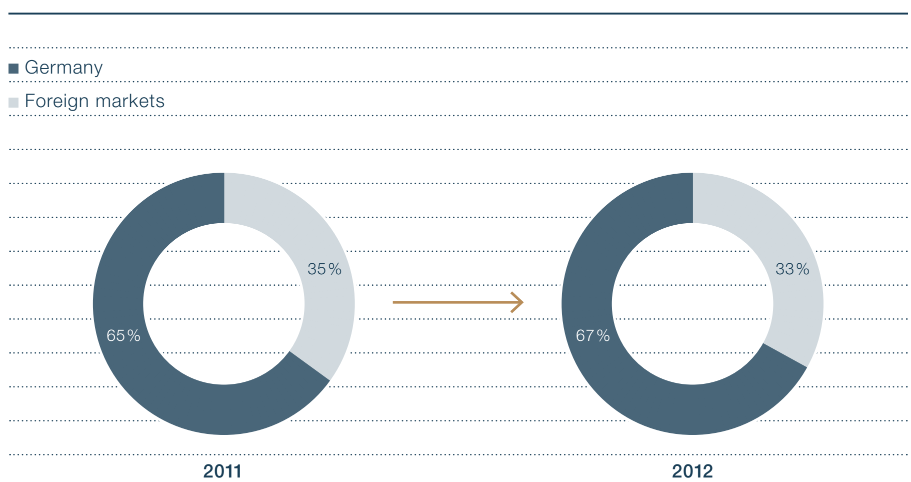
Growing Importance of Retail Business

Share of revenue (in %)



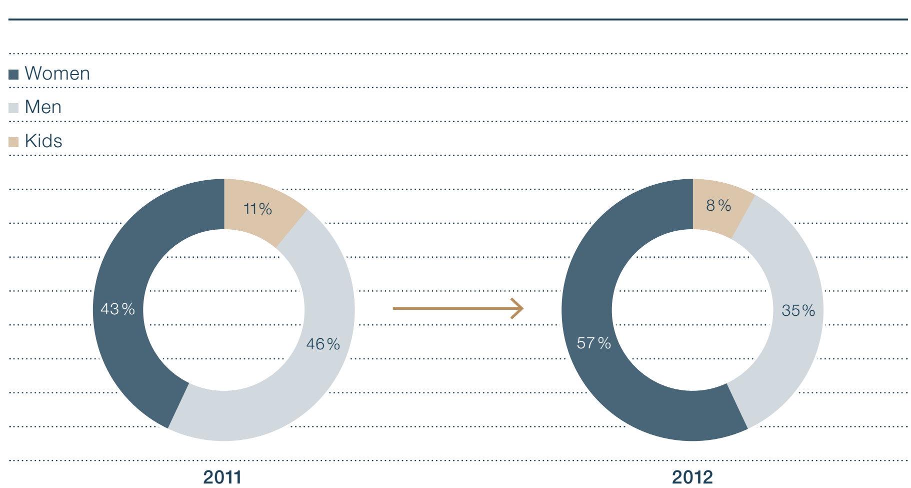
Strong Presence in Germany

Share of revenue (in %)



Balanced Product Portfolio

Share of revenue (in %)



Complementary Brands

0 to 14 Years

The needs of the youngest target group are met by the KIDS (8 to 14 years), MINIS (18 months to 7 years) and BABY lines. These collections take into account the latest fashion trends, the needs of the children and their parents' expectations as regards functionality, high-quality materials and optimum fits.

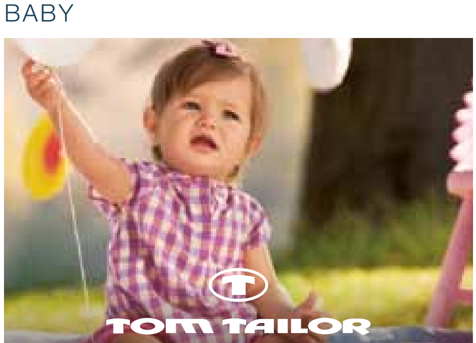
15 to 25 Years

The TOM TAILOR Denim collections are aimed at young adults between the ages of 15 and 25. These collections pick up on current trends from fashion capitals around the world, marrying the latest styles and colours with fashionable washes and details. The casual collections underline the individuality of their young customers.

KIDS

MINIS

BABY



DENIM MALE

DENIM FEMALE

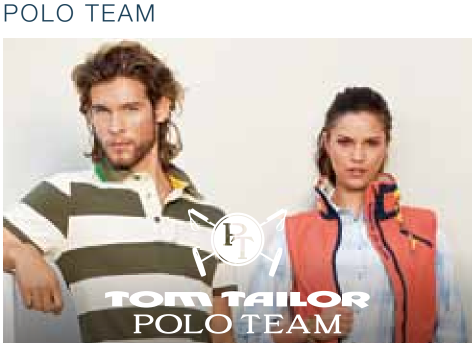
25 to 40 Years

The TOM TAILOR CASUAL brand consists of MEN Casual and WOMEN Casual – fashionable clothing for men and women in the mid-range price segment with a focus on the 25 to 40 age group. A new addition is TOM TAILOR POLO TEAM, the premium sportswear brand that we launched in 2012.

MEN CASUAL

WOMEN CASUAL

POLO TEAM



40 to 60 Years

BONITA fashion is based on high-quality items of clothing with optimum fits that can be mixed and matched to create new outfits time and time again. The BONITA collections are only sold in its own stores – true to the slogan "BONITA gibt es nur bei BONITA" ("You can only get BONITA at BONITA") – and are rounded off by a wide range of accessories.

MEN

WOMEN

Joining Forces for Even Greater Success

TOM TAILOR and BONITA have clear strengths that complement each other perfectly and from which both companies can benefit: while BONITA gets to share in TOM TAILOR's analytical design and development process, TOM TAILOR is introducing BONITA's push-and-pull logistics. In this way, we can harness key long-term synergies for the TOM TAILOR GROUP and take our success to an even higher level.

THE PERFECT FIT

EXCELLENCE AT THE POINT OF SALE

Concentrated Retail Expertise

The merger of TOM TAILOR and BONITA brings two renowned retail specialists together.

In recent years, we have made massive investments in our retail segment at TOM TAILOR and have substantially expanded the selling spaces that we operate ourselves. At the end of 2012, we operated a total of 315 TOM TAILOR retail stores across Europe; in recent years, we have opened nearly 60 stores a year. With almost 1,000 stores to its name, BONITA is exclusively active in the retail segment. This new, combined retail expertise allows the TOM TAILOR GROUP to drive forward its planned expansion even more swiftly and to further optimise our vertically integrated value chain. The individual links in this chain – from collection design and production to the sale of the products to consumers at the point of sale – are largely overseen and coordinated by us.

By closely monitoring these processes and aligning the changing collections with customer needs and demands, we are able to reduce our fashion risk and, in turn, our sales risk. Our customers will always find the latest fashions, perfectly in step with their needs in our selling spaces, allowing us to achieve high revenue per square metre.

The TOM TAILOR stores vary as regards their average size: while TOM TAILOR Casual stores have an average size of 200 to 250 m², the TOM TAILOR Denim stores average 150 to 200 m². By contrast, BONITA stores are around 85 m² in size, with all stores having an almost identical floor plan. The store layout specifies how the products are presented and where the till and changing areas are to be located. This uniform and scalable store concept allows BONITA to expand quickly, which is why it is also to be applied in part to TOM TAILOR stores.

Fully Focused on Our Customers

It is not only the store concept that offers valuable potential – business processes in the outlets do as well. As products are delivered to stores already labelled and on hangers, BONITA sales staff are free to focus exclusively on their customers. Women who shop at BONITA value its perfectly trained sales staff. This concept is now also being tested for TOM TAILOR Casual. By contrast, the young people in the Denim collections target group prefer to try on and purchase their clothes on their own and do not set such great store by one-on-one advice.

THE PERFECT FIT

Whether they are expanding their business activities or optimising their processes, TOM TAILOR and BONITA can benefit from each other's retail excellence

SHORT LEAD TIMES

Tracking Trends Closely

Understanding customers and managing trends are key success factors in the fashion industry – with lead times of 23 to 26 weeks, TOM TAILOR is right at the head of the pack.

The TOM TAILOR GROUP sees itself as a “trend manager” that understands and serves the needs and wishes of its target customers. This means that we do not set trends ourselves, but rather adapt worldwide trends quickly in our collections and make them available to a wide customer base. At TOM TAILOR, around ten designers in each division work on developing our collections. A new collection is designed every month for each product line, each with up to 80 items. This calls for a high degree of creativity, not to mention meticulous planning.

Understanding the wishes of target customers and identifying the right trends are key success factors in the fashion industry. With this in mind, TOM TAILOR deploys a professional scouting team that observes fashion markets from the East Coast of the United States to Japan. In liaison with the designers, designs are developed which are then examined by the sales and purchasing departments with a view to determining expected sales volumes and prices. Another key success factor is the ability to launch trends on the market at the right time – in the right volume and at the right price.

To achieve this, the designers use a predefined basic collection plan which takes creative shape in the course of the design process. The basic collection plan reflects the requirements to be met on the selling spaces and determines the number of styles and options per style required for a collection. It also specifies its pricing architecture, including the basic prices. The objective of adhering to the basic collection plan is to minimise the risk of discounts.

Short Lead Times at BONITA, too

In September 2013, BONITA will launch its first articles on the market with a shorter lead time. This means that, for the first time, brand-new spot items will also be available at BONITA – tailored perfectly to the 40+ target group. Given that BONITA, unlike TOM TAILOR, only operates retail stores and therefore does not have the same processes, its lead times will not be the same as TOM TAILOR but still far shorter than before – the target is between 24 and 28 weeks.

We are going even further: in future, our starting date for designing and developing collections will no longer be based on the articles with the longest lead time but rather on how long the design and development process takes for a specific group of articles. This means that work on articles that can be produced quickly will commence at a later stage accordingly. BONITA is to be given its own product development process which will be based on that of TOM TAILOR but perfectly geared towards BONITA as a retailer.

THE PERFECT FIT

Shorter lead times mean that BONITA will also be able to supply its stores with new trends more quickly

DIRECT SOURCING AT BETTER PRICES

Closer to Procurement Markets

Having its own purchasing company in Asia has already proven its worth for TOM TAILOR – now BONITA also stands to benefit in future.

The TOM TAILOR collections are largely produced in Asia. The most important production locations are Bangladesh, India, Indonesia and China. In 2011, we set up our own purchasing company in Hong Kong and have systematically expanded it since then. At present, the TOM TAILOR sourcing organisation employs some 130 people and has seven offices in six different countries.

TOM TAILOR sourcing organisation

The first collections were procured via TOM TAILOR Sourcing in the second half of 2012; in 2013, all Asian products for the TOM TAILOR umbrella brand will be sourced via the purchasing company.

Direct procurement offers many advantages compared with sourcing through procurement agents: the responsibility for purchasing remains within the company at all times, volumes can be bundled across the individual divisions, and the processes can be managed more effectively internally. This new structure also allows us to reduce the number of smaller suppliers and to allocate our products to several large providers without putting our independence at risk. Suppliers are selected so as to ensure that a balanced range of products can still be offered even if one partner fails to deliver at short notice. In addition, it is no longer necessary to pay fees to procurement agents. This means that there are substantial cost savings to be made.

In Future, BONITA Will Source Some 60 % of Its Products From Asia

In 2012, BONITA sourced roughly one-third of its products from Europe – primarily from Germany – one-third from Turkey and only one-third from Asia. This means that procurement costs in the company are comparatively high. The aim is to shift the focus to Asia in future and to procure roughly 60 % of all product requirements from there as of 2015. In future, purchasing for the BONITA collections will also be handled through the TOM TAILOR purchasing company.

This means that enormous economies of scale can be achieved for the TOM TAILOR GROUP through further increases in the volumes of articles ordered and transported. As of 2015, we expect to save an annual total of EUR 10 million in our procurement activities.

THE PERFECT FIT

In future, BONITA will source the bulk of its products directly from Asia via TOM TAILOR Sourcing, allowing us to save some EUR 10 million a year as of 2015

PUSH-AND-PULL LOGISTICS

Made-to-Measure Logistics Operations

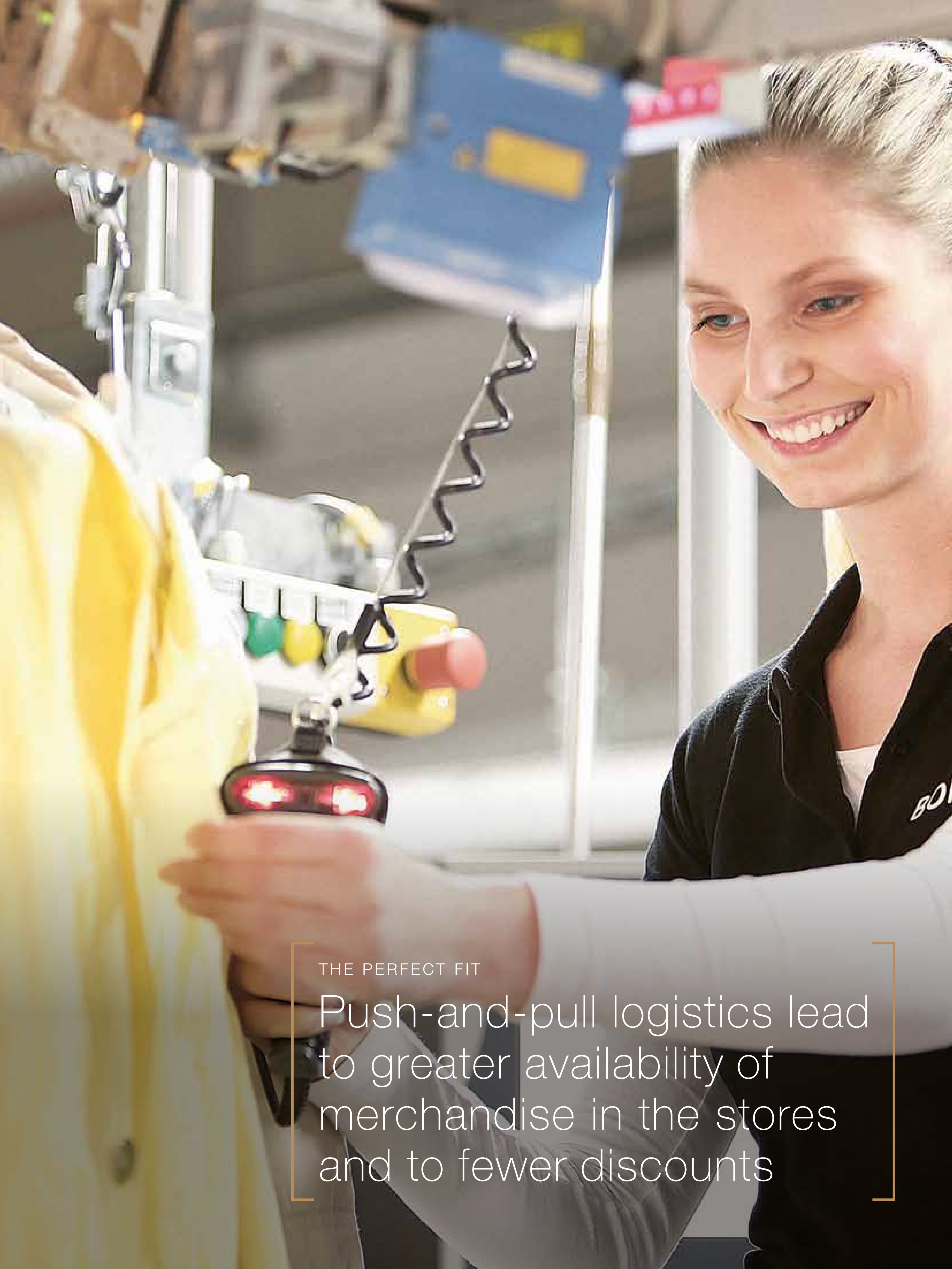
BONITA's made-to-measure logistics operations are seen as a benchmark in the sector.

The BONITA logistics centre is one of the most modern of its kind in Europe and is seen by the company's competitors as something of a benchmark. Every year, 13 to 15 million items of clothing are handled in its fully automated high bay warehouse – on peak days, this can be as many as 120,000 articles. Thanks to the high degree of automation, each employee is able to process an estimated 400 articles per hour, compared with the norm of 150 to 200 in the sector.

In the case of BONITA, the entire warehousing process is completed within a maximum of 24 hours. The merchandise management software is linked directly with the tills in the stores. This means that total store sales are calculated overnight, replacement volumes are determined and a corresponding order generated in the warehouse. Every day, stores are replenished with new products and products exchanged at individual outlet level, ensuring stores maintain a sufficient level of inventory. This approach also largely helps to avoid traditional "out-of-stock" situations, which in turn boosts revenue and customer satisfaction substantially.

A Model for TOM TAILOR

At present, there are still fundamental differences between BONITA's and TOM TAILOR's delivery concepts. BONITA stores initially receive 80 to 90% of products from the current collections, with the remaining articles being replenished once they have been sold off (push-and-pull logistics) as well as being exchanged between individual stores as part of a fully automated process. By contrast, the TOM TAILOR stores all receive the complete collection up front and products cannot automatically be exchanged between the stores. On the one hand, this can lead to bottlenecks; on the other, it can result in price discounts on account of excessively high inventory levels. As part of the harmonisation activities, the TOM TAILOR processes are to be adapted to BONITA's push-and-pull logistics by 2014. The changeover phase is expected to take 12 to 18 months. An initial pilot project for selected TOM TAILOR stores has been in operation since March 2013.



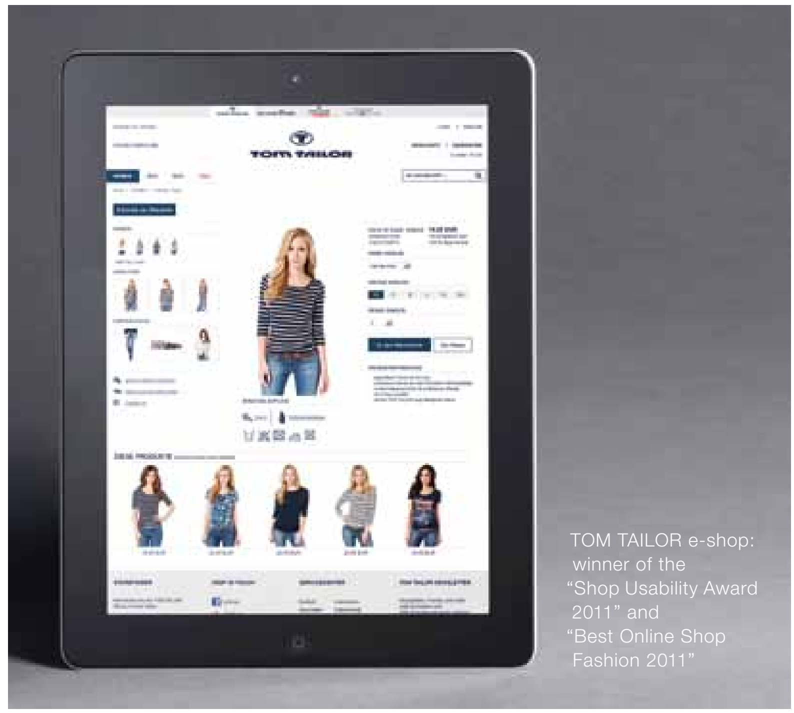
THE PERFECT FIT

Push-and-pull logistics lead to greater availability of merchandise in the stores and to fewer discounts

EUROPE-WIDE INTERNET BUSINESS

E-commerce – a Growth Driver

The TOM TAILOR GROUP is tapping into a new online target group with the creation of a BONITA online shop.



TOM TAILOR e-shop: winner of the "Shop Usability Award 2011" and "Best Online Shop Fashion 2011"

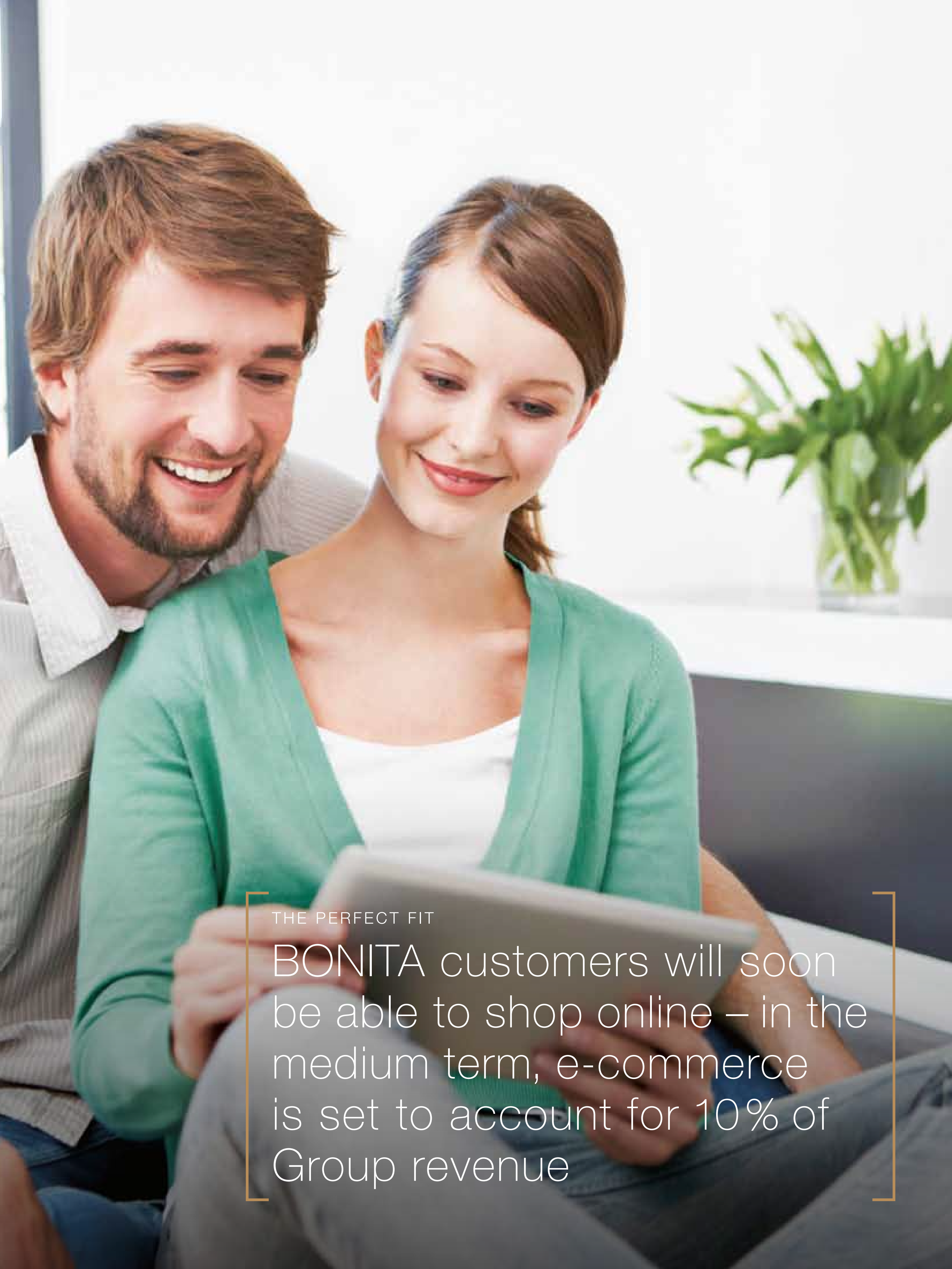
E-commerce is growing in importance both in Germany and worldwide. In 2012, 76% of the population were online, and total revenue from e-commerce was just under EUR 40 billion.

Our TOM TAILOR e-shop is an important growth driver for our company. In 2012, we generated EUR 35.3 million in revenue online, compared with EUR 5.1 million in 2007. The TOM TAILOR collections are available in six countries via their own e-shops: Germany, Austria, the Netherlands, Belgium, France and, since 2012, Russia. At the end of 2012, we also set up a Europe-wide English-language online shop in order to make the TOM TAILOR brand available in countries in which the company does not have a physical presence on the retail market. We can now be reached in 21 countries, from Sweden through Portugal to Latvia, via our online shop at www.tom-tailor.eu. This move massively expands our online activities.

Great Growth Potential Among 40+ Age Group

E-commerce sales are to be expanded to include BONITA. Today, people aged 40 upwards are using the Internet more and more and are by far the fastest-growing user group. In order to reach this target group efficiently with online newsletters and offers, we introduced the BONITA Fashion Card in January 2013. This card entitles customers to additional services and exclusive benefits, increasing loyalty to the BONITA brand. The BONITA online shop is scheduled to be launched at the end of June 2013. Based on the same model as TOM TAILOR, the online shop will be operated by an external partner, while a further partner will be in charge of back-end operations. This involves managing the warehouse and being responsible for dispatching, returns and invoicing.

We firmly believe that the online business will continue to grow in importance, and we will therefore continue to invest in expanding our online shops. In 2012, the e-commerce business contributed 7% to TOM TAILOR's revenue. In the medium term, the target we have set is for 10% of the TOM TAILOR GROUP's total revenue.



THE PERFECT FIT

BONITA customers will soon be able to shop online – in the medium term, e-commerce is set to account for 10% of Group revenue

Shares and Investor Relations

TOM TAILOR sees the capital market and its participants – institutional and retail investors, analysts, banks and brokers – as belonging to a partnership of equals. The aim of the Company's investor relations activities is to increase awareness of the TOM TAILOR GROUP around the world and to cement and build on the perception of TOM TAILOR shares as an attractive growth stock. We communicate the TOM TAILOR GROUP's development and strategic focus reliably, openly and on an ongoing basis. In this way, we aim to strengthen investor confidence in our shares and achieve a fair, realistic valuation for them on the capital market.

SHARES UP 35% YEAR-ON-YEAR AFTER ACQUISITION OF BONITA

In the first few weeks of 2012, stock markets around the world benefited from hopes that a solution would be found to the European sovereign debt crisis. However, economic concerns soon came to the fore after that and share prices lost ground again. At first, TOM TAILOR's shares were unable to escape the effects of this negative environment.

The announcement on 20 June 2012 of the acquisition of fashion retailer BONITA was well received by the market and boosted the Group's shares. Daily trading volumes also increased. The remainder of the year saw the start of a stock market recovery, despite the ongoing uncertainty. TOM TAILOR's shares closed financial year 2012 at EUR 16.12, a gain of 35%. As a result, they outperformed the benchmark index, the SDAX®, which rose around 20% in the same period.

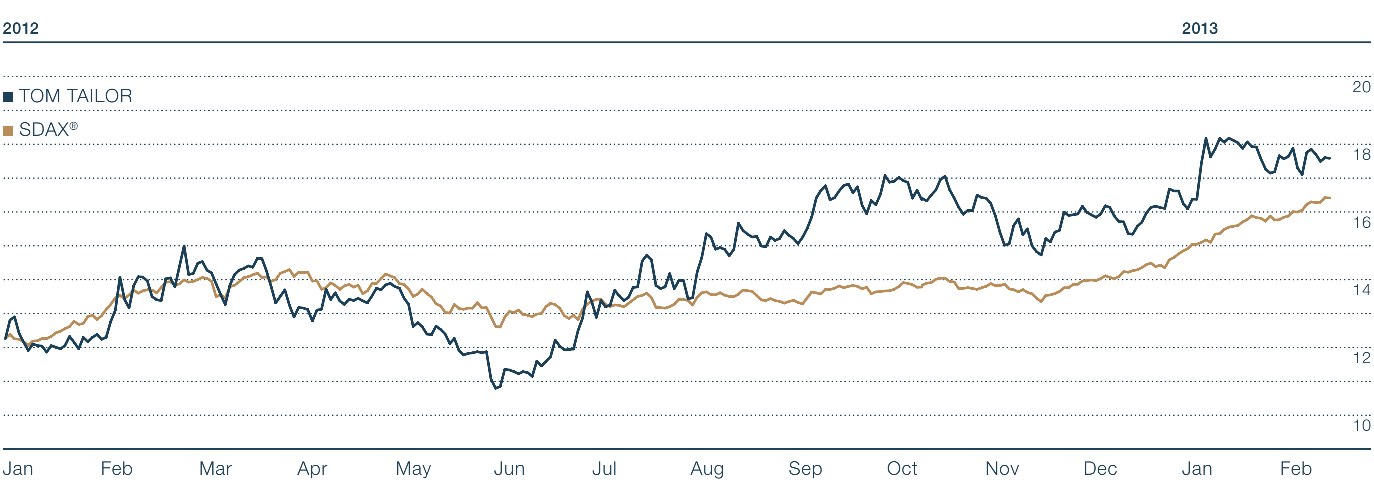
The stock markets continued their positive trend at the beginning of 2013. TOM TAILOR's shares hit a new all-time high of EUR 18.57 on 22 January 2013. The share price at the time this report went to print (20 February 2013) was EUR 17.65.

CASH AND NON-CASH CAPITAL INCREASE SUCCESSFULLY COMPLETED IN THE THIRD QUARTER

To partially finance its acquisition of BONITA, the TOM TAILOR GROUP implemented a cash capital increase from authorised capital at the beginning of July involving approximately 1.65 million new shares; shareholder's pre-emptive rights were disapplied. As a result, the Group raised a gross amount of EUR 20.6 million. The new shares were issued at a price of EUR 12.50 per share under the terms of a private placement for institutional investors using an accelerated book-building procedure. The cash capital increase was oversubscribed several times.

The acquisition of BONITA was completed at the beginning of August 2012 after all approvals were obtained from the anti-trust authorities, and a non-cash capital increase from authorised capital involving 6.02 million new shares was successfully implemented.

Development of the TOM TAILOR Share Compared to SDAX®* 1 January 2012 to 20 February 2013



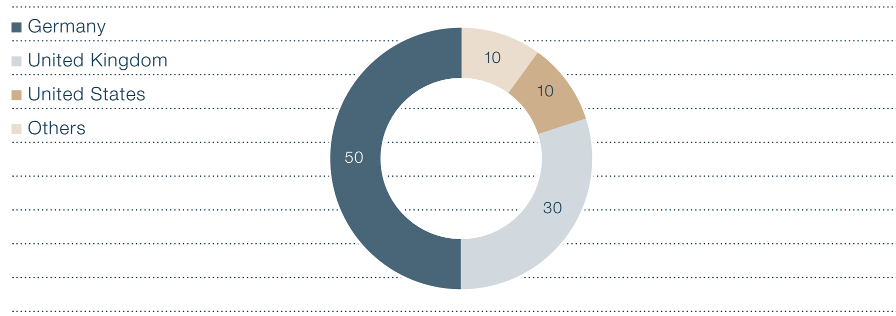
* SDAX® indexed to the TOM TAILOR share price in EUR

TOM TAILOR GAINS IN IMPORTANCE ON SDAX®

As at the end of 2012, TOM TAILOR's shares accounted for 2.28% of the SDAX®, given a market capitalisation of EUR 269 million (based on the official free float of 68.98%). The corresponding weighting at the end of 2011 was 1.79%. This means that the importance of TOM TAILOR as an SDAX® stock has increased considerably against 2011.

Regional Shareholder Structure

in % as of 31 December 2012



SHAREHOLDER STRUCTURE CHANGES AFTER ACQUISITION

TOM TAILOR Holding AG's shareholder structure changed in the past financial year following the acquisition of BONITA. Its largest single shareholder is now the seller of BONITA, ISLA Vermögensverwaltungs-GmbH, with a share of 24.9%, followed by Morgan Finance with a share of 6.1%. The total number of shares in issue as at the end of December 2012 was 24.2 million.

The vast majority of our shares are held by institutional investors in Germany and the United Kingdom. Less than 5% of the shares are held by private investors.

INTENSIVE DIALOGUE WITH THE CAPITAL MARKET

In 2012, the TOM TAILOR GROUP implemented extensive communication measures in the context of its acquisition of BONITA. The Company held its first Capital Markets Day at the BONITA site at the end of November 2012 to give analysts and investors on the ground the opportunity to get to know the Company, its strategy and the management team.

In addition, the Management Board and the Investor Relations team held an analysts' conference in March 2012, three conference calls when the quarterly figures were published in 2012, participated in numerous roadshows, investor conferences and one-on-one discussions – in all key European financial centres and in the United States. There, they provided information on the Company's strategic focus, current business developments and the acquisition of BONITA.

We welcomed nearly 100 shareholders, representing around 77% of the share capital (previous year: 72%), to the Annual General Meeting of TOM TAILOR Holding AG on 18 May 2012 in Hamburg. The proposed resolutions on individual agenda items were approved by a majority of at least 81%.

Shareholders can find information on the TOM TAILOR GROUP's development on the Internet at any time at http://ir.tom-tailor-group.com/. In addition to the latest news and the financial reports, presentations and a current financial calendar can also be found there. In the first quarter of 2013, the TOM TAILOR GROUP's website and information offering are being revamped and expanded in line with the Company's objectives.

The goal in 2013 is to further expand investor relations activities; in particular, there are plans to participate in more conferences. The aim is not only to provide excellent support for existing shareholders, but also to attract new investors.

GROWING INTEREST FROM ANALYSTS

In the course of financial year 2012, two more investment houses began to publish research coverage on TOM TAILOR's shares. Twelve investment houses now regularly publish research on current developments at the Company and issue recommendations. The investment recommendations are almost consistently positive. As at the end of December 2012, ten analysts recommend buying TOM TAILOR shares, while two have issued a "hold" recommendation; no "sell" recommendations have been issued at this time.

The aim is to continue expanding research coverage in 2013.

Key Data on TOM TAILOR Shares

Class of shares	No-par value registered shares
ISIN	DE000A0STST2
WKN (German securities ID number)	A0STST
Ticker symbol	TTI
Index	SDAX® (Prime Standard)
Stock markets	Frankfurt and Hamburg
Most important trading venue	Xetra (electronic trading system)
Designated sponsor	Commerzbank AG Berenberg Bank AG Close Brothers Seydler Bank AG

TOM TAILOR's Share Performance

		2012	2011
Shares in issue as at reporting date	Units	24,209,035	16,528,169
Share capital	EUR	24,209,035	16,528,169
High (Xetra closing price)	EUR	17.15	16.99
Low (Xetra closing price)	EUR	10.75	9.77
Price at financial year-end (Xetra closing price)	EUR	16.12	12.30
Free float at financial year-end	%	69.98	91.04
Market capitalisation at financial year-end	EUR million	269.19	184.72
Average daily trading volume	Units (approx.)	40,000	42,000
Recurring earnings per share	EUR	0.81	0.91
Reported earnings per share	EUR	0.01	0.15

Group Management Report

Business and Operating Environment

ORGANISATIONAL STRUCTURE AND BUSINESS ACTIVITIES

ORGANISATION AND GLOBAL PRESENCE

The TOM TAILOR GROUP is an international, vertically integrated fashion and lifestyle group that offers casual wear in the mid-range price segment. The collections for the TOM TAILOR Casual brand with the MEN Casual, WOMEN Casual, KIDS, MINIS and BABY product lines, the TOM TAILOR Denim brand with the Denim Male and Denim Female product lines, the TOM TAILOR POLO TEAM brand, and the BONITA and BONITA men brands have their own brand profiles and are aimed at different target groups between the ages of 0 and 60. The product portfolio is complemented by a wide range of fashionable accessories.

The TOM TAILOR GROUP primarily sells its products in Germany, Austria, Switzerland, the Benelux countries and France (its core markets). The Company is also present in more than 35 other countries.

LEGAL STRUCTURE OF THE TOM TAILOR GROUP

The TOM TAILOR GROUP is managed by TOM TAILOR Holding AG, which is domiciled in Hamburg, Germany. In this role, the parent company is mainly responsible for the Group's strategic focus and performance, corporate finance, risk management and decisions relating to collections. In addition, TOM TAILOR Holding AG is responsible for internal and external communication, including contact with the capital market and with shareholders. The various subsidiaries perform the operating business.

The TOM TAILOR GROUP is headed by a management team with many years' experience of the sector and the market, led by four Management Board members. A lean, divisionally based organisational structure with clearly defined top and bottom line responsibilities enables business processes to be effectively managed and provides transparent cost and earnings control.

Alongside TOM TAILOR Holding AG, a total of 39 (2011: 27) direct and indirect subsidiaries are now included in consolidation.

In the third quarter of 2012, TOM TAILOR Holding AG acquired the BONITA Group, which comprises eight companies. Initial consolidation and inclusion in the TOM TAILOR GROUP took place as of 1 August 2012. TOM TAILOR Holding AG now consists of two umbrella brands: TOM TAILOR and BONITA. As part of its ongoing expansion, the TOM TAILOR GROUP also established wholly owned subsidiaries in Russia, Slovakia and Slovenia in 2012. The Russian subsidiary began operations in July, whereas the other two companies will start doing business at the beginning of January 2013.

Due to the possibility of control, the majority interests are included in full in the TOM TAILOR GROUP, and the non-controlling interests disclosed. The 49% interest in the company in Northern Ireland is included in the consolidated financial statements using the equity method. Most subsidiaries in Germany and abroad are held via TOM TAILOR GmbH, which is domiciled in Hamburg, Germany, and whose sole shareholder is TOM TAILOR Holding AG.

THE TOM TAILOR GROUP'S BUSINESS MODEL

The TOM TAILOR GROUP does business using two umbrella brands, TOM TAILOR and BONITA.

The TOM TAILOR umbrella brand offers high-quality, fashionable casual wear and accessories for children, women and men up to the age of 40 at attractive prices in the mid-range price segment under the slogan "Casual fashion for a casual life". TOM TAILOR releases 12 collections a year for TOM TAILOR Casual and TOM TAILOR Denim and six collections a year for TOM TAILOR POLO TEAM. The brand's fashion world is complemented by a large number of licensed products. The fashion group sells its collections via the wholesale and retail segments.

BONITA offers fashion separates for men and women aged 40 to 60. The basis for its collections are high-quality items of clothing that can be mixed and matched repeatedly to create new outfits. The items feature charming details, optimum fits and outstanding colour fidelity. The company's products are sold exclusively in its own retail stores as part of a highly standardised system under the slogan "BONITA gibt es nur bei BONITA" ("You can only get BONITA at BONITA"). The demographic trend and the increasing number of people over 40, plus the less pronounced competition in this market segment, offer the Company substantial growth opportunities.

The TOM TAILOR GROUP's business model consciously combines the emotional added value of its lifestyle brands with the strategic advantages of an integrated system provider.

The TOM TAILOR GROUP sees itself as a trend manager that understands its customers. This means that, as a basic principle, the Company does not set any new trends with its collections, which is often associated with greater sales risk. Rather, it identifies new and promising trends and offers them to a broad consumer group (the "mass market") with an attractive value proposition.
The vertical integration within each product division, which is responsible for a certain product line, allows the Company to react effectively to changes in trends and demand in the various product lines. Daily sales analyses for the controlled selling spaces ("bestseller management") means the Group can closely tailor its offering to its customers' wishes and thus manage sales in a focused way. This ensures that sufficient volumes of the products that customers want are on offer in the selling spaces at the right time, increasing space productivity and reducing write-downs of unsold goods. This business model enables the TOM TAILOR GROUP to achieve sustained growth in an extremely heterogeneous and in some cases highly competitive market environment.

Product Lines

Our TOM TAILOR umbrella brand sells new collections every month under its TOM TAILOR Casual, TOM TAILOR Denim and TOM TAILOR POLO TEAM brands.

The TOM TAILOR Casual brand is broken down into the MEN Casual, WOMEN Casual, KIDS, MINIS and BABY product lines. The Company offers fashionable clothing for the 25- to 40-year-old target group with its TOM TAILOR MEN and TOM TAILOR WOMEN lines. The TOM TAILOR MEN collections bring together sporty and casual elements. TOM TAILOR WOMEN is targeted at young, modern women. The TOM TAILOR KIDS brand is broken down into the TOM TAILOR BOYS and TOM TAILOR GIRLS product lines for 8- to 14-year-olds. TOM TAILOR MINIS is aimed at children aged 18 months to 7 years with the product lines TOM TAILOR MINI BOYS and TOM TAILOR MINI GIRLS. These are complemented by TOM TAILOR BABY.

TOM TAILOR Denim comprises the TOM TAILOR Denim Male and TOM TAILOR Denim Female lines. These collections are aimed at young adults between the ages of 15 and 25. TOM TAILOR Denim marries the latest styles and colours with fashionable washes and details. It embodies an independent, authentic lifestyle.

TOM TAILOR's third brand, TOM TAILOR POLO TEAM, was launched on the market in August 2012. The premium sportswear offering is targeted at men and women aged 25 to 40. Its six collections a year feature elaborate embroidered appliqués, classic emblems and coordinating prints for a sporty style.

The TOM TAILOR brand world is rounded off by a wide range of accessories. TOM TAILOR issues licences for many different product groups, including bed linen, eyewear, bags, shoes, watches and bodywear. Licensing and close cooperation with the various partners involved have become a core component of TOM TAILOR's strategy and success over the past few years. In 2012, licensing partners generated gross sales of around EUR 80 million at the point of sale with licensed TOM TAILOR products.

The BONITA umbrella brand comprises two brands, BONITA and BONITA men, both of which also bring out new collections every month.

BONITA creates fashion for women who want to highlight their individual style. BONITA's looks are authentic, confident and underline women's natural beauty. High colour fidelity and perfectly coordinating looks provide plenty of options for individual outfits. BONITA fashion stands for sophisticated, timeless style without sacrificing fashionable details.

BONITA men underlines men's personalities with a wide range of outfits. Featuring optimum fits, a large selection of different styles and high-quality materials, BONITA men offers casual men's fashion that can be mixed and matched in various ways, from sporty to relaxed. New outfits can be created time and again thanks to seasonal colour themes.

BONITA's offering is also rounded off by a wide range of accessories, such as scarves, shawls, necklaces, belts, watches and bags. Unlike TOM TAILOR, the entire accessory development process is managed internally, meaning that no licensing is involved. Products are only sold at BONITA stores. Colourful and stylish accessories play a key role at BONITA, particularly to complement outfits.

Business Activities by Segment

The TOM TAILOR GROUP sells its collections via its retail segments (sales to customers) and the wholesale segment (sales to resellers).

The retail segment comprises the BONITA umbrella brand and the retail business of the TOM TAILOR umbrella brand. BONITA's collections are sold exclusively in its own retail stores. BONITA operated 982 retail stores at the end of 2012. In the case of the TOM TAILOR umbrella brand, products are also sold in its own retail stores, but additionally in outlet stores as well as online via its own e-shop and via e-commerce partnerships with a number of mail-order companies. In 2012, the number of TOM TAILOR retail stores increased by 67 to 315. In the online business, TOM TAILOR is present in five countries with its e-shops; in addition, since December 2012 it has had an e-shop that can be accessed from all over Europe.

The TOM TAILOR GROUP's wholesale segment comprises department stores and clothing chains that sell TOM TAILOR's goods through shop-in-shops, as franchisors and through multi-label sales outlets. TOM TAILOR products are also available from mail-order companies. In 2012, 245 more shop-in-shops were established, bringing the total to 2,031. The number of franchise stores rose by 20 to 175 in the same period.

The TOM TAILOR GROUP generated 66.6% of its sales in Germany in 2012, compared with 64.9% in 2011. Without the acquisition of BONITA, the share of revenue generated in the domestic market would have been on a level with the previous year, at 64.9%. The TOM TAILOR GROUP currently sells its products in more than 35 countries, with an additional focus on the core markets of Austria, Switzerland, the Benelux countries and France as well as in Southern and Eastern Europe.

In addition, TOM TAILOR entered the market in China by opening a franchise store and three shop-in-shops in the reporting period.

SIGNIFICANT EVENTS IN THE REPORTING PERIOD

Significant Operating Events

Refinancing Successfully Completed In February 2012, TOM TAILOR adapted its Group financing to the situation following the IPO and replaced its existing bank finance by a new, market-oriented bank financing concept tailored to its continuing growth.

TOM TAILOR Announces the Acquisition of BONITA On 20 June 2012, TOM TAILOR Holding AG and ISLA Vermögensverwaltungs GmbH (Warstein/Germany), formerly BONITA International Verwaltungs GmbH, entered into a purchase agreement for 100% of the shares of BONITA. BONITA is one of Germany's leading fashion brand manufacturers and retailers. With the purchase of BONITA, TOM TAILOR is expanding into the little-contested, and thus highly attractive, fashion segment for men and women over 40. The move allows the Company to tap into a new growth area for the Group. BONITA currently has around 4,100 employees and operates over 980 own stores under the BONITA and BONITA men brands.

Capital Increase Generates Proceeds of Around EUR 20.6 Million The TOM TAILOR GROUP implemented a capital increase, raising gross proceeds of around EUR 20.6 million from the placement of 1.65 million shares. The new shares were issued at a price of EUR 12.50 per share under the terms of a private placement for institutional investors as part of an accelerated bookbuilding procedure. Shareholders' pre-emptive rights were disapplied. The capital increase was oversubscribed several times.

TOM TAILOR Finalises Acquisition of BONITA The acquisition of BONITA was completed by TOM TAILOR on 8 August after all approvals were obtained from the anti-trust authorities and a non-cash capital increase was successfully implemented. Since this date, BONITA has been a wholly owned subsidiary of TOM TAILOR Holding AG.

The purchase price for BONITA consists of a cash consideration of approximately EUR 145 million and the grant of approximately six million TOM TAILOR shares under a non-cash capital increase from authorised capital. The cash consideration was financed in part by a cash capital increase that was implemented on 5 July 2012. In addition, the bank finance, which had already been adapted in February 2012, was increased on 20 June 2012 from EUR 225 million to EUR 455 million. The previous financing was replaced when the transaction closed on 8 August 2012. The new financing serves to pay the cash consideration as well as to secure future long-term financing for the TOM TAILOR GROUP.

Organisation

In the reporting period, there were the following changes to the Management Board of TOM TAILOR Holding AG: the Supervisory Board appointed Udo Greiser as the Chief Product Development, Procurement and Licensing Officer effective 1 March 2012. He succeeds Christoph Rosa, who left the Company at the end of February 2012. Udo Greiser has many years of experience in the fashion industry and brings with him extensive expertise in the areas of men's and women's fashion.

STRATEGY AND PERFORMANCE MEASUREMENT

CORPORATE GOALS AND STRATEGY

TOM TAILOR Holding AG's strategy is to outperform the industry as a whole in terms of revenue and earnings growth. Continually strengthening its earnings potential enables the TOM TAILOR GROUP to grow its enterprise value sustainably and for the long term.

The acquisition of fashion company BONITA in August 2012 was a milestone in TOM TAILOR Holding AG's history. The two companies complement each other perfectly and each has strengths that the other can benefit from. BONITA has one of the best retail organisations in the German and European clothing trade, while TOM TAILOR is known for its analytical design and product development process and its ability to react quickly and flexibly to market trends. BONITA will have access in future to TOM TAILOR's procurement organisation in Asia, which should allow considerable savings to be made when procuring goods. In addition, the goal is to introduce TOM TAILOR's e-commerce concept at BONITA.

The TOM TAILOR GROUP aims to generate the expected revenue and earnings growth primarily by implementing the following five elements of its corporate strategy:

Reproducing the Business Model

Sale of fashionable casual wear in the mid-range price segment via the two umbrella brands, TOM TAILOR and BONITA: the TOM TAILOR GROUP plans to roll out/reproduce its existing business model on the Group's domestic market of Germany and on its core international markets of Austria, Switzerland, the Benelux countries and France. It also plans to expand its market position in Eastern Europe and to enter new dynamic markets. In 2012, the Company opened 67 retail stores, 20 franchise stores and 245 shop-in-shops, predominantly in German-speaking Europe. In addition, TOM TAILOR entered the market in China by opening a franchise store and three shop-in-shops. In August 2012, the TOM TAILOR GROUP acquired the BONITA fashion company. The Group aims to further expand its two umbrella brands, TOM TAILOR and BONITA. A total of 100 retail stores – 60 TOM TAILOR stores and 40 BONITA stores – are to be opened in 2013.

Increasing the Number of Controlled Selling Spaces

The TOM TAILOR GROUP's growth strategy is focused on expanding the number of controlled selling spaces such as Company-owned retail stores, franchise stores and shop-in-shops. It also aims to further expand its online business with the help of its European online shop, and to transfer this model to BONITA. Thanks to its merchandise management system, the Company knows at all times how well new collections are being received on its controlled selling spaces, and which items are particularly popular and selling quickly. This allows it to closely tailor its product offering to its customers' requirements and needs ("managing trends"). The Company can also supply stores accurately and manage sales better with the objective of generating the maximum possible revenue per square metre of selling space. The sales data also flow directly into the planning and development process for new collections. In addition, sales risks are minimised and higher and more stable sales are generated thanks to the monthly collection changes in the pre-order system.

Generating Economies of Scale

Over the past few years, the TOM TAILOR GROUP has structured the Company's human resources and technical equipment, as well as its logistics, procurement and distribution functions in such a way that further growth can be achieved without a proportional increase in personnel and administration expenses and organisational development costs. The acquisition of BONITA in August 2012, which contributed an extremely large number of new retail stores to the Group, means that a number of economies of scale can be directly leveraged. Substantial potential savings arise from the joint use of the purchasing company in Hong Kong that was formed by TOM TAILOR in 2011. Whereas BONITA purchased roughly one-third of its goods in Europe in 2012, it aims to reduce this proportion and to use the TOM TAILOR purchasing company in the future in its procurement for the BONITA collections. Overall, this should steadily strengthen the Group's relative earnings power.

Vertical Alignment – Controlling the Entire Value Chain, from Collection Design Down to Marketing at the Point of Sale

The Company's vertical alignment forms the basis for implementing its corporate strategy. The TOM TAILOR GROUP monitors and controls the entire value chain, from designing the collections through purchasing and product manufacture, warehousing and logistics down to marketing at the point of sale. The different links in the value chain are interconnected and vertically integrated. TOM TAILOR GROUP employees in the retail and wholesale segments are able at all times to pass information on to divisions so that information such as inventory levels and sales figures as well as customer feedback can be quickly integrated into the development of new products. This vertical systems integration allows the product divisions to manage trends and react to customers' wishes quickly and effectively.

Ensuring Growth with New, Market-Oriented Bank Financing Tailored to TOM TAILOR and BONITA's Growth

The bank finance agreed in February 2012 was replaced by a new, market-oriented bank financing concept tailored to TOM TAILOR and BONITA's future growth in the course of the acquisition of BONITA in August 2012.

DETAILED INFORMATION ON MANAGEMENT

In line with the legal requirements, a dual management system is in place at TOM TAILOR Holding AG. Under this, the Management Board is responsible for managing the Company, while the Supervisory Board advises and monitors the Management Board. The Management Board has sole responsibility for managing the Group, attends to the Group's strategy and agrees this with the Supervisory Board. Top-level management implements the Group's strategy at an operational level throughout the Group as a whole. The objective is to bundle all of the Group's resources and sustainably increase the enterprise value.

TOM TAILOR is headed by a management team with many years' experience of the sector and the market, led by four Management Board members. The Management Board has a functional focus; it is made up of the Chief Executive Officer, the Chief Financial Officer, the Chief Product Development, Procurement and Licensing Officer and the Chief Retail Officer.

The Company reports on the remuneration of the Management Board and the Supervisory Board as well as the incentive and bonus systems in the Remuneration Report on page 78 of this report. Additional information about the management and control, the general management structure as well as the declaration of compliance in accordance with § 161 of the Aktiengesetz (AktG – German Stock Corporation Act) can be found in the Corporate Governance Report.

PERFORMANCE MEASUREMENT

The performance measurement system used by the TOM TAILOR GROUP goes beyond a KPI (key performance indicator) system. It offers a comprehensive overview of financial and non-financial parameters. In addition, leading indicators that could affect the business are monitored and evaluated. The Management Board uses a large number of different tools and indicators to evaluate business developments, enhance its strategy and make investment decisions.

Financial Performance Indicators

A variety of reporting systems are used at the TOM TAILOR GROUP to measure financial performance indicators. These are differentiated at the level of both the overall Group and by segment. In addition to the permanent monitoring and reporting of revenue and earnings figures (primarily earnings before interest, taxes, depreciation and amortisation (EBITDA)) down to the level of the individual stores, key indicators such as net debt, the equity ratio, working capital and various inventory turnover ratios are used in particular at Group level. In the wholesale segment, the figures for pre-orders/orders received are also used for management purposes.

Financial Performance Indicators

EUR million	2007	2008	2009	2010	2011	2012
Revenue	261.3	283.5	300.2	347.7	411.6	629.7
EBITDA	27.0	10.9	37.0	30.1	46.4	55.0
Recurring EBITDA	35.0	22.1	37.8	40.1	48.1	66.5
Working capital	8.1	6.6	-7.4	6.6	27.0	38.2
Net debt	174.5	190.4	183.9	52.1	74.6	247.8
Net debt/recurring EBITDA (in years)	5.0	8.6	4.9	1.3	1.6	3.7
Equity ratio	–22.5	–24.7	–27.3	34.8	35.5	28.4

Non-Financial Performance Indicators

In addition to the financial indicators, the TOM TAILOR GROUP uses a range of non-financial factors in order to collect and evaluate information about how the Company is perceived. Both external surveys (for example, the brand survey performed by the German magazine DER SPIEGEL or retailer surveys) and internal studies (for example, customer surveys in the wholesale segment, or the development of social networks such as Facebook) are used. The SPIEGEL brand survey, which is published every four to five years, is a key non-financial performance indicator that measures TOM TAILOR's development from a consumer perspective with regard to brand awareness, brand ownership and consumers' purchasing appetite.

Relevant Leading Indicators

The Management Board receives reports providing varying levels of detail about operational business developments on an ongoing basis. Actual data is compared with the planning, negative variances are analysed, and, where necessary, countermeasures are taken. The Management Board of TOM TAILOR pays particular attention to analysing leading indicators. These make it possible to draw conclusions about future business developments. Key leading indicators for the TOM TAILOR GROUP are incoming orders, cotton price trends, the USD/EUR exchange rate, the gross margin generated per sale and like-for-like sales in Company-owned stores. Various performance indicators are also evaluated at store level, such as the conversion rate and the personnel expenses per store. The conversion rate is the ratio of the number of people who enter a store to those who actually buy something. Special software helps model and optimise personnel planning and hence ultimately personnel expenses per store. In addition, regular comparisons are made with the performance of relevant competitors.

DEVELOPMENT OF THE BUSINESS AND ECONOMIC ENVIRONMENT

For the TOM TAILOR GROUP as an international enterprise, the key factors influencing its ability to grow profitably and sustainably increase enterprise value are, in addition to its strategic focus, developments in and the outlook for the economic environment and industry-specific trends.

MACROECONOMIC ENVIRONMENT

The global economy weakened slightly in 2012. Following the global economic growth of 3.5 % recorded in 2011, the estimates by the International Monetary Fund (IMF) for 2012 that were released in January 2013 were for around 3.2 %. The industrialised nations remained weak overall with growth declining from 1.6 % to 1.3 %, while growth in the emerging economies slowed significantly, amounting to just 5.1 % (previous year: 6.3 %).

Overall, two factors had a negative effect on the global economy. Firstly, the ongoing weakness in the industrialised nations and, in particular, the recessions in the eurozone and the US economy and, secondly, monetary policy in key emerging economies, which aims to counteract high inflation rates and overheating credit markets. However, some signs of recovery became visible in the course of the final quarter of 2012.

Economic growth in Germany was considerably weaker year-on-year amounting to only 0.9 % (previous year: 3.1 %) according to IMF estimates. Although consumer spending in Germany increased as against 2011, investments declined. However, this growth is above average compared with the other major European countries. The entire eurozone saw a 0.4 % decline in economic output. Consumer prices in Germany increased by an average of 2.0 % over the year compared with 2011, with inflation mainly being due to higher costs for household energy and fuel.

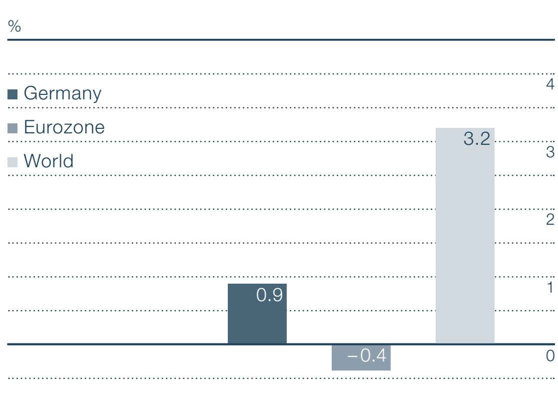
Thanks to a stable labour market and a moderate inflation rate, consumer sentiment remained largely stable in 2012. The GfK consumer confidence index saw only minor fluctuations over the course of the year, closing at 5.8 points (previous year: 5.6 points).

Although the IMF is currently predicting a slight improvement in the global economy in 2013 in its January forecast, the economy is recovering relatively slowly and is dependent on additional political measures to stimulate growth. If the risks of the crisis do not materialise and the conditions on the financial markets continue to improve, this could lead to a stronger outlook for 2013. However, downside risks remain, in particular as a result of the ongoing stagnation in the eurozone and financial policy restrictions in the USA.

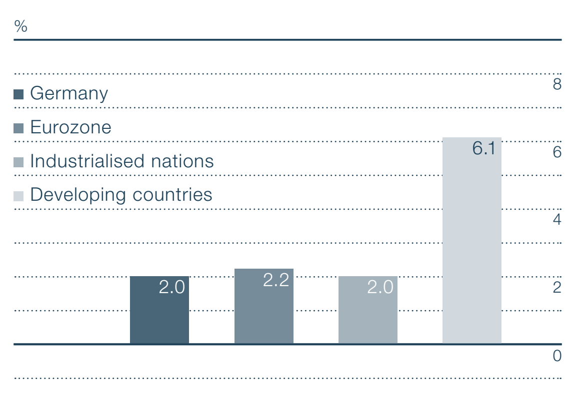
Economic growth in the majority of the other core markets that are relevant for the TOM TAILOR GROUP was significantly slower than in its domestic market in Germany. Only Austria (+ 0.9 %) and Switzerland (+ 0.8 %) turned in a similar performance to Germany in 2012 according to the IMF.

The picture in the Central and Eastern European countries was mixed. Russia, Poland and Slovakia continued to see good growth rates, while Hungary and the Czech Republic slid into recession, due mainly to declining demand from the eurozone.

GDP Growth in 2012



Consumer Prices Trends in 2012



SECTOR-SPECIFIC DEVELOPMENTS

Alongside general macroeconomic factors, the main factors influencing the TOM TAILOR GROUP's operating business are developments in the textile industry, especially in the segment for high-quality clothing in the mid-range price segment, as well as developments on the procurement markets. For the first time since 2008, the textile industry saw a decline in sales in 2012, ending the year down 2 % after stagnating in the previous year (source: TW Testclub). This was mainly due to developments in the second half of the year: the fact that summer temperatures continued into autumn meant that, although reduced summer goods sold well, the key autumn/winter season did not gain momentum. Therefore, growth in the sector lagged behind that of the economy as a whole.

By contrast, the distance selling business, which includes the e-commerce, catalogue and tele-shopping channels, performed particularly well in 2012. In a forecast for the specialist journal TextilWirtschaft, the German E-commerce and Distance Selling Trade Association is predicting an increase of 21% with the largest proportion of sales being attributable to the clothing segment.

The commodities markets relevant to the textile and clothing industry eased in 2012. The price of cotton declined considerably year-on-year and largely stabilised in the course of the year. At the end of 2012, it was approximately 75 US cents per pound, as against 95 US cents in the previous year (source: cotton forward curve, NYB-ICE Futures US Softs).

SUMMARY OF THE ECONOMIC ENVIRONMENT BY THE MANAGEMENT BOARD

In 2012, the TOM TAILOR GROUP again clearly bucked the trend in the textile industry, generating partly acquisition-related growth of 53%. All segments recorded revenue increases. In the retail segment (including e-commerce), the Company generated partly acquisition-related revenue growth of 132.6%. On a like-for-like basis and excluding BONITA, TOM TAILOR recorded a 14.6% increase in revenue. In doing so, the Group clearly bucked the trend in the German retail trade.

Overall, the Management Board of TOM TAILOR Holding AG is anticipating that economic conditions in its core markets in particular will be very largely stable. In addition, the Company expects significant potential savings in the coming years, particularly in procurement, as a result of the economies of scale achievable thanks to the acquisition of BONITA.

Net Assets, Financial Position and Results of Operations

Note on Net Assets, Financial Position and Results of Operations

The net assets, financial position and results of operations of the TOM TAILOR GROUP as at 31 December 2012 reflect the acquisition of the BONITA Group. The comparability of the figures reported below with the corresponding prior-year data is therefore limited. BONITA was not consolidated in the previous year; in the current year, it has been consolidated since 1 August. As a result, the figures as at 31 December 2012 only include BONITA's revenue and earnings for August to December. However, its assets and liabilities as at 31 December 2012 are recognised in full based on the preliminary purchase price allocation.

BUSINESS DEVELOPMENTS

REVENUE

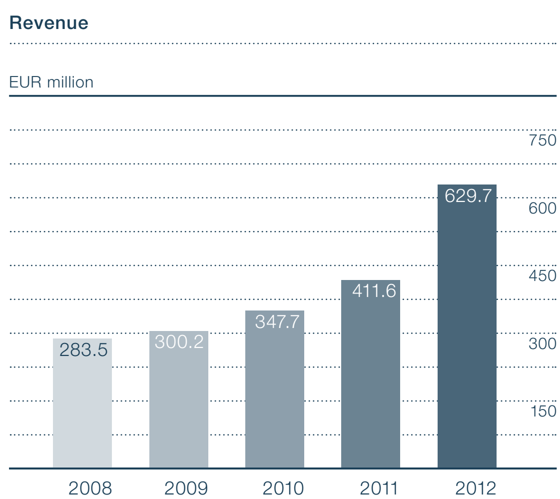
Revenue Growth in Financial Year 2012

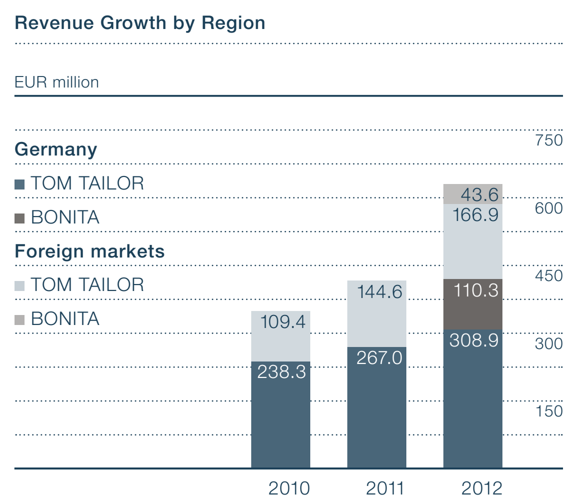
The TOM TAILOR GROUP's revenue rose by a total of 53.0 % to EUR 629.7 million in 2012 (2011: EUR 411.6 million). The Company continued its growth path, clearly outperforming the sector as a whole. Consolidated revenue jumped 98.6 % to EUR 231.2 million in the fourth quarter of 2012 (Q4 2011: EUR 116.4 million), largely due to the inclusion in full of BONITA. BONITA contributed EUR 153.9 million to consolidated revenue from August to December 2012, bringing its contribution for the full year to 24.4 %. Excluding BONITA, TOM TAILOR's revenue rose by 15.6 % to EUR 475.8 million in the year under review. The TOM TAILOR GROUP believes that this positive performance confirms its strategy of offering a range of high-quality, mid-priced casual wear that is tailored to different target groups and that changes each month, and of systematically expanding the retail segment (including through the acquisition of BONITA).

Revenue by Regions

In Germany, the TOM TAILOR GROUP's revenue rose by 57.0 % in 2012 to EUR 419.2 million (2011: EUR 267.0 million). BONITA accounted for EUR 110.3 million of this increase. This corresponds to 26.3 % of consolidated revenue in Germany.

At EUR 210.5 million (2011: EUR 144.6 million), the TOM TAILOR GROUP recorded a 45.6 % increase in international revenue. This was driven by accelerated expansion in the core international markets – Austria, Switzerland, the Benelux countries and France – and greater business activities in South-Eastern Europe, among other factors. In particular, though, BONITA also contributed EUR 43.6 million to international revenue for the first time. The TOM TAILOR GROUP (including BONITA) saw revenue in its core international markets grow by 65.7 % to EUR 148.5 million (2011: EUR 89.6 million). This confirms its strategy of also investing strategically in core international markets outside its domestic market, Germany.





Segment Reporting

Segment reporting in the TOM TAILOR GROUP is divided into the retail and wholesale segments. The retail segment comprises retail and outlet stores operated by the Company and e-commerce activities. E-commerce activities include the TOM TAILOR e-shop and e-commerce partnerships with a number of mail-order companies. In the wholesale segment, the Company distributes TOM TAILOR products to business customers, who sell these to end customers via different sales channels. These include franchise stores, shop-in-shops and multi-label sales outlets. Reporting in the retail segment was extended to include BONITA following its acquisition, so a differentiation is now made between the TOM TAILOR and BONITA umbrella brands. There are now a total of three segments (TOM TAILOR retail, TOM TAILOR wholesale and BONITA).

Revenue Growth in the Retail Segments Revenue in the retail segments rose by a total of 132.6% to EUR 359.7 million in 2012 (2011: EUR 154.6 million). Consequently, the share of Group revenue attributable to the retail segments increased to 57.1% (2011: 37.6%).

The accelerated expansion of business in the TOM TAILOR retail segment is a key growth driver for the TOM TAILOR GROUP. In line with this, the Company again recorded above-average revenue growth in this segment in 2012, up 33.1% to EUR 205.8 million (2011: EUR 154.6 million). The share of revenue attributable to the TOM TAILOR umbrella brand increased correspondingly by 43.2% (2011: 37.5%). On a like-for-like basis (i.e. excluding expansion), revenue growth in the TOM TAILOR retail segment amounted to 14.6%. The number of retail stores rose by a total of 67 as against 31 December 2011 to 315. Of these, 128 retail stores were in Germany, 55 were in Austria and 132 in other countries. Revenue generated by e-commerce activities saw above-average growth, climbing 42.9% to EUR 35.3 million in 2012 (2011: EUR 24.7 million) on the back of the TV campaign.

The BONITA segment comprises own retail stores only. From August to December 2012, BONITA's revenue was slightly down by around EUR 2 million on the previous year, at EUR 153.9 million. On a like-for-like basis (i.e. excluding expansion), revenue growth was 4.3% lower and therefore somewhat short of expectations. BONITA operated a total of 982 stores as at 31 December 2012.

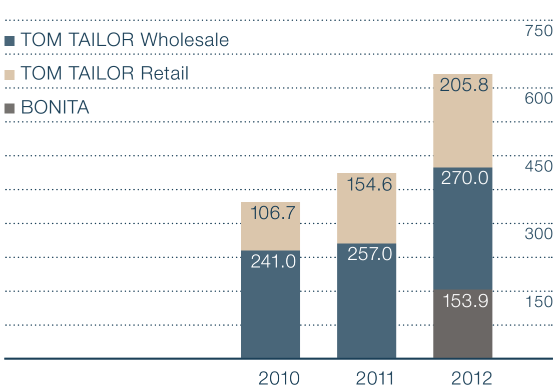
This represents an increase of 33 as against the previous year (2011: 949). Of the 982 stores, 701 were in Germany, 120 were in Austria, 111 in the Netherlands and 50 in other countries.

Revenue Growth in the Wholesale Segment Revenue in the TOM TAILOR wholesale segment rose by EUR 13.0 million or 5.1% to EUR 270.0 million in the year under review (2011: EUR 257.0 million). The segment thus accounted for 56.8% of the TOM TAILOR umbrella brand's revenue (2011: 62.5%). In Germany, the Company lifted its revenue in this segment by 8.7% in 2012 to EUR 183.0 million (2011: EUR 168.4 million). International revenue remained on a level with the previous year despite franchise stores being taken over by retail operations. Overall, TOM TAILOR benefited from the stabilisation of the Eastern European sales markets. The Management Board expects this positive revenue trend to continue going forward. In line with planning, TOM TAILOR increased the number of shop-in-shops by a further 245 to a total of 2,031, compared with 1,786 as at 31 December 2011. The number of franchise stores rose by 20 to 175.

Order intake in the wholesale segment for the period up to January 2013 was up 10.8% as against the previous year.

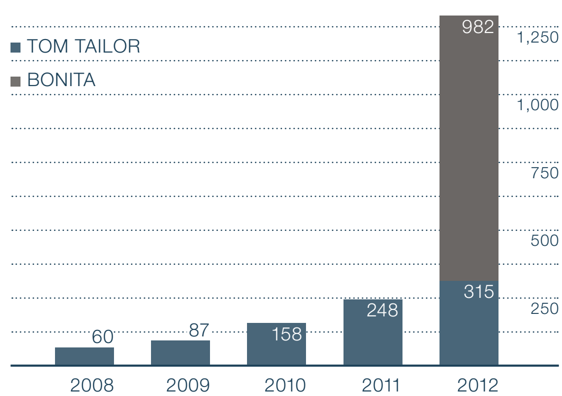
Revenue Growth by Segment

EUR million



Retail Stores

Number of stores



OTHER OPERATING INCOME

Other operating income rose from EUR 13.2 million to EUR 29.4 million in 2012. This figure includes negative goodwill of EUR 11.1 million determined as part of the purchase price allocation of BONITA, which was recognised as a one-off item in net income for the period. This positive earnings effect was due to the hidden reserves at BONITA in excess of the purchase price for the BONITA Group that were realised as a result of the acquisition. Licence income from the licensing of the TOM TAILOR brand also made a noteworthy contribution to this item, rising 16.6% from EUR 3.1 million in the previous year to EUR 3.6 million in the year under review. In addition, rental income of EUR 1.7 million from properties leased to third parties by BONITA was recognised for the first time.

COST OF MATERIALS/GROSS MARGIN

The cost of materials rose by 41.1% to EUR 296.5 million in 2012 (2011: EUR 210.1 million). This is primarily attributable to higher revenue and the initial consolidation of BONITA. The gross margin increased by 3.9 percentage points to 52.9% in the reporting period thanks to the higher retail revenue generated by TOM TAILOR and the initial consolidation of BONITA.

Despite Christmas business at BONITA falling short of expectations, the gross margin rose by 3.2 percentage points in the fourth quarter of 2012, reaching 56.7% (2011: 53.5%). The weak in-season orders in the wholesale segment over the winter months, increased inventory adjustments in the third quarter and the sale of stock at discounted prices due to the change in service provider for the e-shop negatively impacted the gross margin. For the year as a whole, however, higher order volumes and an easing in the raw materials procurement situation had a positive effect. While above-average cotton prices had put significant pressure on the gross margin in the first quarter of 2011, the renewed decline in cotton prices and the return to normal of freight costs in 2012 had a positive impact on the procurement markets.

PERSONNEL EXPENSES

Personnel expenses almost doubled in 2012, climbing 98.9% to EUR 121.5 million. This was largely due to the 145.6% increase in the average number of staff at the TOM TAILOR GROUP, which is attributable to the initial consolidation of BONITA and the strategic increase in sales personnel for the additional TOM TAILOR selling spaces. BONITA employed 4,166 people as at the end of December 2012.

The personnel expenses also include one-off acquisition-related effects due to the adjustment of the long-term compensation system, which is linked to business and share price performance; these had an above-average impact on this item. Upfront personnel expenses for further expansion and expenses incurred for the purchasing company in Asia also contributed to a disproportionately high personnel expense to revenue ratio.

OTHER OPERATING EXPENSES

Other operating expenses increased by EUR 78.8 million year-on-year to EUR 186.1 million (2011: EUR 107.3 million). This disproportionally high increase compared with revenue (73.4 %) is due in particular to the following effects: one-off transaction costs for BONITA of EUR 8.4 million, expenses totalling EUR 5.0 million for the production and broadcasting of the TV spot, EUR 1.2 million for the TOM TAILOR POLO TEAM presentation at the Bread & Butter fashion trade show in Berlin, and the upfront costs for the 40 new stores opened in the fourth quarter, alongside lower revenue in 2012. Other operating expenses also include consulting fees of EUR 4.4 million for the integration of BONITA. Excluding these effects, other operating expenses would have developed in line with revenue.

Other operating expenses in 2012 mainly comprised rental expenses (EUR 68.4 million; 2011: EUR 32.7 million) and marketing expenses (EUR 25.0 million; 2011: EUR 14.7 million). The number of retail stores rose by a total of 1,049 as against 31 December 2011 to 1,297. Of these, 982 stores were attributable to BONITA and 67 were new TOM TAILOR stores.

EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTISATION (EBITDA)

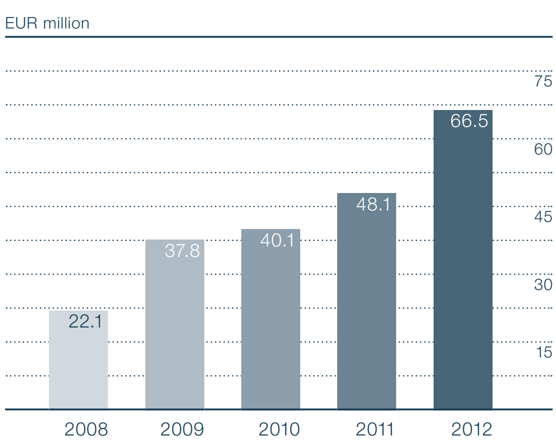
Recurring EBITDA rose by 38.3 % to EUR 66.5 million in the year under review (2011: EUR 48.1 million). The lower improvement in recurring EBITDA compared with revenue growth was largely due to higher marketing expenses at TOM TAILOR. At EUR 25.0 million, these exceeded the prior-year figure by EUR 10.3 million (2011: EUR 14.7 million). Of this figure, EUR 6.2 million was attributable to the TV campaign and the market launch of the new TOM TAILOR POLO TEAM brand alone. The recurring EBITDA margin for the full year was therefore down 1.1 percentage points on the previous year at 10.6 % (2011: 11.7 %), despite the positive performance in the fourth quarter. In the fourth quarter of 2012, recurring EBITDA improved by 73.0 % to EUR 36.0 million (Q4 2011: EUR 20.8 million). Despite the one-off effects, reported EBITDA rose 18.6 % in 2012 to EUR 55.0 million (2011: EUR 46.4 million) thanks to the positive earnings contribution made by BONITA.

The retail segments generated recurring EBITDA of EUR 43.4 million (reported: EUR 53.3 million) compared with EUR 16.4 million in the previous year (reported: EUR 16.2 million). This increase is primarily due to the initial recognition of BONITA, which contributed EUR 22.8 million to recurring EBITDA (reported: EUR 33.9 million) in spite of a difficult Christmas season. The TOM TAILOR retail segment's reported EBITDA rose by around 20 % to EUR 19.4 million (2011: EUR 16.2 million). The slightly smaller increase in reported EBITDA (20 %) compared with the rise in revenue (33.1 %) is attributable in part to the change in service provider for the e-shop in April 2012 (one-off additional cost: EUR 1.2 million). In the course of this changeover, a large amount of the stock was heavily discounted and therefore sold at a reduced margin. The upfront costs in relation to the retail expansion also had a negative effect.

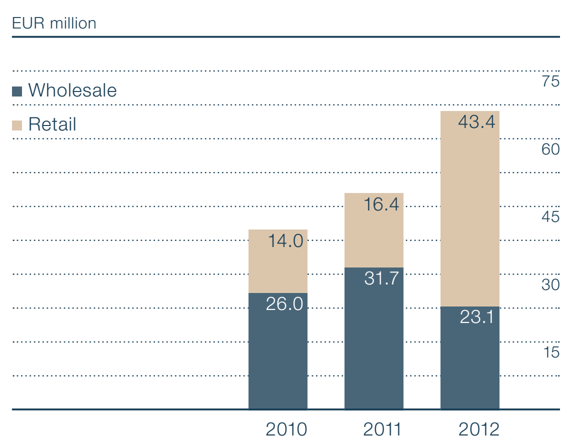
Unlike the BONITA segment, the TOM TAILOR retail segment's Christmas business was healthy overall and met income expectations. Both the costs of the change in service provider for the e-shop, and the income resulting from the negative goodwill of EUR 11.1 million were excluded during reconciliation to recurring/operating EBITDA in the retail segment. Accelerated revenue and EBITDA growth is expected in both retail segments over the coming years.

The wholesale segment generated recurring EBITDA of EUR 23.1 million (reported: EUR 1.7 million) compared with EUR 31.7 million in the previous year (reported: EUR 30.2 million). This year-on-year decline is attributable to the EUR 5.5 million increase in marketing costs, inventory clearances of spring/summer goods in the third quarter and the weak in-season orders in the wholesale segment in the winter months, which was accompanied by increased discounts. In addition, higher personnel expenses resulting from the rise in employee numbers due to the expansion and the new purchasing company in Asia, as well as to the newly established TOM TAILOR POLO TEAM division contributed to this development.

Development of Recurring EBITDA



Recurring EBITDA by Segment



DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES

Depreciation/amortisation rose by EUR 13.3 million to EUR 38.8 million in 2012 (2011: EUR 25.5 million). This figure contrasted with capital expenditure totalling EUR 35.6 million in the reporting period (2011: EUR 22.6 million). The increase in depreciation/amortisation largely reflects the investment policy over the last three years, under which TOM TAILOR focused in particular on actively expanding its retail business and the number of controlled selling spaces (shop-in-shops and franchise stores). The item also includes amortisation of EUR 6.4 million (2011: EUR 5.3 million) of hidden reserves realised in the course of purchase price allocation for TOM TAILOR Holding AG's acquisition of the TOM TAILOR operating business in 2005 and of BONITA in August 2012.

Depreciation/amortisation at BONITA amounted to EUR 11.1 million, of which EUR 1.7 million related to hidden reserves realised during the acquisition.

FINANCIAL RESULT

At EUR –15.8 million, the financial result in 2012 was lower than in the previous year (EUR –7.2 million). In particular, this figure was negatively impacted by one-off transaction costs in the amount of EUR 4.7 million, as well as higher current interest expenses of EUR 11.1 million (previous year: EUR 7.8 million) from the additional EUR 140 million in liabilities to banks taken out to finance the acquisition of BONITA, as well as the increased utilisation of credit lines resulting from the expansion of business activities.

INCOME TAXES

Costs relating to the acquisition of BONITA and its financing, as well as to increased marketing activities, led to tax loss carryforwards/deferred taxes being utilised or recognised in the reporting period. The income taxes item therefore reported a positive figure of EUR 2.6 million (2011: EUR –3.6 million). Adjusted for the non-taxable one-off item amounting to EUR 11.1 million as a result of the negative goodwill from the BONITA acquisition, the applicable tax rate is 24.3 % (2011: 26.2 %).

NET INCOME FOR THE PERIOD, EARNINGS PER SHARE AND APPROPRIATION OF NET PROFIT

Recurring net income for the period was EUR 18.9 million in 2012, up 26 % on the previous year (2011: EUR 15.0 million). The adjusted earnings per share (EPS) amounted to EUR 0.81 (2011: EUR 0.91). The decline in EPS despite the rise in adjusted net income for the period is attributable to the higher average number of shares, which rose from 16,528 thousand to 19,861 thousand as a result of the cash and non-cash capital increase in 2012. The net income reported for the period was also lower than in the previous year, at EUR 3.1 million (2011: EUR 10.1 million) and led to earnings per share of EUR 0.01 (2011: EUR 0.59). This decline in reported net income is attributable to the acquisition and integration of BONITA, as well as to higher marketing expenses. It therefore does not provide an adequate reflection of TOM TAILOR's positive actual development during this transformational year. BONITA contributed EUR 9.2 million to the Group's reported net income in the period from August to December 2012.

Reconciliation to Recurring Net Income for the Period

EUR thousand	2012	2011
Net income for the period	3,107	10,072
Income taxes	– 2,670	3,584
Net income before income tax	**437**	**13,656**
Financial result	15,783	7,180
One-off items/special factors		
of which in depreciation, amortisation and impairment losses: – Amortisation from TOM TAILOR (PPA) from 2005	4,696	5,257
– Amortisation from BONITA (PPA) from 2012	1,697	–
of which in financial result: – Financing costs/BONITA acquisition	4,713	–
of which in EBITDA: – BONITA transaction costs	14,787	–
– Negative goodwill from BONITA acquisition	– 11,099	–
– Cost of BONITA integration	4,449	–
Total cost of BONITA acquisition in EBITDA	**8,137**	**–**
– Establishment of sourcing company	931	591
– Cost of Bread & Butter for new TOM TAILOR POLO TEAM division	1,204	–
– Other one-off items	1,200	1,163
	11,472	**1,754**
Aggregate one-off items, net of tax effect	**22,578**	**7,011**
Recurring EBIT	**34,085**	**27,847**
as % of revenue	5.4 %	6.8 %
Depreciation, amortisation and impairment losses (net of amortisation from PPA)	32,398	20,274
Recurring EBITDA	**66,483**	**48,121**
as % of revenue	10.6 %	11.7 %
Depreciation, amortisation and impairment losses (net of amortisation from PPA)	– 32,398	– 20,274
Financial result (net of one-off items)	– 11,070	– 7,180
Recurring net income before income tax	**23,015**	**20,667**
Income tax expense	2,670	– 3,584
Imputed tax effect (30 %) on aggregate one-off items	– 6,773	– 2,103
Recurring net income for the period	**18,912**	**14,980**

Multi-year Overview of Results of Operations

EUR million	2007	2008	2009	2010	2011	2012
Revenue	261.3	283.5	300.2	347.7	411.6	629.7
Gross margin (in %)	42.5	41.4	45.9	46.0	49.0	52.9
EBITDA	27.0	10.9	37.0	30.1	46.4	55.0
Recurring EBITDA	35.0	22.1	37.8	40.1	48.1	66.5
Financial result	– 14.9	– 21.7	– 17.7	– 11.3	– 7.1	– 15.8
Net income for the period	**12.8**	**– 25.3**	**– 5.6**	**2.4**	**10.0**	**3.1**

FINANCING AND FINANCIAL STRUCTURE

LIQUIDITY AND FINANCIAL MANAGEMENT PRINCIPLES

Financial management is performed centrally by the TOM TAILOR GROUP's headquarters in Hamburg. The goal is to ensure consistent, group-wide liquidity management, make optimum use of the available liquidity and guarantee the TOM TAILOR GROUP's ability to meet its financial obligations. On this basis, the TOM TAILOR GROUP's financial management aims to maintain sufficient liquidity for the Company's future growth at all times. The cash generated by operating activities and the available bank lines of credit are a key source of financing.

The TOM TAILOR GROUP financial management is geared towards the requirements of operating activities in the short and medium term, while corporate strategy is the long-term focus. Rolling cash flow planning and daily liquidity reports are used to determine liquidity requirements.

The TOM TAILOR GROUP enhances its financial flexibility and reduces its reliance on banks through a range of financial instruments and measures, as well as the positive development of the business. It also maintains good business relationships with the consortium banks. Together, these factors contribute to achieving a strong negotiating position and optimum borrowing terms.

The TOM TAILOR GROUP covers its financing needs by maintaining a balanced debt-to-equity ratio, which ensures both financial stability and sufficient flexibility. In future, the equity ratio should be more than 30 %. Following the acquisition of BONITA in financial year 2012 and the consequent rise in total assets, the equity ratio was 28.4 % as at 31 December 2012.

Particularly since the outbreak of the global financial crisis in 2008, the debt crisis in Europe and the capital shortfall in the banking sector, the TOM TAILOR GROUP monitors the financing opportunities on the financial markets and trends in financing availability very closely in order to ensure it maintains adequate liquidity over the long term. In connection with this, in early February 2012, the existing bank finance under the leveraged buy-out financing structure was adapted to the new circumstances following the IPO and a new, market-oriented financing concept tailored to TOM TAILOR's growth. Then, as part of the acquisition of BONITA, the former financing was replaced on 8 August 2012 and a total of EUR 180 million in new liabilities to banks (term loans) were taken out; these were used to pay the outstanding liabilities to banks of EUR 40 million, as well as the purchase price and the transaction costs. Overall, the existing bank finance was increased from EUR 225 million to EUR 455 million. The amount of EUR 455 million is broken down into a current account overdraft facility of EUR 137.5 million (until 8 August 2012: EUR 85 million), a guaranteed line of credit in the amount of EUR 137.5 million (until 8 August 2012: EUR 100 million) and term loans of EUR 180 million (until 8 August 2012: EUR 40 million). A variable effective interest rate has been agreed for the lines drawn down that is based on three-month and six-month EURIBOR plus a margin that depends on the ratio of net debt to EBITDA. EUR 80 million of the term loans have a term of one year plus two six-month extension options. The remaining credit lines are available to the TOM TAILOR GROUP for three years plus two one-year extension options. Therefore, financing for the TOM TAILOR GROUP is secured.

The existing financial covenants were met in 2012 with sufficient headroom.

CASH FLOW

The TOM TAILOR GROUP recorded cash from operating activities of EUR 20.4 million in 2012, in line with the prior-year figure (2011: EUR 20.5 million). It should be noted that cash inflows remained stable year on year despite cash costs associated with the acquisition, financing and integration of BONITA (a total of EUR 11.1 million), as well as higher marketing expenses (EUR 10.3 million).
In addition, taxes totalling EUR 14.1 million (2011: EUR 0.8 million) were paid at the level of BONITA in 2012, due to the positive results generated in previous years and the current year; these impacted on the net cash from operating activities. The remaining negative liquidity effects on inventories and receivables and other assets are attributable in particular to the expansion and extension of business activities. These negative effects on cash flow were very largely offset by the seasonal and expansion-related increase in trade payables. Overall, inventory developments were in line with TOM TAILOR's growth. The disadvantage of the temporary rise in capital tied up in inventories will be offset by the higher cash inflows from their realisation in the future.

The other non-cash changes of EUR –21.4 million are mainly due to the non-cash income resulting from the negative goodwill of EUR 11.1 million, as well as changes in the fair value of foreign exchange hedges of EUR 9.3 million.

The interest paid rose to EUR 14.6 million (2011: EUR 6.2 million) as a result of the increase in fresh funding. This had a corresponding negative effect on net cash from operating activities, which amounted to EUR 5.7 million (2011: EUR 14.3 million).

Net cash used in investing activities totalled EUR 148.8 million (2011: net cash used in investing activities of EUR 22.2 million). Cash outflows of EUR 116.0 million from the change in the basis of consolidation were due to the purchase price paid as part of the acquisition of BONITA, less existing cash and cash equivalents in the BONITA subgroup. Capital expenditure amounted to EUR 35.6 million in the period under review (2011: EUR 22.6 million). Investing activities focused on increasing the number of controlled selling spaces in all three segments.

Net cash provided by financing activities amounted to EUR 187.0 million compared with a net cash outflow of EUR 5.2 million in 2011. Approximately EUR 20.6 million accrued from a cash capital increase and the placement of 1.6 million new shares. This was used to finance the BONITA acquisition. In addition, EUR 140 million in new liabilities to banks (term loans) were taken out as part of the new financing concept and used to pay the purchase price and the transaction costs. Including additional drawdowns of existing long-term bank lines of credit as a result of seasonal factors, financial liabilities rose by EUR 217.2 million overall to a total of EUR 301.2 million as at 31 December 2012 (2011: EUR 84.0 million). Net cash provided by financing activities thus increased by EUR 192.2 million year-on-year to EUR 187.0 million.

Liquidity increased by EUR 44.0 million to EUR 53.4 million. Net debt amounted to EUR 247.8 million overall as at 31 December 2012 (2011: EUR 74.6 million).

Capital Expenditure

"Act Premium. Sell Volume" – this philosophy is particularly relevant to product quality and store design. Customers should feel comfortable in TOM TAILOR selling spaces, which in turn should positively influence purchase decisions because they are spending more time in-store. Investments therefore focused on increasing the number of controlled selling spaces in all segments. A total of EUR 15.8 million was invested in the TOM TAILOR retail segment (2011: EUR 12.2 million), mainly in shop fittings and fixtures for the new stores, and EUR 14.3 million in the TOM TAILOR wholesale segment (2011: EUR 10.3 million), mainly in new spaces and sales channels (EUR 11.3 million). The remaining EUR 3.0 million was invested in new showrooms and in the IT/software infrastructure. A total of EUR 4.0 million was invested in store design and a further EUR 1.5 million in the IT/software infrastructure at BONITA from August to September 2012, bringing Group-wide capital expenditure across all three segments to a total of EUR 35.6 million (2011: EUR 22.6 million).

Multi-year Overview of Financial Position

EUR million	2007	2008	2009	2010	2011	2012
Equity	–52.0	–62.5	–68.2	100.2	113.7	218.9
Non-current liabilities	208.6	218.5	231.1	99.9	111.1	380.6
Current liabilities	74.7	96.7	87.2	87.8	95.7	171.7
Financial liabilities	182.3	201.8	198.0	74.6	84.0	301.2
Cash funds	7.9	11.4	14.1	22.5	9.4	53.4
Net debt	174.5	190.4	183.9	52.1	74.6	247.8
Gearing (in %)	–335.6	–304.6	–269.6	52.0	65.6	113.2
Cash flows from operations	22.2	16.8	37.4	15.0	20.5	20.4
Total assets	231.3	252.7	250.0	287.9	320.5	771.2

ASSETS, LIABILITIES AND EQUITY

ACQUISITIONS AND BONITA PURCHASE PRICE ALLOCATION

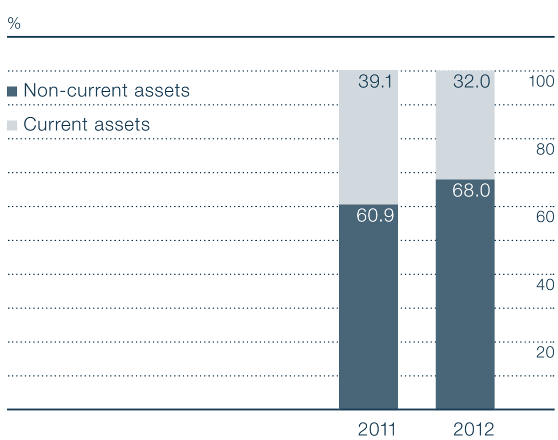
The TOM TAILOR GROUP's net assets as at 31 December 2012 reflect the acquisition of the BONITA Group. Following acquisition of the assets and assumption of the liabilities, hidden reserves were identified at BONITA level during preliminary purchase price allocation. Hidden reserves of EUR 187.7 million were allocated to the BONITA brand and EUR 20.4 million to beneficial leases. The BONITA brand has an indefinite useful life, meaning that it is not amortised. The beneficial leases have an average remaining useful life of five years and are therefore amortised on a straight-line basis over this period. Both items are presented under intangible assets. Related deferred taxes of EUR 63.0 million on these identified hidden reserves are reported under non-current deferred tax liabilities. Purchase price allocation resulted in negative goodwill of EUR 11.1 million, as the fair value of the assets identified at BONITA exceeded the purchase price for the BONITA Group.

The TOM TAILOR GROUP made no further acquisitions in financial year 2012.

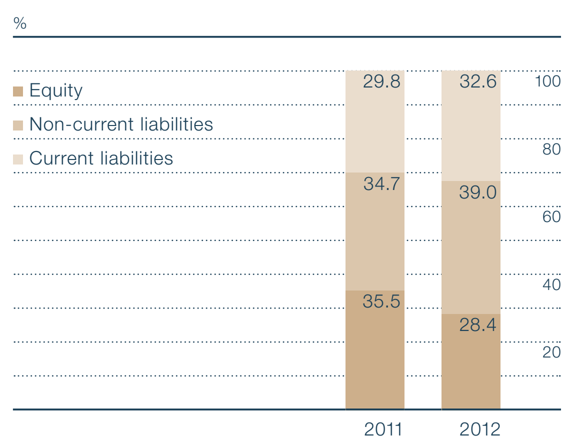
INTANGIBLE ASSETS

Alongside brands, the intangible assets item includes the customer base, beneficial leases and licences that were realised during the identification of hidden reserves in the course of purchase price allocation for the acquisition of the TOM TAILOR operating business by TOM TAILOR Holding AG in 2005. During the BONITA purchase price allocation in 2012, a total of EUR 187.7 million was added for the BONITA brand and a further EUR 20.4 million from the recognition of hidden reserves was included in BONITA's current leases. The brands and goodwill reported are tested for impairment on an annual basis. With regard to the customer base, a differentiation is made between regular customers, franchise partners, shop-in-shop customers and multi-label customers. The customer base and licences identified at that time are amortised on a straight-line basis over their respective useful lives. The leases recognised are also amortised on a straight-line basis. In addition to the hidden reserves identified in 2005 and 2012, the intangible assets item largely comprises key money paid for new selling spaces and software licences.

Asset Structure



Capital Structure



Intangible assets rose by EUR 213.9 million to EUR 352.8 million (2011: EUR 138.8 million), mainly due to the acquisition of BONITA.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment mainly includes leasehold improvements made to fit out and remodel Company showrooms, as well as shop fittings and fixtures for the Company's own retail stores. The initial consolidation of BONITA's property, plant and equipment led to an increase of approximately EUR 100 million at Group level. This figure mainly comprises the shop fittings and fixtures for the retail stores reported at BONITA level (approximately EUR 40 million), as well as the logistics location (including land, warehouse and operating facilities) operated by BONITA (approximately EUR 45 million).

Property, plant and equipment rose to EUR 163.5 million overall in 2012 (2011: EUR 49.5 million), following straight-line depreciation of EUR 20.6 million.

INVENTORIES AND TRADE RECEIVABLES

Current assets mainly include inventories and trade receivables. Inventories increased by EUR 41.1 million, primarily for acquisition-related reasons. TOM TAILOR's 67 new own retail stores also affected inventories. In addition to the order- and revenue-driven rise in inventories, especially the outlet business in the wholesale segment was also up year-on-year, leading to a corresponding increase in this item. Overall, inventories were EUR 66.2 million higher than in the previous year at EUR 123.7 million (2011: EUR 57.6 million). The 14.0% increase in trade receivables to EUR 51.9 million is primarily attributable to pending credit card payments (EUR 5.9 million) by customers, which rose year-on-year in line with the revenue growth in the retail segment.

Taking into account the total investment in fixed assets (including the acquisition of BONITA), and the increase in inventories and trade receivables, the assets side of the balance sheet more than doubled from EUR 320.5 million in 2011 to EUR 771.2 million as at 31 December 2012.

LIABILITIES

On the liabilities side of the balance sheet, medium and long-term financial liabilities in particular rose to EUR 204.6 million (31 December 2011: EUR 77.5 million) as a result of the acquisition. Please refer to the disclosures on the financial position for further information. The increase in deferred tax liabilities primarily related to deferred taxes from purchase price allocation in the amount of EUR 63.0 million. Within the current provisions and liabilities item, other current provisions rose by EUR 15.8 million to EUR 29.6 million (31 December 2011: EUR 13.8 million). Trade payables also increased year-on-year to EUR 93.3 million (31 December 2011: EUR 58.3 million). Around EUR 23.9 million of this increase in other current provisions and trade payables is attributable to BONITA. The remainder is due to the expansion of TOM TAILOR's business activities and to seasonal effects.

OFF-BALANCE-SHEET FINANCIAL INSTRUMENTS

The Company does not use any off-balance-sheet financing instruments such as factoring, asset-backed securities, sale and leaseback transactions, or contingent liabilities involving special-purpose entities not included in the consolidated financial statements. The TOM TAILOR GROUP has a small number of other operating leases, for example for IT equipment and Company vehicles. Off-balance-sheet financial instruments therefore do not have any material effect on the Group's net asset position.

EQUITY

In connection with the BONITA acquisition, TOM TAILOR's equity was strengthened by EUR 20.6 million at the beginning of July 2012 by the successful placement of 1,652,816 new registered shares as part of a cash capital increase. In addition, the seller was granted 6,028,050 new registered TOM TAILOR shares by way of a non-cash capital contribution. The issuance of these new shares led to an increase of EUR 6.0 million in subscribed capital and of EUR 86.2 million in the capital reserves.

Due to the losses recognised in the single-entity financial statements of TOM TAILOR Holding AG (prepared in accordance with HGB) in 2012, which arose as a result of the BONITA acquisition, the Management Board decided to offset the net loss for the year considering retained earnings by withdrawing EUR 17.7 million from capital reserves.

Consolidated net accumulated loss decreased primarily due to the positive net income for the period of around EUR 3 million and the withdrawing from capital reserves.

Overall, equity rose to EUR 219.0 million (31 December 2011: EUR 113.7 million). However, the equity ratio declined to 28.4 % (31 December 2011: 35.5 %) due to the increase in total assets.

Changes in Number of Shares/Subscribed Capital

	Number of shares units/EUR
Balance at 30 June 2012	**16,528,169**
Cash capital increase on 5 July 2012	1,652,816
Non-cash capital increase on 8 August 2012	6,028,050
Balance at 31 December 2012	**24,209,035**

RATING

The TOM TAILOR GROUP has sufficient bank lines of credit and does not make use of financing instruments such as bonds or commercial papers. Consequently, the TOM TAILOR GROUP is not rated by external rating agencies.

Multi-year Overview of Net Assets

EUR million	2007	2008	2009	2010	2011	2012
Non-current assets	157.4	167.9	166.5	181.9	195.1	524.6
Current assets	73.9	84.8	83.6	106.0	125.4	246.6
Capital expenditure	7.9	23.7	11.5	25.4	22.6	35.6
Working capital	8.1	6.6	–7.4	6.6	27.0	38.2
Total assets	231.3	252.7	250.0	287.9	320.5	771.2

SUMMARY OF NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS BY THE MANAGEMENT BOARD

The Management Board of TOM TAILOR Holding AG views the 2012 financial year as a transition year, particularly given the acquisition and financing of BONITA, and the associated costs. The replacement of the existing leveraged buy-out financing structure at the start of February 2012 and, in particular, the acquisition and financing of the BONITA Group in August 2012, which could not have been foreseen at the start of the year, have redefined the overall picture of the TOM TAILOR GROUP's net assets, financial position and results of operations. Consequently, comparisons with the previous year and the forecasts made at that time are of limited value.

Variance Analysis

	Target 2012	Actual 2012
Revenue	EUR 625 to 635 million	EUR 629.7 million
EBITDA	EUR 70 to 75 million	EUR 66.5 million
New TOM TAILOR retail stores	60 to 70 stores	67 stores
New shop-in-shops	200 to 250 shops	245 shops
New franchise stores	20 to 25 stores	20 stores

The consolidated revenue forecast for the TOM TAILOR GROUP as a whole for financial year 2012 – which was revised following the acquisition of BONITA – of EUR 625 million to EUR 635 million was met, at EUR 629.7 million. The number of TOM TAILOR retail stores rose by a total of 67 to 315. The increase in store numbers in 2012 was therefore above the mean of the projected range of 60 to 70 stores. The expansion of the wholesale segment and, consequently, of other controlled spaces progressed somewhat more quickly than planned.

With regard to the recurring EBITDA indicator, the forecast range of EUR 70 million to EUR 75 million was not quite reached, at EUR 66.5 million. This was largely attributable to the weaker than expected Christmas business at BONITA, which was around EUR 3 million short of the target in December. Other factors also played a part: marketing costs at TOM TAILOR were higher than planned and in-season orders in the wholesale segment were accompanied by significant discounts over the winter months. In addition, higher personnel expenses and the establishment of the TOM TAILOR POLO TEAM division had a negative effect on EBITDA.

The increased interest expense and higher depreciation, amortisation and impairment losses also impacted net income for the period, which declined to around EUR 3 million despite a positive tax effect.

Overall, the Management Board of TOM TAILOR Holding AG considers the Group to be well positioned to continue its successful roll-out of the TOM TAILOR GROUP's business model going forward. In addition, the Management Board is confident that the Company will largely complete the integration of BONITA in 2013, thus achieving a significant improvement in net income.

MANAGEMENT JUDGEMENTS

No accounting policies were applied in the 2012 consolidated financial statements that differ from those applied in previous years and that, if applied differently, would have had a material effect on the net assets, financial position and results of operations. Information on the influence of estimates on the assumptions and judgements made is provided in the notes to the consolidated financial statements.

Employees

STRUCTURE

The TOM TAILOR GROUP had 6,133 employees on 31 December 2012, including the new BONITA segment in the retail area (previous year: 1,541). Of this figure, 5,592 people (previous year: 1,074) were employed in the retail segments and 541 people (previous year: 467) in the wholesale segment. As at the reporting date, 4,065 people were employed in Germany and 2,068 people outside Germany. TOM TAILOR Holding AG has 24 employees including the four members of the Management Board.

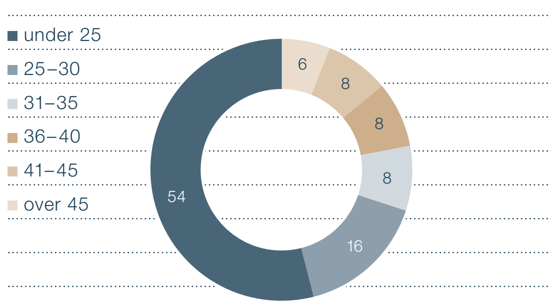
The TOM TAILOR GROUP's top-level management team includes 28 employees, 12 of whom are female. This means that the percentage of women managers at TOM TAILOR is, at 42.8 %, on a very high level.

Employees by Region and Segment

Number of employees on 31 December	Retail 2012	Wholesale 2012	Total 2012	Retail 2011	Wholesale 2011	Total 2011
Germany	3,632	433	4,065	410	389	799
Core markets outside Germany	1,532	90	1,622	310	78	388
Other countries	428	18	446	354	–	354
Total	**5,592**	**541**	**6,133**	**1,074**	**467**	**1,541**

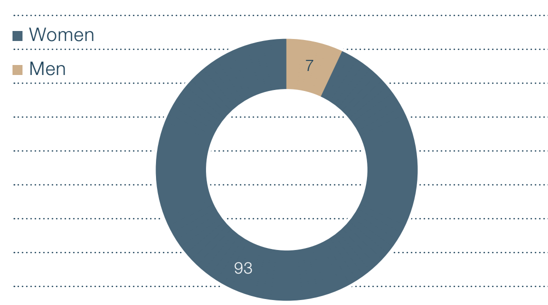
Employees by Age Group

% on 31 December 2012



Employees by Gender

% on 31 December 2012



INTEGRATION

The number of employees in the Group increased sharply as a result of the acquisition of BONITA. The TOM TAILOR GROUP is a new key player in the fashion market. For employees, this means new opportunities, new jobs and possibilities for development as well as professional and career prospects. However, the integration of BONITA also requires employees to be flexible and adaptable, so as to grow together into a single company.

The objectives of integrating BONITA with the TOM TAILOR GROUP are to identify similarities and establish common ground, to benefit from the strengths of the others while at the same time retaining one's own individual corporate character. The integration process will combine functional areas of the two companies without impacting their ongoing operating activities. Employee satisfaction is a critical success factor in this and will be monitored throughout the entire integration process. A Group-wide intranet to which all employees have access was set up to enable employees from both companies to get to know each other and to keep up to date during the integration.

The integration process is expected to be completed by the end of 2013.

REMUNERATION

Fair remuneration that encourages performance and the ability of employees to share in the Company's success are key components of the TOM TAILOR GROUP's human resources policy, and contribute significantly to boosting employees' commitment and motivation. The remuneration is based on fixed and variable components, which vary in form depending on the function performed and position in the hierarchy. The variable salary component depends on whether personal and specified corporate goals are reached. The corporate goals comprise financial performance indicators that vary by segment. Personal goals, the degree to which they were reached in the past year and salary developments are set out in annual appraisal interviews. These interviews also include employee appraisal criteria for their supervisors.

In addition to performance-related remuneration, the Company also provides voluntary social benefits. For example, it offers a Company pension plan featuring additional employer contributions and a Group policy for occupational disability insurance.

DIVERSITY

The TOM TAILOR GROUP respects and promotes diversity. The Company is convinced that only by drawing on different cultural backgrounds, viewpoints, opinions and experience can companies exploit what it takes to be successful. The TOM TAILOR GROUP's staff is very international, with employees of 47 different nationalities. The percentage of women is around 84 % at TOM TAILOR and some 97 % at BONITA. This means that 93 % of Group employees are female.

RESPONSIBILITY

The personal well-being and health of its employees are important to the TOM TAILOR GROUP. This is why the Company has offered a free counselling service to its employees since October 2012. Employees can contact an external institute in person, by phone, or anonymously if desired with questions or problems related to their job and their workplace, private and family topics as well as their health. The institute treats the queries as strictly confidential and is bound to complete secrecy as against the TOM TAILOR GROUP. With this measure, the Company aims to support its employees in overcoming challenging and stressful life situations and so help maintain their health.

NEW TALENT

Well-educated and motivated new talent is key to a company's long-term success. Potential candidates are attracted through cooperations with universities, presentations at fairs, the "Employees Recruit Employees" programme and other initiatives. TOM TAILOR works together with the Akademie für Mode und Design (AMD – Academy of Fashion and Design) to inform young students about various professions and to inspire them to train with the Company. As part of these activities, TOM TAILOR presented its own Design Award in February 2012 to the two best up-and-coming designers of a TOM TAILOR Denim Male and Female denim jacket. In May 2012, the Company held a compact course in Hamburg for students at the AMD where Chief Financial Officer Dr Axel Rebien and other management staff gave presentations on TOM TAILOR's business processes from design through to logistics. Additional similar projects will complement the Company's offering in 2013.

Training young people is a particularly high priority for the TOM TAILOR GROUP. The Company's training concept includes traditional vocational training, dual work-study programmes, internships and trainee programmes for university graduates. In this way, the TOM TAILOR GROUP aims to position itself as an attractive employer, gain talented and well-educated employees and ensure they remain with the Company for the long term. The Company regularly takes part in "Girls' Day – Future Prospects for Girls" events in both Hamburg and its Hamminkeln location. This programme provides young girls with a practical introduction to interesting professions in the technical, crafts and IT areas.

PROFESSIONAL DEVELOPMENT

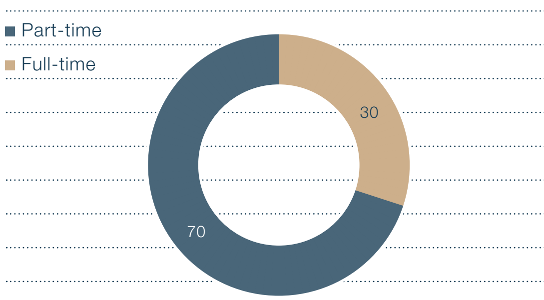
The TOM TAILOR GROUP is preparing to meet the foreseeable consequences of demographic trends. As a result, retaining employees at the Company and ensuring their professional development play an important role. The TOM TAILOR GROUP supports and assists its employees in achieving their career goals by focusing on individual, needs-based professional development and on specialised training. Coaching is increasingly important for employees and managers. In 2012, the offering relating to the selling spaces was intensified in particular. Retail managers at TOM TAILOR were given special training, while at BONITA seminars were held for the field sales force, as was practical training in the branches.

AGE STRUCTURE AND FAMILY FRIENDLINESS

The average age of TOM TAILOR employees in the central areas (including in particular product development, wholesale distribution, logistics and administration) excluding the retail stores is 35. The average age at BONITA is 40. In the retail stores, the average age is 32 at TOM TAILOR and 49 at BONITA. This translates to an average age of just under 45 in the Group as a whole. For many of the Group's employees, a good work-life balance is extremely important. Thanks to its flexitime, part-time and job-sharing models, the TOM TAILOR GROUP enables its employees to flexibly customise their work to a large extent. A total of 32% of employees work part-time at TOM TAILOR and 88% do so at BONITA. This corresponds to 70% of the Group.

Employees by Working Time

% on 31 December 2012



TEAM SPIRIT AND COMMUNICATION

A central component of the TOM TAILOR GROUP's human resources policy is for employees to communicate with each other, exchange experiences and develop a strong Company spirit. Key factors here include direct communication with supervisors without long communication chains and barriers, quick decisions and flat hierarchies. Employees are regularly informed of events that are relevant to the Company via the intranet.

Once a quarter, the entire TOM TAILOR workforce in Germany and abroad are invited to attend TOM's Club, which facilitates personal contacts and networking while also focusing on fun. Every year, there is a summer party and a Christmas party for all Group employees. Participation in communal sporting activities such as the annual MOPO Staffellauf (a relay race organised by the Hamburger Morgenpost newspaper) in Hamburg is also part of the programme.

Innovation and Development

The TOM TAILOR GROUP primarily develops the collections for its product lines in its own design departments in Hamburg (TOM TAILOR) and Hamminkeln (BONITA). The Company has no production capacity of its own; instead, production is handled by a number of manufacturers outside Germany. Warehousing and logistics at the TOM TAILOR GROUP are also partially outsourced to external service providers, enabling the Company to concentrate on its strengths and core competencies of developing, marketing and selling fashion.

DEVELOPING COLLECTIONS AND PLANNING THE PRODUCT RANGE

We routinely need 23 to 26 weeks to develop new collections for the TOM TAILOR umbrella brand. This time frame begins with the design process and ends with the delivery of the finished products to the stores.

TOM TAILOR's product divisions are responsible for steering the development of the collections for their product lines. All of the expertise necessary for developing the collections is bundled under the direction of a division head in each case. Each division has its own graphics and design department and experts for technical job scheduling, procurement and sales.

Information from market scouts and sales specialists, from attending trade fairs and from ongoing communication with customers is used to identify and implement trends, making them accessible to a broad market in new collections. TOM TAILOR therefore sees itself as a "trend manager".

The departments agree the selection of fabrics, ingredients and capacity at divisional level in order to maximise volumes and obtain better prices during materials procurement and production. The final purchase and selling prices are determined after the designs have been selected and the various samples produced and presented. After this, the Company presents the samples to its retail and wholesale customers in its TOM TAILOR showrooms and takes pre-orders for the corresponding products.

A new design process tailored to BONITA as a pure retailer is being developed as part of the integration of BONITA with the TOM TAILOR GROUP. The aim is to reduce the lead time from currently 40 to 44 weeks to 24 to 28 weeks. The first collections developed with the new design process are to be sold in the BONITA stores at the end of 2013.

PROCUREMENT AND PRODUCTION PROCESSES

After the collections have been presented, the production phase is launched, with the items being produced in the exact quantities required in line with the defined design, material and processing specifications. Thanks to significant labour cost advantages outside Germany, both sample production and all stages of production are performed by foreign manufacturers. Production capacity is reserved at the manufacturers months in advance in some cases. This phase of the value chain, comprising the ordering and delivery of the finished products, takes the most time. Because new collections are produced every month, the next collections are already being designed and presented to customers and buyers, and new orders placed, during the procurement phase.

The procurement team for the division concerned procures the fabrics and other materials and selects the manufacturer in close cooperation with local procurement agents. This close cooperation makes it possible to produce items even at short notice, allowing repeat items for which demand is unexpectedly strong to be rapidly resupplied. By outsourcing the entire production to an international network of procurement agents and manufacturers, the TOM TAILOR GROUP is able to offer constantly changing collections while keeping purchase prices comparatively low. Currently, around 260 manufacturers work for TOM TAILOR, primarily in Asia.

At the end of 2011, the TOM TAILOR GROUP bundled its procurement activities in Asia into the purchasing company TOM TAILOR Sourcing Ltd., based in Hong Kong, in order to manage purchasing in Asia directly and to leverage the benefits of combining purchase volumes. At the end of 2012, nearly 70% of TOM TAILOR's order volumes were being sourced directly, rather than through agents as in the past. Starting at the beginning of 2014, TOM TAILOR Sourcing Ltd. will also take over sourcing for BONITA in Asia, with the aim of achieving cost advantages for BONITA and achieving additional economies of scale for the Group.

Some product groups, in particular smaller units, are produced in Europe. Production in Europe entails considerably shorter transport times and is preferred when products are needed particularly quickly or when the special expertise and quality assurance, above all for higher value items, justify the higher production costs.

Sustainability and Responsibility

SOUND CORPORATE GOVERNANCE AT THE TOM TAILOR GROUP

In a global industry such as textiles, credible corporate responsibility towards employees, customers, suppliers and the environment is becoming a more and more important competitive factor.

As a fast-growing fashion group with an increasing international presence, responsibility is also increasing. The TOM TAILOR GROUP takes this responsibility seriously – which is why the principle of sustainable corporate governance is becoming a core component of its business policy. This includes a balanced social and human resources policy as well as trustworthy supplier relationships with the Group's business partners. Key focus points for the Company are high product quality, decent and fair working conditions at its supplier operations and reducing its environmental footprint in the production process. The TOM TAILOR GROUP will continue to increase its activities in these areas.

However, the Company is also aware that successful, sustainability-oriented corporate management is a major challenge for medium-sized companies with an international presence. The TOM TAILOR GROUP therefore sees sustainability management as a process of continuous improvement.

RESPONSIBILITY TO EMPLOYEES

As a socially committed employer, the TOM TAILOR GROUP has a particular responsibility to its employees. This includes fair pay, which is guaranteed by a variable compensation system and supplemented by a large number of voluntary contributions by the Company. Among other things, these comprise Company pension plan benefits above and beyond the statutory provisions, as well as contributions to occupational disability cover.

As a fast-growing company, the TOM TAILOR GROUP is particularly focused on education and promotion. For example, this includes practical, needs-based trainee programmes in the various functional areas. The Company also offers its employees a variety of ways to ensure they receive comprehensive professional training, and supports their professional development using specifically tailored projects (for example, as part of its cooperation with the Akademie für Mode und Design (AMD – Academy of Fashion and Design)). These and other vocational training projects allow the TOM TAILOR GROUP to effectively align the interest of society in giving young people the best possible access to forward-looking vocational training with its own interest as a company in being an attractive employer and recruiting and retaining talented and well-educated employees for the Company for the long term. Additional information about vocational training and professional development can be found in the section entitled Employees on page 66 of this Management Report.

As a new component of its support measures, the Group introduced an employee assistance programme (EAP) in 2012 with the help of an external coaching institute. The institute advises TOM TAILOR GROUP employees, who remain anonymous, on questions concerning their work, private life or health in highly stressful situations. The objective is to combat potential physical and psychological complaints among employees and management at an early stage, allowing them to maintain their health.

RESPONSIBILITY IN THE PRODUCTION PROCESS AND TO CUSTOMERS

ACTIVE MEMBERSHIP IN FOCUSED INITIATIVES

The TOM TAILOR GROUP's collections are mainly manufactured in Asia, where the majority of global textile production takes place nowadays. The region's economic growth and the extremely complex supply chains in the textile industry means that an increasingly high level of transparency is required from all market participants in order to guarantee decent and fair working conditions at suppliers. The TOM TAILOR GROUP aims to make an effective contribution to achieving this goal, which is why it is an active and creative member of a number of focused projects and initiatives.

For example, the TOM TAILOR GROUP has voluntarily committed itself to observe the principles of the Business Social Compliance Initiative (BSCI). This code of conduct includes all the key standards of the International Labour Organisation (ILO). Its principles include a ban on abusive child labour, safe and decent working conditions, fair pay, regulated working time, adherence to local laws, no discrimination and workers' freedom of association to form unions and freely negotiate rates. All of our supplier operations have undertaken to allow BSCI-accredited auditors into their companies to perform regular checks. To start with, social officers – qualified employees from agencies working together with the Group – examine the producers to establish whether they comply with all BSCI standards. Only if the examination is successful does the TOM TAILOR GROUP enter into an agreement with the supplier concerned. Additional supplier audits and checks are then performed by accredited auditors over the course of the cooperation.

TAMIL NADU MULTI-STAKEHOLDER GROUP (TNMS)

In addition, the TOM TAILOR GROUP has been a member of the Tamil Nadu Multi-Stakeholder Group (TNMS) since 2012. The TNMS Group is an association combining the ETI (Ethical Trading Initiative), the BSCI and individual members of the BSCI. The objective of this group is to combat the social phenomenon of Sumangali in southern India. Sumangali is a widely used form of employment in this region, in which young women undertake to work in factories for several years. They are only paid the majority of their salary when they have completed this multi-year period. The idea is that the girls are expected to save up for a dowry for when they get married. This practice frequently results in different types of slave labour.

The Tamil Nadu Multi-Stakeholder Group is systematically raising awareness on the ground and is actively working towards eliminating the abuse of young women through the practice of Sumangali, as well as improving their education and working conditions. Examples of measures being taken include training suppliers, discussions with legislators in the area, and setting up local community and training centres.

DEVELOPMENT AND TRAINING PROGRAMME IN BANGLADESH

In 2011 and 2012, TOM TAILOR implemented a comprehensive development and training programme at its main suppliers in Bangladesh, so as to actively help supplier operations comply with socially acceptable working conditions (social compliance) on site. Initially, this project aimed to create awareness of the need for social compliance among the managers at the production facilities. Subsequently, they were taught practical management skills in order to better deal with the problems in the production process. Based on the BSCI audits and own local checks, the facilities received detailed corrective and development and training plans. The education and health of the employees played a central role here. In several follow-up visits, the results of the programme measures were examined and, where necessary, further advice was given on how to improve the working conditions.

The specified objective of improving social standards in all participating supplier operations was achieved in early 2012, after the comprehensive development and training programme had been completed. Suppliers learned that improving working conditions for the long term can only be achieved by establishing appropriate management structures. However, the mixed findings from the subsequent audits showed that this process poses a variety of challenges for factories that must be addressed step by step over time. For the future, the project promises to significantly improve on the original assessment of the social standards.

RESPONSIBILITY FOR THE ENVIRONMENT

By joining the BSCI and voluntarily signing up to its code of conduct, the TOM TAILOR GROUP has given a strict undertaking to comply with national environmental protection legislation. However, depending on national regulations concerned, the Company does not always consider the local regulations to be sufficient to guarantee environmental protection or to develop active climate protection measures. Therefore, the TOM TAILOR GROUP co-founded the Carbon Performance Improvement Initiative (CPI_2) in 2011 together with nine other retail and branded goods companies under the umbrella of the Außenhandelsvereinigung des Deutschen Einzelhandels e.V. (AVE – Foreign Trade Association of the German Retail Trade). This is supported by Germany's Federal Ministry for the Environment. By taking part in this initiative, the Company is pursuing its goal of saving significant amounts of CO_2 within its supply chain. In the emerging economies and developing countries in particular, huge potential savings can be tapped simply by raising awareness of the problem and by making often simple changes. In order to achieve this, the CPI_2 initiative has developed a management tool with concrete recommendations on how the producers in these areas can save energy.

Following the encouraging completion of its pilot phase in early 2012, the CPI_2 has held further workshops in Bangladesh and China. In 2013, the workshops are to be extended to production facilities in India and Turkey. In addition, the TOM TAILOR GROUP is planning to expand its test programme to suppliers in Vietnam, where the workshops are carried out together with the Foreign Trade Association (FTA). The FTA is a European and international trade association that is strongly committed to freedom of trade and responsible foreign trading. One of its initiatives is the BEPI (Business Environmental Performance Initiative), which was introduced as a way to actively improve environmental processes in production facilities.

In addition, the TOM TAILOR GROUP supports the transition process from conventional – and therefore resource-intensive – agriculture towards greener cotton cultivation by using "organic cotton". This term refers to cotton produced in accordance with the EU's internationally recognised organic cultivation standards and the national programmes in Japan, the USA and India. The TOM TAILOR GROUP sources its organically produced cotton from certified suppliers complying either with the leading global certification standard, "GOTS" (Global Organic Textile Standard), or the "Organic Exchange 100" standard.

Another project that the TOM TAILOR GROUP has been actively involved with from the start is the "Cotton made in Africa" (CmiA) initiative, which was launched by the "Aid by Trade" foundation. The initiative works on the principles of "social business" – in other words, it takes a business-based approach to improving the living and working conditions of cotton farmers in Africa. The CmiA initiative and the farmers supported by it act in accordance with the sustainability principle, which focuses on the three pillars of "Profit, People, Planet". The goal is for the economic, social and environmental aspects of cotton production to be taken into account simultaneously. In addition to increasing farmers' incomes, the initiative also aims to improve their level of education and training. Small farmers are taught how to manage cotton plantations in a resource- and environmentall friendly way. This includes lessons on the proper, controlled use of pesticides, on pests and beneficial insects, measures to preserve soil quality and function and how to conserve water in order to improve the quality and quantity of the crops. However, the training concept also extends to the children, who are to benefit from an improved school education. In 2012, 1.4 million items of clothing from TOM TAILOR contained CmiA-certified cotton.

These projects are financed by licence fees, which are paid to the initiative by partner companies such as the TOM TAILOR GROUP. In order to guarantee that these fees are invested in a sustainable way, the foundation checks compliance with the criteria on-site. That having been said, a key factor for the farmers' success is global market demand for sustainably produced cotton. The TOM TAILOR GROUP is therefore continuously increasing the number of its products that are manufactured using CmiA-certified cotton.

HIGH PRODUCT QUALITY AT THE TOM TAILOR GROUP

The TOM TAILOR GROUP offers high-quality, fashionable casual wear with an attractive value proposition. In order to guarantee this high standard of quality, the Company checks the entire process along the value chain. Each item of clothing is subject to a large number of quality controls during production and until it is delivered to the point of sale. These include checking the general workmanship and fit as well as ensuring that the processed materials fulfil the strict quality requirements.

This extensive product quality assurance allows the TOM TAILOR GROUP to increase the durability of its clothing. Seen in terms of the entire life cycle – from growing the cotton to the ultimate disposal of the product by end customers – a high quality standard therefore also makes a key contribution to protecting the environment. In order to specifically reinforce this positive ecological effect, the Group is increasingly using sustainably produced or organically cultivated cotton (see also "Cotton made in Africa", "organic cotton").

Corporate Governance Statement

The Corporate Governance Statement in accordance with § 289 a of the Handelsgesetzbuch (HGB – German Commercial Code) can be found in the Corporate Governance Report of the Annual Report and on TOM TAILOR Holding AG’s website http://ir.tom-tailor-group.com.

Remuneration of Management Board and Supervisory Board Members

The remuneration report explains the structure and the amount of the remuneration paid to the Management Board and the Supervisory Board members. Designing remuneration systems for the Management Board and the Supervisory Board members that provide incentives and reward performance in an appropriate manner is a key component of responsible corporate governance.

REMUNERATION OF THE MANAGEMENT BOARD MEMBERS

The remuneration paid to the Management Board members comprises three components: a fixed basic remuneration component, a variable remuneration component and a remuneration component based on the long-term performance of the Company and the share price.

The variable remuneration for the Management Board members Mr Holzer, Dr Rebien, Dr Schumacher, Mr Greiser (from 1 March 2012) and Mr Rosa (until 29 February 2012) is based on the TOM TAILOR GROUP's net sales figures and its adjusted EBITDA. Dr Schumacher has an additional remuneration component based on the specific EBITDA performance in the retail segment. The Management Board members are permitted to use their company cars for private purposes as a fringe benefit. In addition, accident insurance has been taken out for Dr Rebien, Mr Greiser, Dr Schumacher and Mr Rosa and an endowment policy has been taken out for Mr Holzer. In the event that a member of the Management Board becomes unable to work, his salary will continue to be paid for a maximum of six months; in the event of the death of a member of the Management Board, payments will continue for a maximum of 12 months. If Mr Holzer's contract is terminated he is entitled to receive a fixed severance payment in the amount of his fixed remuneration component for the remainder of his contract.

In financial year 2012, the variable remuneration components are EUR 1,630 thousand for Mr Holzer, EUR 394 thousand for Dr Rebien, EUR 135 thousand for Dr Schumacher, EUR 417 thousand for Mr Greiser and EUR 44 thousand for Mr Rosa. The fixed remuneration components amounted to EUR 924 thousand for Mr Holzer, EUR 365 thousand for Dr Rebien, EUR 268 thousand for Dr Schumacher, EUR 434 thousand for Mr Greiser and EUR 60 thousand for Mr Rosa. The remuneration components for Mr Greiser relate to the period since he was appointed on 1 March 2012 until 31 December 2012, and those for Mr Rosa for the period from 1 January 2012 until 29 February 2012.

On 20 January 2010, the Supervisory Board resolved to implement a stock-based remuneration system (the Matching Stock Programme, or MSP) for the members of the Management Board. The MSP runs for a total of 14 years from the date of the initial listing and serves to align the mutual interests of the Management Board and the shareholders. A detailed description of this remuneration system is provided in the notes. Measurement of the MSP on 31 December 2012 resulted in remuneration entitlements of EUR 443 thousand for Mr Holzer and of EUR 169 thousand for Dr Rebien. These remuneration entitlements will be paid out in 2014 at the earliest. Mr Rosa's previous claims to remuneration have lapsed without compensation due to the termination of his contract effective 29 February 2012.

A Long-Term Incentive Programme (LTI) was introduced in July 2010 for the TOM TAILOR GROUP's management. It serves to retain personnel and achieve the Company's long-term goals. The programme is also open to the members of the Management Board. The remuneration system runs for a period of eight years (starting in financial year 2010) and grants an additional, individual bonus based on a comparison of target and actual revenue and the operating result over a three-year observation period in each case. Share price performance is another component that is taken into consideration. Due to the successful acquisition of BONITA and the resulting performance by the Company, there was a non-recurring increase in the programme's inputs in 2012 compared with the previous year. Measurement of the LTI programme as at 31 December 2012 resulted in a total remuneration entitlement of EUR 1,919 thousand for Mr Holzer, EUR 595 thousand for Dr Rebien and EUR 393 thousand for Dr Schumacher. The portion from the first tranche, which was issued in 2010, will become payable in 2013 and amounts to EUR 1,356 thousand for Mr Holzer, EUR 376 thousand for Dr Rebien and EUR 248 thousand for Dr Schumacher. The remaining tranches from this remuneration system will be paid out after certain prerequisites have been met, starting in 2014 at the earliest. Mr Rosa's previous claims to remuneration have lapsed due to the termination of his contract effective 29 February 2012. Mr Greiser will not be entitled to receive any entitlements from this programme until the beginning of 2013 when the fourth tranche is issued.

REMUNERATION OF THE SUPERVISORY BOARD MEMBERS

In accordance with the Articles of Association, the members of the Supervisory Board receive a fixed remuneration of EUR 40 thousand (the Chairman receives EUR 150 thousand and the Deputy Chairman EUR 75 thousand) in addition to compensation for out-of-pocket expenses. This remuneration is payable after the end of the Annual General Meeting receiving and resolving the approval of the consolidated financial statements for the financial year in question.

Disclosures in Accordance with § 315 (4) of the HGB (German Commercial Code) and Explanations of the Management Board

The overriding goal of the TOM TAILOR GROUP's management team is to generate value for shareholders. This is why every proposed change of control and every takeover offer that could realise hidden reserves and enterprise value, benefiting shareholders, is carefully analysed to establish the expected synergies and the future potential to add value. A change of control is deemed to have occurred if a single shareholder or a group of shareholders acting in concert acquires more than 30% of the outstanding voting rights as a result of a takeover, an exchange, or another form of transfer, or if, as a result of a takeover or a reverse merger, the shareholders of TOM TAILOR Holding AG hold less than 30% of the voting rights in the combined entity after such a transaction has entered into force. The TOM TAILOR GROUP has not established any specific defensive mechanisms or measures against takeovers.

COMPOSITION OF SUBSCRIBED CAPITAL AND VOTING RIGHTS

TOM TAILOR Holding AG's subscribed capital (share capital) as at 31 December 2012 was EUR 24,209,035.00 and is composed of 24,209,035 no-par value registered shares. Each share grants the holder equal rights and a single vote at the Annual General Meeting.

Restrictions Affecting Voting Rights or the Transfer of Shares

In connection with the acquisition of the BONITA Group, ISLA Vermögensverwaltungs GmbH (Warstein, Germany), formerly BONITA International Verwaltungs GmbH, acquired 6,028,050 new shares in TOM TAILOR Holding AG as part of a non-cash capital increase on 8 August 2012 and has held 24.9% of TOM TAILOR Holding AG's share capital since that time.

On 8 August 2012, ISLA Vermögensverwaltungs GmbH joined the lock-up agreement signed on 20 June 2012 between BONITA International GmbH & Co. KG, TOM TAILOR Holding AG and another shareholder in respect of these new shares. Under this agreement, ISLA Vermögensverwaltungs GmbH is prohibited from selling or otherwise disposing of the shares, from entering into agreements or transactions in relation to voting rights or other rights attached to these shares and from performing any economically similar transactions or activities (derivatives) for a period of 36 months starting on 9 August 2012. This obligation does not apply under certain conditions in the case of a public takeover offer for TOM TAILOR Holding AG's shares. The shares held by ISLA Vermögensverwaltungs GmbH were assigned to a blocked custody account under a separate securities identification number.

Also under the agreement, ISLA Vermögensverwaltungs GmbH also entered into the obligation to limit its equity interest in TOM TAILOR Holding AG to a maximum of 24.9 % of the voting rights until 31 December 2015. The voting rights held by and/or attributable to ISLA Vermögensverwaltungs GmbH in accordance with §§ 21 ff. of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act) shall be decisive in this context. The obligation shall cease to apply if another shareholder informs the Company that it holds, or has attributable to it, more than 24.9 % of the voting rights in TOM TAILOR Holding AG.

EQUITY INTERESTS EXCEEDING 10 % OF THE VOTING RIGHTS

To the knowledge of the Management Board, based on the notifications received by the Company in line with the WpHG as at 31 December 2012, the following direct or indirect equity interests in the share capital of TOM TAILOR Holding AG exceed 10 % of the voting rights:

ISLA Vermögensverwaltungs GmbH directly holds 24.9 % of the voting rights. These voting rights are attributable in full to VERSORGUNGS- UND FÖRDERUNGSSTIFTUNG in accordance with § 22 (1) sentence 1 no. 1 of the WpHG.

To the knowledge of the Management Board, there are no further direct or indirect equity interests in the share capital of TOM TAILOR Holding AG that exceed 10 % of the voting rights.

POWERS OF THE MANAGEMENT BOARD TO ISSUE SHARES

The shareholders have authorised the Management Board to issue new shares, options, or conversion rights as follows:

Authorised Capital The Management Board is authorised in accordance with section 4 subsection 3 of the Articles of Association to increase the Company's share capital in full or in part, with the consent of the Supervisory Board, on one or more occasions until 24 March 2015 in the amount of up to EUR 583,218.00 remaining after this authorised capital has been utilised on several occasions by issuing up to 583,218 new, no-par value registered shares against cash and/or non-cash contributions (authorised capital). The new shares from the authorised capital shall generally be offered to shareholders for subscription (including by way of indirect subscription in accordance with § 186 (5) sentence 1 of the Aktiengesetz (AktG – German Stock Corporation Act)).

However, the Management Board is authorised, with the consent of the Supervisory Board, to disapply the shareholders' statutory pre-emptive rights in the following cases:
- to eliminate fractions
- in the case of capital increases against non-cash contributions to grant shares for the purpose of acquiring companies, business units of companies, or equity interests in companies, or to acquire other assets in connection with such acquisitions
- in the case of cash capital increases, if the issue price of the new shares is not materially lower than the quoted market price of the existing listed shares and the shares issued while disapplying shareholders' pre-emptive rights in accordance with § 186 (3) sentence 4 of the AktG do not exceed a total of 10 % of the share capital either at the time that this authorisation comes into effect or at the time the authorisation is utilised. This limit of 10 % of the share capital must also include any shares that are (i) issued or sold during the authorisation period while disapplying pre-emptive rights in direct or corresponding application of § 186 (3) sentence 4 of the AktG, or that (ii) can be issued to service convertible bonds and/or bonds with warrants insofar as the bonds are issued after this authorisation comes into effect while disapplying shareholders' pre-emptive rights in line with § 186 (3) sentence 4 of the AktG.

The Management Board is authorised, with the consent of the Supervisory Board, to specify the further details of the implementation of a capital increase from authorised capital.

Contingent Capital As at 31 December 2012, the Company had no contingent capital.

TOM TAILOR Holding AG has not issued convertible bonds or bonds with warrants in the past three years, nor are there any such bonds outstanding.

AUTHORISATION OF THE MANAGEMENT BOARD TO BUY BACK OWN SHARES

As at 31 December 2012, TOM TAILOR Holding AG was not authorised to buy back own shares.

APPOINTMENT AND DISMISSAL OF MEMBERS OF THE MANAGEMENT BOARD, AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The appointment and dismissal of the members of the Management Board of TOM TAILOR Holding AG are regulated by §§ 84 and 85 of the AktG in conjunction with section 6 of the Articles of Association. According to section 6 of the Articles of Association, the Management Board consists of at least two persons. Apart from this provision, the Supervisory Board determines the number of members of the Management Board. The Supervisory Board may appoint a chairman of the Management Board and a deputy chairman.

Generally speaking, the Annual General Meeting is responsible for making amendments to the Articles of Association in accordance with § 179 (1) of the AktG. In accordance with section 15 of the Articles of Association, however, the Supervisory Board is authorised to resolve amendments to the Articles of Association in cases that affect the wording only, for example amendments to the share capital resulting from a capital increase from authorised capital. Insofar as the Articles of Association do not specify any other majority, resolutions of the Annual General Meeting on amendments to the Articles of Association in accordance with § 179 (2) of the AktG require a majority of at least three-quarters of the share capital represented when the resolution is adopted. The Articles of Association of TOM TAILOR Holding AG specify in section 20 subsection 1 a simple majority of the votes cast and a simple majority of the share capital represented at the time of the resolution shall be sufficient for a majority of the votes and a majority of the share capital respectively, unless the law or the Articles of Association require otherwise.

CHANGE OF CONTROL

TOM TAILOR Holding AG is a party to the following agreement, which contains certain conditions governing a change of control following a takeover offer:

The Company has entered into a syndicated loan agreement with a consortium of banks. This agreement contains a change of control clause, which requires the early repayment of the bank finance granted in the case of a change of control at the Company (i.e. if one or more persons (acting in concert) directly or indirectly acquire more than 30 % of the voting rights in the Company). In the event that one or more lenders terminate the loan agreement due to a change of control, the bank finance provided by the lenders that terminated the agreement must be repaid pro rata.

Opportunities and Risks

In the course of its business activities, the TOM TAILOR GROUP is exposed to a large number of risks and opportunities associated with operating any business. Risks refer to events that, if they occur, result in negative deviations from targets planned for the future. If they materialise, these risks can hamper business development for the long term, dampen earnings growth and endanger the Company's net assets and financial position. In contrast, opportunities refer to circumstances that may positively affect the TOM TAILOR GROUP's future development.

The aim of risk and opportunity management is to identify risks at an early stage, to control them and to reduce them using appropriate countermeasures. Another goal is to systematically leverage opportunities that arise as a result of market developments without ignoring the associated risks, and to ensure that an acceptable risk profile is maintained. Our risk policy is focused on the goal of consolidating and expanding the TOM TAILOR GROUP's position in the markets, so as to permanently increase its enterprise value.

A central component of our risk policy is therefore only to take on risks if the associated business activities are highly likely to increase the value of the TOM TAILOR GROUP. A precondition for this is that the risks remain reasonable and manageable at all times.

OPPORTUNITY MANAGEMENT

The TOM TAILOR GROUP's corporate culture emphasises thinking and acting in an entrepreneurial way. Within the Group, employees are expected to take considerable personal responsibility. All employees are therefore called on to continuously search for and take advantage of opportunities, regardless of their individual areas and scope of responsibility. Group companies are encouraged to identify opportunities on an operating level that arise as part of operating activities or as a result of improved market conditions, for example, and to realise them so as to exceed their earnings targets. TOM TAILOR Holding AG collates and evaluates strategic opportunities, and develops measures to take advantage of them. Additionally, TOM TAILOR's Management Board is responsible for regularly discussing strategic opportunities. The acquisition of the BONITA Group in 2012 is a very good example of how opportunity management was performed and strategic opportunities exploited.

RISK MANAGEMENT

The TOM TAILOR GROUP uses a risk management system to counter business risks. This is an integral part of its business processes and a key element in corporate decisions. In addition to monitoring risks within the Company, the role of the risk management system is also to establish an early warning system that identifies future risks at an early stage, monitors them, and allows the risk management function to react in a timely manner and to limit risks using appropriate management measures. The TOM TAILOR GROUP's risk management system is based on a special software solution. This offers a comprehensive, management-oriented approach, which is based on manual and IT-based approval processes as well as systems-based processes for processing Group data. This software solution is the heart of the risk management system with its overarching formal structures and concrete measures, which provides the staff responsible with a precise flowchart for dealing with risks within the Company. The planning system, internal reporting and risk reporting are key components of this.

Group-wide risk management is centrally coordinated and managed from the Company's headquarters in Hamburg. Here, potential risks that may arise in connection with business activities are identified at an early stage, monitored and limited using management measures. Local risk management at the subsidiaries implements the instructions received from headquarters and supplements these by additional operational risk management activities on site. At the same time, the risk management system serves to optimally leverage opportunities that arise in keeping with the corporate strategy. As part of the integration concept for the BONITA Group, the existing risk management system at BONITA is being incorporated into the Group-wide risk management system and adapted accordingly.

Risk reporting, which has been redesigned following BONITA's integration, will be performed on a regular basis, with the standard reporting process being supplemented by ad hoc reporting, so as to deal promptly with critical risks. First, all identified risks are captured in accordance with the "gross principle", i.e. without taking the impact of any measures into account. The quantitative and qualitative aspects of relevant risks are evaluated as fully as possible to establish potential losses and probability, and are prioritised accordingly. Responsibilities are defined for all risks depending on their significance. The TOM TAILOR GROUP uses several established strategies to manage risks: avoiding risks by not doing the business in question, mitigating risk, or transferring operational risk to insurers. This largely neutralises the financial consequences of insurable risks such as property damage, business interruptions, or bad debt losses. In turn, other risks are assumed by suppliers and procurement agents.

For the TOM TAILOR GROUP, risk management means that the Company's management and employees are aware of the risks associated with their activities, so that they can independently identify risks, assess them and initiate their management in line with the Company's objectives.

The risks that are relevant to the TOM TAILOR GROUP can be divided into external – i.e. market- and sector-specific – risks and internal risks. The latter comprise strategic, financial, operational and company-related risks.

ACCOUNTING-RELATED INTERNAL RISK CONTROL SYSTEM

The Management Board has established an accounting-related internal control system for the wide variety of organisational, technical and business procedures within the Group so as to ensure proper bookkeeping and accounting as well as the reliability of financial reporting in the consolidated financial statements and Group management report. As a core component of the Group's accounting process, this comprises preventive, monitoring and detection measures designed to ensure security and control. A key tool is the principle of functional separation, supplemented by high-level controls, to ensure that the corporate processes are not handled by a single person. Employees only have access to the specific processes and data that they need to do their job.

Close contact is also maintained with the auditors throughout the year with respect to new statutory provisions and new or unusual transactions. The consolidated financial statements are prepared centrally by Company employees using certified consolidation software. The employees concerned have many years of experience and expert knowledge of consolidation issues and IFRS accounting. Standardised reporting packages that include all the information required for full IFRS consolidated financial statements are used by subsidiaries for reporting to the parent.

RISKS

EXTERNAL RISKS

Economic Development

In financial year 2012, the TOM TAILOR GROUP outperformed the general trend on the clothing market thanks both to organic growth and to the acquisition of BONITA. Continuing weak economic growth or a worsening economy, particularly in the Group's domestic market of Germany, could negatively affect overall consumer demand and hence also demand for TOM TAILOR GROUP products, depressing sales and putting pressure on margins. Moreover, the core clothing markets on which the TOM TAILOR GROUP is present are largely dominated by fierce competition that might intensify further in the future. The Group counters these risks with a growth-oriented corporate strategy, which also includes plans for further expansion in Germany and abroad as well as its systematic positioning as a vertical systems provider.

Fluctuations in Supply and Demand

Fluctuations in supply and demand on the sourcing markets may result in supply/capacity bottlenecks at suppliers, increased production costs and higher logistics costs. It might not be possible to offset these higher costs in full or in part by raising prices. The availability and price of the raw material cotton as well as sufficient production capacity are particularly important factors here. The TOM TAILOR GROUP counters these risks with a focused supplier policy that concentrates on reliable partners on the one hand and on further expanding its retail business on the other. This ensures a greater level of flexibility with respect to margins and means that price fluctuations on the supplier markets can be better offset. The Company is able to react to critical early warning indicators at an early stage via its system of advance orders and price negotiations for commodities and production capacity. In December 2011, it started establishing its own purchasing company in Hong Kong to optimise and quickly identify risks as well as to introduce measures to reduce them. This company has been in operation since August 2012, and has centrally organised and monitored all of TOM TAILOR's purchasing activities in Asia since then. As from the beginning of 2014, purchasing for the BONITA collections will also be handled by this TOM TAILOR purchasing company.

Country Risks

As an international fashion company, the TOM TAILOR GROUP is also exposed to various country risks. These include macroeconomic, political and legal risks, among others.

The conditions in some of the countries that the TOM TAILOR GROUP operates are different to those in Western Europe and there is less macroeconomic, political and legal stability. This applies both to the countries from which the TOM TAILOR GROUP sources its products and the countries where these products are sold or are to be sold in the future. With respect to procurement, China – where some of the producers for the TOM TAILOR GROUP are located – is worth particular mention. On the sales side, the conditions in, for example, South-eastern Europe, Russia and China are different to those in Western Europe.

However, this risk is still manageable at the moment, as the TOM TAILOR GROUP generates approximately 90% of its revenue in its core markets of Germany, Austria, Switzerland, the Netherlands, Belgium and France. However, this risk will become increasingly significant in the future as a result of the Group's growth strategy. The acquisition of BONITA, which is present in the same core markets, did not result in an increase in the risk – rather, it decreased because the overall share of the core markets increased as a result of the acquisition.

The TOM TAILOR GROUP counters country risk through focused expansion on the European markets, meaning that the risks are reduced by diversification.

INTERNAL RISKS

Strategic Risks

One of the reasons why the TOM TAILOR GROUP is performing so well on the market is because it rapidly identifies and implements current trends and distributes them promptly to the points of sale. If at any point the Group is unsuccessful in rapidly identifying current trends and catering to the tastes of its target groups in the target markets it supplies, in pricing its products appropriately, or in successfully developing and launching new products, this could have a negative effect on the Group's competitive position, growth opportunities and profitability. However, the fact that the TOM TAILOR GROUP is extremely close to the customers in its own retail stores also offers opportunities, as feedback from consumers is used to rapidly identify and implement new trends.

The Group's economic success is based on its brand image and on the long-term strong positioning of its two umbrella brands, TOM TAILOR and BONITA. The TOM TAILOR umbrella brand includes the TOM TAILOR Casual, TOM TAILOR Denim and TOM TAILOR POLO TEAM brands for the 0- to 40-year-old target group. The BONITA umbrella brand is aimed at the 40- to 60-year-old target group, with its BONITA and BONITA men brands. If, despite a careful brand strategy, the Group does not succeed in continuing to expand its brand image and positioning its brand in the future, this could have a lasting negative effect on its growth prospects.

In addition, in the wholesale segment for the TOM TAILOR umbrella brand, the TOM TAILOR GROUP has commercial relationships with major customers who could cease to be purchasers, which would impact revenue. Insolvencies among major customers also represent a receivables and revenue default risk in the wholesale segment. The expansion of the two umbrella brands in the retail segment is also increasing investment and cost risks due to the investments being made in expanding the business, in long-term rental agreements and the inevitable associated rise in fixed costs.

Financial Risks

Liquidity Risk Managing liquidity risk is one of the core responsibilities of the Group's headquarters. Liquidity risk is the risk that payment obligations cannot be met or cannot be met on time because insufficient cash funds are available. In order to ensure both the ability to pay and financial flexibility, a revolving liquidity plan and daily liquidity reports are generated to document cash inflows and outflows in both the short and medium term.

Currency Risk Currency risk in the TOM TAILOR GROUP is the result of the international focus of the Group's business activities. This means that risks may arise as a result of exchange rate fluctuations.

Most TOM TAILOR GROUP invoices are issued in euros. This means that the risk of exchange rate fluctuations on the revenue side is currently relatively minor. However, since this risk will become increasingly more significant as a result of the Group's growth strategy, the exchange rate risk is managed centrally, with intra-Group orders generally being settled in local currency. Therefore, the exchange rate risk arises from the cash flows in the local currencies of the subsidiaries and the euro as the functional currency of the TOM TAILOR GROUP.

Exchange rate fluctuations on the supply side represent a higher risk overall. The majority of items procured by the TOM TAILOR GROUP are invoiced in US dollars. The US dollar/euro exchange rate is subject to considerable fluctuations at times. The net assets, financial position and results of operations of the TOM TAILOR GROUP could be significantly negatively impacted by unfavourable developments in the exchange rate between foreign currencies and the euro, particularly a substantial (and potentially rapid) increase in the value of the US dollar compared with the euro. The TOM TAILOR GROUP entered into currency forwards in order to cover the risk posed by exchange rate fluctuations in financial year 2012 and for 2013. These currency forwards minimise a large proportion of the risk resulting from exchange rate fluctuations.

Interest Rate Risk The Group is mainly subject to interest rate risk in the eurozone. Interest rate risk arises as a result of fluctuations in interest rates due to market-related factors. On the one hand, these affect the TOM TAILOR GROUP's interest expenses and, on the other hand, they influence the fair value of financial instruments. Substantial interest rate changes may therefore have an impact on the Group's profitability, liquidity and financial position. Some of the TOM TAILOR GROUP's financial liabilities have variable interest rates and short fixed interest rate periods. This means that they are particularly vulnerable to interest rate risk and represent a cash flow risk. To protect itself against the resulting risk, the TOM TAILOR GROUP uses derivative financial instruments to hedge the interest rate exposure on loans with variable interest rates. Interest rate swaps for the duration of the bank loans taken out are used to limit interest rate risk. Details of the interest rate swaps entered into can be found in the notes to the consolidated financial statements.

Credit Risk Credit risk exists in relation to financial institutions and customers. The credit risk associated with financial institutions, which has grown in significance as a result of the global banking crisis, is mainly due to the investment of cash funds as a part of liquidity management. Financial instruments expose the TOM TAILOR GROUP to default risk, which may arise if a counterparty does not fulfil its obligations under an agreement. In order to reduce this risk, financial instruments are only entered into with financial institutions with good credit ratings. However, this risk is of relatively minor importance at the moment given the TOM TAILOR GROUP's growth strategy and its investment in spaces controlled by the Company. The Group's main credit risk exists in relation to customers, who have been granted payment terms, and the associated counterparty credit risk. In order to reduce the default risk in the operating business, outstanding amounts are monitored centrally on an ongoing basis. The TOM TAILOR GROUP only does business with third parties with good credit ratings. Credit checks are run on all customers wanting to do business with the Group on a credit basis. In addition, the risk is mitigated by taking out credit insurance policies and obtaining collateral.

Operational Risks

Sales and Inventory Risk The TOM TAILOR GROUP is exposed to an increasing sales and inventory risk as a consequence of the expansion of its own selling spaces in the retail segments, its outlet business and the revenue sharing models in the TOM TAILOR umbrella brand's wholesale segment. In addition, opening new stores is linked to increased expense and uncertainty with regard to future profitability. The Company cannot rule out mistakes when forecasting actual customer demand and expected sales. Inventory surpluses may arise if goods hitting the selling spaces at the Company's own stores at the beginning of each month are not sold off continuously before new goods are added; this would lead to a reduction in revenue or to lower selling space productivity (revenue per square metre of "net selling space", i. e. selling space minus changing areas, tills, lounges and shop windows).

Opening its own stores as part of the Company's retail expansion also requires additional investment and increases ongoing rental and staff costs. There is no guarantee that this increased expense compared to the wholesale segment can be offset by higher margins and that new Company-owned stores can be operated at a profit. To this extent, the expansion in the retail segments is increasing the business risk for the TOM TAILOR GROUP.

In the wholesale segment, the wholesale customers initially bear the sales risk, particularly in the pre-order business. However, depending on the contractual arrangements, the TOM TAILOR GROUP may also have to bear the sales risk (in whole or in part). In particular, the Group bears the sales risk in relation to the ever-increasing outlet business and in the case of revenue sharing models. In addition, a de facto/goodwill return policy exists for major customers.

Quality Risk Assuring the consistent high quality of the TOM TAILOR GROUP's products calls for close cooperation with suppliers and other contractual partners. This leads to procurement, production and logistics risks. One risk factor is a potential decline in product quality. In order to ensure stable supply relationships and consistently high product quality at attractive prices for its constantly changing collections, the TOM TAILOR GROUP works with an international network of purchasing agents and manufacturers in the sourcing area, which it has obliged to sign up to its code of conduct. Currently, around 260 manufacturers in 12 countries work for the TOM TAILOR GROUP. The code of conduct comprises all core working standards issued by the International

Labour Organisation (ILO) and is binding for all partners. It aims to ensure that the Group's products are manufactured under decent working conditions in all production facilities. Inspections are regularly performed at all production facilities so as to ensure compliance with high quality standards, labour law provisions and internationally recognised standards on working conditions. The individual manufacturers are primarily responsible for quality control, which involves manufacturing and checking the goods according to precise quality benchmarks.

Working conditions are monitored by independent accredited auditors. The TOM TAILOR GROUP is an active member of the Business Social Compliance Initiative (BSCI). BSCI is a Europe-wide initiative of retailers that have joined forces to impose a uniform monitoring system on their suppliers. Additional quality checks are also performed at the central warehouse and in the Company's laboratory in Hamburg.

Company-related Risks

IT Risks The availability and operability of modern IT systems are essential for the management of business processes and effective cost control. In particular, the IT systems in the inventory management/logistics area and especially the systems used in the sale of TOM TAILOR's products via the Internet (e-shop), as well as the related service providers, are of major importance to the TOM TAILOR GROUP. The failure of these IT systems could result in the business processes being impacted and higher costs being incurred. Even though the IT systems are secured in multiple ways, it is not possible to rule out data loss and loss of sales in the event of damage caused by, for example, fire, power failures, system errors, hacker attacks, fraud or terrorism, and which might have an effect on the Group's earnings.

The TOM TAILOR GROUP will continue to make targeted investments in the expansion and enhancement of its IT systems in the future in order to ensure and increase the continuous operability of its systems and the effectiveness of its processes.

Legal Risks Legal risks typically arise from issues relating to labour law, tax law, intellectual property rights, product liability, warranties as well as through the introduction of new laws or changes to existing laws or their interpretation. Tax law risks include the risk of using existing losses carried forward on the level of TOM TAILOR Holding AG and tax risks due to the Group's international business. Existing legal regulations may be infringed through ignorance or negligence.
In order to counter these risks in an appropriate and timely manner, potential risks are analysed thoroughly with the involvement of the legal and tax department and, where necessary, external specialists. Despite these measures, the outcome of ongoing or future proceedings cannot be predicted with certainty. At present, only a few Group companies are involved in proceedings.
Even if litigation is successful, it can be costly and could damage the TOM TAILOR GROUP's image.
In order to protect its trademarks, the Group has its brand and logos monitored worldwide for trademark registrations that could be confusingly similar. If such a brand is discovered, or if the TOM TAILOR GROUP brands are used without permission, the necessary legal measures are taken (this mainly involves registering objections).

Personnel Risks Personnel risks mainly occur in relation to recruitment, inadequate qualifications and employee turnover. As a successful medium-sized company, the TOM TAILOR GROUP counters these risks with continuous professional development measures, performance-oriented remuneration and timely succession planning as well as by maintaining a corporate culture that lives by, and benefits from, good relations with all employees. That having been said, the Group is particularly dependent on the Management Board and other managers. A loss of management staff could have a negative effect on business performance. The TOM TAILOR GROUP also counters this risk by creating a good working environment and instituting attractive compensation arrangements that take long-term objectives into account.

Integration Risks Integration processes involve a number of different risk issues. Key risk elements include the unexpected departure of key management personnel, incompatible IT systems, higher than expected expenses related to the integration, incompatible corporate cultures, or the loss of business relationships. These risk issues were considered and evaluated in advance before the acquisition of BONITA with the help of detailed due diligence examinations. In addition, consultants are engaged during the integration process to minimise these risks, which normally cannot be ruled out in their entirety.

OVERALL ASSESSMENT BY THE MANAGEMENT BOARD ON THE GROUP'S RISK SITUATION

Currently, no risks exist that, individually or in the aggregate, could endanger the continued existence of the TOM TAILOR GROUP within a reasonable period of time. Overall, there were no significant changes with regard to the Group's risk situation compared to the end of financial year 2011. The acquisition of the BONITA Group in 2012 did not increase the existing risks.

Report on Post-Balance-Sheet Date Events

In the period up to 20 February 2013, there were no significant operational and structural changes or transactions within the TOM TAILOR GROUP that materially altered the net assets, financial position and results of operations as against 31 December 2012.

Report on Expected Developments

STRATEGIC OUTLOOK

The TOM TAILOR GROUP has a clearly defined vision: the Company aims to become one of the major fashion and lifestyle companies in Europe. With its acquisition of BONITA the Company made a significant step toward this goal. The TOM TAILOR GROUP will systematically expand and roll out its business model in Germany and its core international markets of Austria, Switzerland, the Benelux countries and France, and now also covers the less competitive over-40 target group with BONITA.

OUTLOOK – ECONOMIC ENVIRONMENT AND SECTOR DEVELOPMENTS

The International Monetary Fund (IMF) has revised its growth forecast downward slightly since the autumn while giving signs of hope for the global economy should the effects of the crisis be more favourable than expected. The experts are anticipating global economic growth of 3.5 % in 2013 and 4.1% in 2014. However, at 0.1 percentage points each, their revisions are only minimal. In 2013, global economic growth will be driven in particular by China (+ 8.2%) and India (+ 5.9%). The recovery in the eurozone is expected to be delayed, and the IMF expects that the economy here will contract again by 0.2 % in 2013. This is mainly attributable to the expected developments in Italy and Spain. The IMF is anticipating 0.6 % growth in gross domestic product (GDP) in Germany in 2013, a decline as against 2012. It is also expecting the economic trend to be slightly positive in the following core markets for the TOM TAILOR GROUP: France, Austria and Belgium. In 2014, the eurozone is expected to grow by 1%.

In Central and Eastern Europe (+ 2.4 %), an increasingly important region for the TOM TAILOR GROUP, and in Russia (+ 3.7 %), the IMF is forecasting growth for 2013 as well. Steady growth rates are expected to continue in Poland, Serbia and Slovakia.

Although German economic sentiment is unsettled, it is considerably more upbeat than in the rest of the eurozone. The GfK consumer confidence index was stable in full-year 2012, closing at 5.8 points (end of 2011: 5.6 points).

The consumer climate should remain stable despite the uncertainty on the global markets and the expected economic slowdown in Germany. The consumer price index in Germany also declined in 2012 compared with the previous year to 2.0 % (previous year: 2.3 %). Inflation in the eurozone also eased somewhat to 2.2 % (2011: 2.7 %). For 2013, the ECB is forecasting a lower inflation rate for Europe of 1.6 %.

The key commodities markets for the textile and clothing industry are expecting to see a significant decline in cotton production volumes. This is primarily attributable to the sharp decline in cotton prices compared with previous years and the increasing attractiveness of other crops. Nevertheless, no shortage of physical cotton stocks is actually expected despite continued high demand, so that prices are only expected to increase moderately. Forecasts for 2013 cotton prices are in the range from 82 to 90 US cents per pound (source: Worldbank.org, cotton; cotton forward curve, NYB-ICE Futures US Softs).

Nevertheless, the textile industry must adapt to permanently rising production costs in Asia, since labour costs there are continuing to increase in line with overall prosperity.

Since August 2012, goods purchased from Asia have been sourced directly via a central purchasing company in Asia, Hong Kong-based TOM TAILOR Sourcing Ltd. Having its own company on the ground allows the TOM TAILOR GROUP to be closer to suppliers and secures the required production capacity in the long term as well as ensuring that cotton is procured and processed in a timely manner. Starting at the beginning of 2014, TOM TAILOR Sourcing Ltd. is expected to also assume sourcing for BONITA in Asia, with the aim of achieving cost advantages for BONITA and enhancing the economies of scale for the Group. Overall, the TOM TAILOR GROUP is less strongly impacted by the muted economic forecasts than are companies in other sectors. Due to the expected synergies after the integration of BONITA is complete and the stable development in the Group's core markets, the TOM TAILOR GROUP sees an excellent basis for continuing its profitable growth and sustainably increasing enterprise value.

EXPECTED BUSINESS DEVELOPMENTS

Future Company Performance

Following the acquisition of BONITA in August 2012, the TOM TAILOR GROUP is currently represented on the fashion market by two strong umbrella brands: TOM TAILOR and BONITA. The collections for the TOM TAILOR Casual, TOM TAILOR Denim and TOM TAILOR POLO TEAM brands, and for the BONITA and BONITA men brands, each have their own brand profile and are aimed at different target age groups between the ages of 0 and 60. The two umbrella brands have a strictly separate market presence. After the initial costs of harmonising/integrating processes at the two companies, the TOM TAILOR GROUP expects to see significant cost advantages from economies of scale, in particular from direct groupwide procurement via the TOM TAILOR purchasing company in Asia.

The Group's key strategic and operating projects in 2013 are to largely complete the integration of BONITA with the TOM TAILOR GROUP and to continue expanding the retail segment.

Investment and Expansion

The TOM TAILOR GROUP will continue its profitable course of growth and expansion in 2013 and 2014.

The focus of further expansion will mainly be on the retail segment and on opening additional stores for the umbrella brands TOM TAILOR and BONITA. In 2013 and 2014, the TOM TAILOR GROUP is planning to open around 60 additional TOM TAILOR stores and 40 new BONITA stores. In the case of BONITA, the main focus of expansion will be on the BONITA men brand.

In addition, the Company will transfer the concept behind its successful online shop to BONITA because the Group sees particularly high potential for e-commerce in the over-40 target group. The launch of the online shop is scheduled for the end of the second quarter of 2013; preparations such as introducing a customer card were started at the beginning of 2013.

The TOM TAILOR GROUP will also see further growth in the wholesale segment and will continue to expand the number of shop-in-shop selling spaces and franchise stores for TOM TAILOR. The Management Board is planning to open around 200 additional shop-in-shop selling spaces as well as around 20 franchise stores each year for the next two years.

The focus of further expansion will be on Germany and the core international markets of Austria and Switzerland. Experts are forecasting that consumer spending in these countries will remain stable.

The Company is planning to invest EUR 35 million overall in each of financial year 2013 and financial year 2014. The investments will relate almost entirely to the further expansion of new spaces controlled by the Company.

Revenue

At this time, the Management Board of TOM TAILOR Holding AG is anticipating Group revenue in 2013 of at least EUR 900 million, with revenue increasing further in 2014. The Company is expecting both umbrella brands to contribute to the revenue growth. Due to the acquisition of BONITA, which will be consolidated over full-year 2013 first, and the expansion of selling spaces in the retail segment, the share of total revenue from retail will continue to increase in 2013.

EBITDA Margin

In 2013, the TOM TAILOR GROUP is aiming for an adjusted EBITDA margin of 12 %, and in 2014 it is anticipating a further increase. Revenue growth, the higher retail share thanks to BONITA and the improved gross margin will boost profitability. Operating expenses will increase mainly as a result of the continued expansion of own selling spaces. Profitability in 2013 will be impacted by outstanding integration costs.

Finance

The TOM TAILOR GROUP is expecting operating cash flow to rise in line with the increase in operating profit in 2013. The Company is anticipating free cash flow of between EUR 5 million and EUR 10 million in 2013, taking into account the scheduled repayment of bank loans in the amount of EUR 10 million and planned capital expenditure of around EUR 35 million.

The TOM TAILOR GROUP is therefore expecting to reduce net debt by between EUR 15 million and EUR 20 million in 2013, and a further reduction in 2014.

SUMMARY OF EXPECTED DEVELOPMENTS BY THE MANAGEMENT BOARD

The Management Board of TOM TAILOR Holding AG considers the Group's situation to be positive overall and is expecting the Group's net assets, financial position and results of operations to develop positively in 2013 and 2014. Furthermore, the Management Board is confident that the Company will have largely completed the integration of BONITA by the end of 2013, thus significantly improving net income for the period.

The following aspects are key to further enhancing profitability:
- successfully completing the integration of BONITA and realising synergies and economies of scale in the new TOM TAILOR GROUP
- rolling out the business model with a continued focus on the retail segment
- further expansion of direct sourcing in Asia for the two umbrella brands
- increasing selling space productivity
- further international expansion in selected markets starting in 2014

The forecast for 2013 and 2014 takes into account all currently known events that could influence business developments at the TOM TAILOR GROUP. However, political and economic uncertainties beyond the Group's control could mean that actual business performance differs from the forecasts.

Hamburg, 20 February 2013
The Management Board

Dieter Holzer
Chief Executive Officer

Dr Axel Rebien
Chief Financial Officer

Udo Greiser
Chief Product Development
and Procurement Officer

Dr Marc Schumacher
Chief Retail Officer

Consolidated Financial Statements

Income Statement

Consolidated Income Statement for the Financial Year from 1 January to 31 December 2012

EUR thousand	Note	2012	2011
Revenue	1	**629,697**	**411,650**
Other operating income	2	29,423	13,163
Cost of materials	3	−296,546	−210,076
Personnel expenses	4	−121,501	−61,085
Depreciation, amortisation and impairments	5	−38,791	−25,531
Other operating expenses	6	−186,063	−107,285
Profit from operating activities		**16,219**	**20,836**
Financial result	7	**−15,783**	**−7,180**
Result before income taxes		**436**	**13,656**
Income taxes	8	2,670	−3,584
Net income for the period		**3,106**	**10,072**
thereof:			
Shareholders of TOM TAILOR Holding AG		288	9,820
Non-controlling interests		2,818	252
Earnings per share	9		
Basic earnings per share (in EUR)		0.01	0.59
Diluted earnings per share (in EUR)		0.01	0.59

Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income for the Financial Year from 1 January to 31 December 2012

EUR thousand	2012	2011
Net income for the period	**3,106**	**10,072**
Exchange differences on translating foreign operations	−903	−104
Change in fair value of cash flow hedges	−9,249	5,128
Deferred taxes on change in fair value of cash flow hedges	2,775	−1,620
Other comprehensive income	**−7,377**	**3,404**
Total comprehensive income, net of tax	**−4,271**	**13,476**
thereof:		
Shareholders of TOM TAILOR Holding AG	−6,926	13,224
Non-controlling interests	2,655	252

Statement of Cash Flows

Consolidated Statement of Cash Flows for the Financial Year from 1 January to 31 December 2012

EUR thousand	2012	2011
Net income for the period	**3,106**	**10,072**
Depreciation, amortisation and impairment losses	38,791	25,531
Income taxes	–2,670	3,584
Interest income/expense	15,783	7,180
Change in non-current provisions	10,193	947
Change in current provisions	–6,837	318
Proceeds from disposal of intangible assets and items of property, plant and equipment	727	14
Change in inventories	–32,110	–17,782
Change in receivables and other assets	–2,875	–15,904
Change in liabilities	31,848	1,786
Income taxes paid/refunded	–14,154	–753
Other non-cash changes	–21,432	5,464
Cash generated from/used in operations	**20,370**	**20,457**
Interest paid	–14,667	–6,263
Interest received	30	172
Net cash provided by/used in operating activities	**5,733**	**14,366**
Payments to acquire intangible assets and items of property, plant and equipment	–35,638	–22,623
Additions due to change in basis of consolidation	–116,049	359
Payments from disposal of intangible assets and items of property, plant and equipment	2,908	–2
Net cash provided by/used in investing activities	**–148,779**	**–22,266**
Cash capital increase by issuing new shares	20,660	–
Costs of raising equity capital	–843	–
Dividend payment	–2,810	–
Proceeds from financial liabilities	237,500	–
Repayments of financial liabilities	–67,462	–5,231
Net cash provided by/used in financing activities	**187,045**	**–5,231**
Effect of exchange rate changes on cash and cash equivalents	7	24
Net change in cash and cash equivalents	44,006	–13,107
Cash and cash equivalents at beginning of period	9,376	22,483
Cash and cash equivalents at end of period	**53,382**	**9,376**
Composition of cash and cash equivalents		
Cash funds	53,382	9,376

Balance Sheet

Consolidated Balance Sheet as at 31 December 2012

ASSETS

EUR thousand	Note	2012	2011
Non-current assets			
Intangible assets	10	352,765	138,832
Property, plant and equipment	11	163,500	49,578
Other assets	13	8,369	6,669
		524,634	**195,079**
Current assets			
Inventories	14	123,737	57,582
Trade receivables	15	51,917	45,512
Income tax receivables		2,242	1,181
Other assets	13	15,276	11,760
Cash and cash equivalents	16	53,382	9,376
		246,554	**125,411**
Total assets		**771,188**	**320,490**

LIABILITIES AND SHAREHOLDERS' EQUITY

EUR thousand	Note	2012	2011
Shareholders' equity			
Subscribed capital	17	24,209	16,528
Capital reserves	17	274,486	187,856
Consolidated net accumulated losses	17	−80,345	−95,793
Accumulated other comprehensive income	17	−5,064	2,150
Shareholders of TOM TAILOR Holding AG		213,286	110,741
Non-controlling interests		5,680	3,001
		218,966	**113,742**
Non-current liabilities			
Provisions for pensions	19	511	281
Other provisions	20	11,845	1,882
Deferred tax liabilities	21	78,635	26,889
Non-current financial liabilities	22	204,579	77,503
Other non-current liabilities	24	5,000	4,528
		300,570	**111,083**
Current liabilities			
Other provisions	20	29,616	13,826
Income tax payables		5,641	10,123
Current financial liabilities	22	96,615	6,477
Trade payables	23	93,302	58,338
Other current liabilities	24	26,478	6,901
		251,652	**95,665**
Total equity and liabilities		**771,188**	**320,490**

Statement of Changes in Equity

Consolidated Statement of Changes in Equity for the Financial Year from 1 January to 31 December 2012

	Number of shares (thousand)	Subscribed capital (EUR thousand)	Capital reserves (EUR thousand)
Balance at 1 January 2012	**16,528**	**16,528**	**187,856**
Change in basis of consolidation	–	–	–
Comprehensive income, net of tax	–	–	–
Cash capital increase	1,653	1,653	19,007
Non-cash capital increase	6,028	6,028	86,201
Costs of raising equity capital	–	–	–590
Dividends paid	–	–	–
Withdrawal from capital reserves	–	–	–17,970
Other changes	–	–	–18
Balance at 31 December 2012	**24,209**	**24,209**	**274,486**

Consolidated Statement of Changes in Equity for the Financial Year from 1 January to 31 December 2011

	Number of shares (thousand)	Subscribed capital (EUR thousand)	Capital reserves (EUR thousand)
Balance at 1 January 2011	**16,528**	**16,528**	**205,433**
Comprehensive income, net of tax	–	–	–
Withdrawal from the capital reserve	–	–	–17,602
Other changes	–	–	25
Balance at 31 December 2011	**16,528**	**16,528**	**187,856**

		Accumulated other comprehensive income					
	Consolidated net accumulated losses (EUR thousand)	Currency translation differences (EUR thousand)	Cash flow hedge reserve (IAS 39) (EUR thousand)	Deferred taxes on fair value measurement of hedges (EUR thousand)	Attributable to shareholders of TOM TAILOR Holding AG (EUR thousand)	Non-controlling interests (EUR thousand)	Total (EUR thousand)
	−95,793	**−816**	**4,354**	**−1,388**	**110,741**	**3,001**	**113,742**
	–	–	–	–	–	24	24
	288	−740	−9,249	2,775	−6,926	2,655	−4,271
	–	–	–	–	20,660	–	20,660
	–	–	–	–	92,229	–	92,229
	–	–	–	–	−590	–	−590
	−2,810	–	–	–	−2,810	–	−2,810
	17,970	–	–	–	–	–	–
	–	–	–	–	−18	–	−18
	−80,345	**−1,556**	**−4,895**	**1,387**	**213,286**	**5,680**	**218,966**

		Accumulated other comprehensive income					
	Consolidated net accumulated losses (EUR thousand)	Currency translation differences (EUR thousand)	Cash flow hedge reserve (IAS 39) (EUR thousand)	Deferred taxes on fair value measurement of hedges (EUR thousand)	Attributable to shareholders of TOM TAILOR Holding AG (EUR thousand)	Non-controlling interests (EUR thousand)	Total (EUR thousand)
	−123,215	**−712**	**-774**	**232**	**97,492**	**2,749**	**100,241**
	9,820	−104	5,128	−1,620	13,224	252	13,476
	17,602	–	–	–	–	–	–
	–	–	–	–	25	–	25
	−95,793	**−816**	**4,354**	**−1,388**	**110,741**	**3,001**	**113,742**

Notes to the Consolidated Financial Statements

A. GENERAL INFORMATION

The TOM TAILOR GROUP is an international, vertically integrated fashion and lifestyle company that offers casual wear in the mid-range price segment. Its collections from the TOM TAILOR Casual brand with the product lines MEN Casual, WOMEN Casual, KIDS, MINIS and BABY, the TOM TAILOR Denim brand with the product lines Denim Male and Denim Female, the TOM TAILOR POLO TEAM brand, and the BONITA and BONITA men brands each have their own brand profile and are aimed at different target groups between the ages of 0 and 60. This product portfolio is complemented by a wide range of fashionable accessories.

The ultimate parent of the TOM TAILOR GROUP is TOM TAILOR Holding AG, which is domiciled in Hamburg, Germany, and entered in the commercial register of Hamburg Local Court under the number HRB 103641. Its registered office is at Garstedter Weg 14, 22453 Hamburg.

BASIS OF PREPARATION

The consolidated financial statements of TOM TAILOR Holding AG ("the consolidated financial statements") were prepared in accordance with the International Financial Reporting Standards (IFRSs) effective as at the reporting date, as adopted by the EU. The applicable interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) for financial year 2012 were also applied.

The consolidated income statement was prepared using the nature of expense method. The consolidated balance sheet, the consolidated income statement and the consolidated statement of comprehensive income are presented in accordance with the classification requirements of IAS 1 Presentation of Financial Statements.

The consolidated financial statements were prepared in euros. All amounts are shown in thousands of euros (EUR thousand) unless otherwise stated. Discrepancies may arise from the addition of these amounts due to rounding. The consolidated financial statements were prepared using the historical cost convention. Exceptions to this rule relate to certain financial instruments, which are measured at fair value.

With the following exceptions, the accounting policies applied correspond in general to those applied in the previous year.

a) Changes applicable in 2012

The TOM TAILOR GROUP applied the following new or amended standards and interpretations in financial year 2012:

New and Amended Financial Reporting Standards

	Effective date	Date of EU endorsement
Amendments to standards		
Amendment to IFRS 7 Disclosures – Transfers of Financial Assets	22/11/2011	01/07/2011

Amendment to IFRS 7 Disclosures – Transfers of Financial Assets

The amendment relates to enhanced disclosure requirements for financial assets transferred in such a way that rights and duties remain at the Company.

The new accounting requirements do not affect or have no material effect on the presentation of the Group's net assets, financial position and results of operations.

b) Standards, interpretations and amendments to published standards approved by the IASB, but not yet adopted by the EU as at 31 December 2012

In the 2012 financial year, the TOM TAILOR GROUP did not apply the following new or amended accounting standards that have already been approved by the IASB, but in most cases have not been adopted by the EU, as they were not yet required to be applied:

Forthcoming New and Amended Financial Reporting Standards

	Effective date	Date of EU endorsement
New standards/interpretations:		
IFRS 9 Financial Instruments – Classification and Measurement of Financial Assets	01/01/2015	Outstanding
IFRS 10 Consolidated Financial Statements	01/01/2013	11/12/2012
IFRS 11 Joint Arrangements	01/01/2013	11/12/2012
IFRS 12 Disclosures of Interests in Other Entities	01/01/2013	11/12/2012
IFRS 13 Fair Value Measurement	01/01/2013	11/12/2012
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	01/01/2013	11/12/2012
Amendments to standards:		
Amendment to IFRS 9 and IFRS 7 Effective Date of IFRS 9 and Transition Disclosures and Measurement of Financial Assets	01/01/2013	Outstanding
Amendment to IAS 27 Consolidated and Separate Financial Statements	01/01/2013	11/12/2012
Amendment to IAS 28 Investments in Associates	01/01/2013	11/12/2012
Amendment to IFRS 10, IFRS 11 and IFRS 12 Consolidated Financial Statements, Joint Arrangements, Disclosure of Interests in Other Entities – Transition Guidance	01/01/2013	Q1 2013
Amendment to IAS 19 Employee Benefits	01/01/2013	05/06/2012
Amendment to IAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income	01/07/2012	05/06/2012
Amendment to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	01/07/2011	11/12/2012
Amendment to IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities	01/01/2013	13/12/2012
Amendment to IAS 32 Offsetting Financial Assets and Financial Liabilities	01/01/2013	13/12/2012
Amendment to IAS 12 Deferred Tax: Recovery of Underlying Assets	01/01/2012	11/12/2012
Amendment to IFRS 1 Government Loans	01/01/2013	Q1 2013
Amendment to IFRS 10, IFRS 12 and IFRS 27 Investment Entities	01/01/2013	Q1 2013
Annual Improvements (AIP) 2009–2011	01/01/2013	Q1 2013

The expected effective date is the beginning of the TOM TAILOR Holding AG financial year in which the new accounting standard must be applied for the first time.

IFRS 9 Financial Instruments

IFRS 9 will eventually completely replace IAS 39 Financial Instruments: Recognition and Measurement. In a first step, IFRS 9 Financial Instruments – Classification and Measurement of Financial Assets was published in November 2009. Under IFRS 9, financial assets are either measured at amortised cost or at fair value. Classification in one of the two measurement categories is based on how an entity manages its financial instruments and on the contractual cash flow characteristics of the financial assets. The standard was supplemented by requirements on accounting for financial liabilities and the derecognition of financial assets and liabilities published in October 2010. In December 2011, the IASB amended the mandatory effective date from 1 January 2013 to annual periods beginning on or after 1 January 2015.

Due to the postponement of the effective date to 1 January 2015 and the fact that adoption of the standard by the EU has not yet been recommended, the Group has not yet performed an in-depth evaluation of the potential effects of IFRS 9.

IFRS 10 Consolidated Financial Statements

IFRS 10 introduces a single definition of control for all entities, creating a standardised basis for determining whether a parent-subsidiary relationship exists and the associated inclusion in the basis of consolidation. The standard provides comprehensive application guidance on determining whether a control relationship exists. The new standard fully replaces SIC-12 Consolidation – Special Purpose Entities and partly replaces IAS 27 Consolidated and Separate Financial Statements.

IFRS 11 Joint Arrangements

IFRS 11 applies to circumstances where an entity jointly controls a joint venture or a joint operation. In future, joint ventures must be accounted for using the equity method. The former alternative of proportionate consolidation is no longer permitted. The new standard replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities – Non-monetary Contributions by Venturers.

IFRS 12 Disclosures of Interests in Other Entities

IFRS 12 covers all of the disclosure requirements that an entity with shares or an interest in other entities must meet in a single standard; these include interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. The new standard replaces the existing disclosure requirements in IAS 27, IAS 28, IAS 31 and SIC-12.

The Group is currently evaluating the effects of initial application of IFRS 10, IFRS 11 and IFRS 12 on future consolidated financial statements.

IFRS 13 Fair Value Measurement

The IASB published the new standard IFRS 13 Fair Value Measurement in May 2011. IFRS 13 defines fair value and provides guidance on how to determine fair value when fair value measurement is required by another IFRS. The standard itself does not specify in which cases fair value measurement must be applied. With the exception of the explicit scope exclusions in IFRS 13, IFRS 13 sets out standard disclosures for all assets and liabilities that are measured at fair value, as well as for all assets and liabilities whose fair value must be disclosed; in particular, this enhances the disclosure requirements relating to non-financial assets.

Provided that the new standard is adopted by the EU in its current form, the Group currently expects that it will lead to additional disclosure requirements.

Amendment to IAS 27 Consolidated and Separate Financial Statements

Following the issuance of the new IFRS 10, the amended IAS 27 now only includes requirements applicable to separate financial statements prepared in accordance with IFRSs.

Amendment to IAS 28 Investments in Associates

The amended IAS 28 specifies how to account for investments in associates and how to apply the equity method when accounting for investments in associates and joint ventures.

Amendment to IFRS 10 IFRS 11 and IFRS 12 Consolidated Financial Statements, Joint Arrangements, Disclosure of Interests in Other Entities – Transition Guidance

These amendments provide for additional relief when applying IFRS 10, IFRS 11 and IFRS 12 for the first time.

Amendment to IAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income

In June 2011, the IASB published amendments to IAS 1 Presentation of Financial Statements under the title Presentation of Items of Other Comprehensive Income. The amendments require that items of other comprehensive income (OCI) be grouped into those that will subsequently be reclassified to profit or loss (“recycled”) and those that will not.

Amendment to IAS 19 Employee Benefits

In June 2011, the IASB published amendments to IAS 19 Employee Benefits. The amendments mainly concern eliminating the deferral of actuarial gains and losses (the “corridor” approach) in favour of immediate recognition in other comprehensive income within equity, immediate recognition of past service cost, the presentation of changes in net liabilities/assets under defined benefit pension plans, and the recognition of the net interest expenses or income from a pension plan’s net liabilities or net assets. In addition, supplementary disclosures on the characteristics of the pension plans and the associated risks for the entity are required.

The Group is currently evaluating the effect of application of the amendments to IAS 19. Initial application will lead to a change in accumulated other comprehensive income, in addition to supplementary disclosures for actuarial gains/losses.

Amendment to IAS 32 – Offsetting Financial Assets and Financial Liabilities and IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities

The IASB has issued an amendment to the application guidance contained in IAS 32 Financial Instruments: Presentation to clarify certain requirements regarding the offsetting of financial assets and financial liabilities in the balance sheet. The amendments leave the current offsetting model under IAS 32 in principle unchanged.

The amended standards require the disclosure of more extensive information than is currently required; in particular, the scope of the quantitative information has been expanded. In addition to financial instruments that are offset in the balance sheet in accordance with IAS 32, the new disclosure requirements apply to financial instruments that are merely the subject of netting agreements, irrespective of whether they are actually offset in the balance sheet.

Amendment to IAS 12 – Deferred Tax: Recovery of Underlying Assets

The measurement of deferred tax liabilities and deferred tax assets depends on whether the carrying amount of an asset is expected to be recovered through use or through sale. The amendment to IAS 12 introduces a mandatory exemption for investment property. This exemption also applies to investment property acquired in a business combination that is subsequently measured at fair value.

Annual Improvements (AIP) 2009–2011

In June 2011, the IASB published its fourth round of annual improvements as an exposure draft of proposed amendments to five IFRSs. The amendments are intended to eliminate ambiguities in existing IFRSs. The EU is expected to adopt the final standard in the first quarter of 2013. Unless otherwise specified below, the proposed amendments are applicable prospectively from 1 January 2013. The following areas have been clarified:

- requirements regarding voluntary comparative information (IAS 1)
- classification of servicing equipment as inventory or as property, plant and equipment (IAS 16)
- income tax implications of distributions to holders of an equity instrument and transaction costs of an equity transaction (IAS 32 and IAS 12)
- disclosure of segment information in an interim report (IAS 34).

Provided they are adopted by the EU in the current form, the Group does not currently expect the other new accounting pronouncements to have a material effect on the consolidated financial statements.

BASIS OF CONSOLIDATION

The basis of consolidation of the TOM TAILOR GROUP comprises TOM TAILOR Holding AG as the ultimate parent and the following subsidiaries.

Direct Subsidiaries:

- Tom Tailor GmbH, Hamburg/Germany
- Tom Tailor (Schweiz) AG, Baar/Switzerland
- BONITA Deutschland Holding GmbH, Hamminkeln/Germany

Indirect Subsidiaries:

- Tom Tailor Retail GmbH, Hamburg/Germany
- TOM TAILOR E-Commerce GmbH & Co. KG, Hamburg/Germany
- TOM TAILOR Verwaltungs-GmbH, Hamburg/Germany
- TOM TAILOR Gesellschaft m.b.H., Wörgl/Austria
- TOM TAILOR Retail Gesellschaft m.b.H., Wörgl/Austria
- TOM TAILOR Retail Joint Venture GmbH, Bregenz/Austria

– TT RETAIL GmbH, Lindau/Germany
– TT Franchise AG, Buchs/Switzerland
– Tom Tailor International Holding B.V., Oosterhout/the Netherlands
– Tom Tailor Benelux B.V., Dongen/the Netherlands
– Tom Tailor (Schweiz) Retail AG, Dietikon/Switzerland
– Tom Tailor Showroom AG, Glattbrugg/Switzerland
– TOM TAILOR FRANCE SARL, Paris/France
– TOM TAILOR Retail Kft., Budapest/Hungary
– TOM TAILOR South Eastern Europe Holding GmbH, Wörgl/Austria
– TT Beta d.o.o., Sarajevo/Bosnia and Herzegovina
– TOM TAILOR Beograd d.o.o., Belgrade/Serbia
– TT Beta EOOD, Sofia/Bulgaria
– BT Gama d.o.o., Zagreb/Croatia
– TOM TAILOR Lesce d.o.o., Lesce/Slovenia
– TOM TAILOR Retail Poland Sp. z o.o., Warsaw/Poland
– TOM TAILOR Sourcing Ltd., Hong Kong/China
– TOM TAILOR Asia Ltd., Hong Kong/China
– TOM TAILOR RUS LLC, Moscow/Russia
– TOM TAILOR Retail Slovakia s.r.o., Bratislava/Slovakia
– TOM TAILOR VELEPRODAJA d.o.o., Lesce/Slovenia
– BONITA Deutschland Holding Verwaltungs GmbH, Hamminkeln/Germany
– BONITA GmbH & Co. KG, Hamminkeln/Germany
– BONITA Verwaltungs-GmbH, Hamminkeln/Germany
– BONITA Werbeagentur Logistik & Service GmbH & Co. KG, Hamminkeln/Germany
– BONITA E-commerce GmbH, Oststeinbek/Germany
– GEWIB GmbH, Hamminkeln/Germany
– GEWIB GmbH & Co. KG, Pullach/Germany

Indirect Equity Interests:
– TT OFF SALE (NI) LTD., Belfast/United Kingdom
– TT OFF SALE (Ireland) LTD., Dublin/Ireland

All subsidiaries are wholly owned by the parent company with the exception of TOM TAILOR South Eastern Europe Holding GmbH and its subsidiaries, TOM TAILOR Sourcing Ltd. and TOM TAILOR Retail Joint Venture GmbH.

TT OFF SALE (NI) LTD., Belfast/United Kingdom, was formed in financial year 2008. As a founding shareholder, Tom Tailor GmbH holds 49.0 % of the shares in TT OFF SALE (NI) LTD. and its wholly owned subsidiary, TT OFF SALE (Ireland) LTD., Dublin/Ireland.

The interest in TT OFF SALE (NI) LTD. and its subsidiary TT OFF SALE (Ireland) LTD. is included in the consolidated financial statements using the equity method. The reporting date of these companies corresponds to that of the consolidated financial statements. For further information, please refer to section D Investment Securities.

In 2011, TOM TAILOR established a joint venture with its long-standing partner Asmara International Ltd., domiciled in Hong Kong. TOM TAILOR holds a 51 % majority interest in TOM TAILOR Sourcing Ltd., Hong Kong, which was formed in December 2011. 49 % of the shares are held by its partner, Asmara International Ltd. The company is fully consolidated in the TOM TAILOR GROUP because of the exercise of control; the non-controlling interest is reported separately.

Tom Tailor GmbH has a call option to acquire the 49 % non-controlling interest. This option can be exercised on 1 January 2016 for the first time and has an indefinite term. The purchase price payable for the remaining shares will be based on the current fair value of the shares when the option is exercised. No value was stated as the call option could not be reliably measured as at the date of initial consolidation.

CHANGES IN THE BASIS OF CONSOLIDATION

TOM TAILOR Retail Slovakia s.r.o., Bratislava/Slovakia, was formed on 19 January 2012 and will in future be responsible for retail expansion in Slovakia. Tom Tailor GmbH, Hamburg, holds 99 % of the share capital amounting to EUR 10 thousand. The remaining 1 % is held by Tom Tailor Retail GmbH, Hamburg, for legal reasons in Slovakia.

The new subsidiary Limited Liability Company TOM TAILOR RUS, domiciled in Moscow/Russia (LLC TT RUS), was formed on 28 March 2012 to develop the retail business and expand wholesale activities in Russia and the CIS countries. All shares are held by Tom Tailor GmbH, Hamburg.

The transaction to acquire the BONITA Group, one of Germany's leading fashion brand manufacturers and retailers, closed on 8 August 2012. TOM TAILOR Holding AG and ISLA Vermögensverwaltungs GmbH, Warstein/Germany (formerly BONITA International Verwaltungs GmbH), had entered into a purchase agreement for 100% of the shares of BONITA on 20 June 2012.

TOM TAILOR VELEPRODAJA d.o.o., Lesce/Slovenia was formed on 24 December 2012 to include the wholesale activities in South-Eastern Europe. Tom Tailor GmbH's wholly owned company has not yet started doing business as of the reporting date.

Acquisition of the BONITA Group

BONITA is one of Germany's leading fashion manufacturers and retailers. With the purchase of BONITA, TOM TAILOR is expanding into the little-contested, and thus highly attractive, fashion segment for men and women over 40. The move allows the Company to tap into a new growth area for the Group. BONITA currently has around 4,100 employees and operates over 980 stores under the BONITA and BONITA men brands.

Formed in 1969, BONITA has branches in Austria, Switzerland, the Netherlands and Belgium. The company has also had a presence on the Polish market since 2012. TOM TAILOR manages BONITA as a separate umbrella brand.

The total purchase price for the BONITA Group was EUR 236.8 million; this was settled by EUR 144.5 million in cash plus the issue of approximately 6 million new TOM TAILOR no-par-value shares from a non-cash capital increase from authorised capital at a quoted market price of EUR 15.30 per share, for a total of EUR 92.2 million. The transaction costs in the amount of EUR 1.4 million were recognised as other operating expenses.

Purchase price allocation (PPA) for the BONITA Group acquisition is preliminary. Changes may arise in particular in relation to the measurement of beneficial leases, the valuation of the brands, and the associated deferred taxes.

The following table shows the purchase price of the shares acquired and the fair value of the assets acquired and liabilities assumed:

Fair Value

EUR million	Acquisition date fair value
BONITA trademarks	187.7
Other intangible assets	34.3
Property, plant and equipment	105.4
Inventories	34.0
Cash and cash equivalents	28.5
Other assets	10.1
Total assets	**400.0**
Liabilities to banks	40.0
Provisions	21.8
Trade payables	13.1
Other liabilities	11.3
Deferred tax liabilities	65.9
Total liabilities	**152.1**
Net assets acquired	**247.9**
Purchase price	**236.8**
Negative goodwill	**11.1**

In accordance with the requirements of IFRS 3, Business Combinations, all assets acquired and liabilities and contingent liabilities assumed are recognised at their fair value. This resulted in an increase in the net assets acquired due in particular to the identification of intangible assets. Purchase price allocation resulted in negative goodwill of EUR 11.1 million, due primarily to the identification of hidden reserves at the BONITA and BONITA men brands and the recognition of beneficial leases; this amount was recognised as other operating income following a renewed examination of the fair values in accordance with IFRS 3.56. This negative goodwill is justified economically by the fact that the seller will benefit from the expected positive performance of TOM TAILOR Holding AG's share price in the future. In the course of the transaction, the seller was granted approximately 6 million shares at a price on the transaction date of EUR 15.30 per share.

The following table shows the BONITA Group's revenue and earnings since the acquisition date:

BONITA Group since August 2012

EUR million	August–31/12/2012
Revenue	153.9
Contribution to consolidated net income	9.2

The financial information for the BONITA Group for the period from August to December 2012 corresponds to its actual contribution to Group earnings. The negative goodwill of EUR 11.1 million generated at Group level and recognised as other operating income is not included in the figure for net income.

The following table shows the revenue and net income for the business combination that would have been generated if the acquisition had taken place as at 1 January 2012 (pro forma results):

TOM TAILOR GROUP pro forma since 1 January 2012

EUR million	pro forma 1/1/2012–31/12/2012
Revenue	834.9
Contribution to consolidated net income	1.3

The consolidated net income for the BONITA Group in accordance with IFRSs for the period from 1 January to 31 December 2012 was used as the starting point for calculating the pro forma total consolidated net income. The necessary pro forma adjustments are based on the information available and on assumptions.

It was assumed when calculating the pro forma total consolidated net income that the acquisition had been made as at 1 January 2012. However, this hypothetical purchase price allocation is based on the fair values for the assets acquired and liabilities and contingent liabilities assumed that were derived in the course of the current purchase price allocation. The net income for the stand-alone BONITA Group was adjusted pro forma as follows:

- Pro forma adjustments resulted from the hypothetical additional write-downs of fair value adjustments made in the course of initial consolidation for the period from 1 January to 31 December 2012 and the resulting tax adjustments.
- Pro forma adjustments include earnings effects for the period from 1 January 2012 to 31 December 2012 from the new debt finance taken out in connection with the acquisition.
- The pro forma financial information does not take into account any synergies or cost savings associated with the transaction.

Given the assumptions described above, the pro forma net income does not necessarily represent the consolidated net income that the Group would have generated if the acquisition of the BONITA Group had actually been performed on 1 January 2012. In addition, only limited statements can be made about future trends in consolidated net income due to special factors.

GROUP REPORTING DATE AND GROUP FINANCIAL YEAR

As in the previous year, the consolidated financial statements were prepared as at the Group reporting date, 31 December. The Group's financial year covers the period from 1 January 2012 to 31 December 2012 (2011: 1 January 2011 to 31 December 2011).

The Group reporting date and the Group's financial year correspond to the reporting date of the parent company and the financial year of all consolidated subsidiaries.

B. ACCOUNTING POLICIES AND CONSOLIDATION METHODS

GENERAL PRINCIPLES

The financial statements of the companies included in the consolidated financial statements are prepared in accordance with uniform accounting policies, as set out in IAS 27.

CONSOLIDATION METHODS

Capital consolidation is performed in accordance with IFRS 3 using the acquisition method. The proportionate share of the subsidiaries' assets acquired and liabilities assumed is measured at the acquisition date fair value. Transaction costs are expensed.

Any remaining excess of the cost of the investment over the share of the fair value of the net assets acquired is recognised as goodwill and tested for impairment regularly, and at least once a year. Negative goodwill is recognised as income immediately after the acquisition following a reassessment of the net assets acquired.

Profits and losses on intra-Group transactions are eliminated. Revenue, expenses and income, and intercompany receivables, liabilities and provisions are offset against each other. Intercompany profits and losses contained in non-current assets and inventories due to intra-Group deliveries are also eliminated.

Deferred taxes are recognised as necessary in respect of temporary differences arising from consolidation adjustments in accordance with IAS 12.

In the reporting period, the consolidated Group was expanded to include the following companies and their subsidiaries:
– TOM TAILOR RUS LLC, Moscow/Russia
– TOM TAILOR Retail Slovakia s.r.o., Bratislava/Slovakia
– TOM TAILOR VELEPRODAJA d.o.o., Lesce/Slovenia
– BONITA Deutschland Holding GmbH, Hamminkeln/Germany
– BONITA Deutschland Holding Verwaltungs GmbH, Hamminkeln/Germany
– BONITA GmbH & Co. KG, Hamminkeln/Germany
– BONITA Verwaltungs-GmbH, Hamminkeln/Germany
– BONITA Werbeagentur Logistik & Service GmbH & Co. KG, Hamminkeln/Germany
– BONITA E-commerce GmbH, Oststeinbek/Germany
– GEWIB GmbH, Hamminkeln/Germany
– GEWIB GmbH & Co. KG, Pullach/Germany

These companies have been initially consolidated; where applicable, non-controlling interests are reported in the consolidated financial statements.

CURRENCY TRANSLATION

The TOM TAILOR GROUP's currency is the euro (EUR).

Financial statements of Group companies included in the consolidated financial statements that are prepared in foreign currencies are translated on the basis of the functional currency concept (IAS 21) using the modified closing rate method. The functional currency of the subsidiaries depends on the primary economic environment in which they operate and therefore corresponds to the local currency in each case. In the consolidated financial statements, expenses and income from the financial statements of subsidiaries that are prepared in foreign currencies are translated at the average exchange rates for the year, while assets and liabilities are translated at the middle rate on the reporting date. Foreign exchange differences from the translation of equity at historical cost are reported in accumulated other comprehensive income, as are translation differences from the income statement.

In the separate financial statements of the companies included in the consolidated financial statements, foreign currency receivables and liabilities are measured at cost on their addition. Foreign exchange gains and losses realised as at the reporting date are recognised in profit or loss.

The exchange rates on which currency translation is based and which have a significant influence on the consolidated financial statements changed as follows:

Key Exchange Rates

	Closing rate		Average rate	
versus EUR	31/12/2012	31/12/2011	2012	2011
US dollars	1.32	1.29	1.28	1.39
Swiss francs	1.21	1.22	1.21	1.23
Hong Kong dollars	10.23	10.05	9.97	10.84

RECOGNITION OF INCOME AND EXPENSES

Revenue from the sale of products is recognised when the title and risk passes to the customer, provided that a price has been agreed or is determinable and payment can be assumed. Revenue is reported net of discounts, markdowns, customer bonuses and rebates, and following the elimination of intra-Group sales.

In its retail business, the Group has a customer loyalty programme that allows customers to collect loyalty points for each purchase made via the online shop or in stores, depending on how much they spend. Once customers have collected a certain number of points, they can exchange them for a voucher. The purchase price received is broken down into the goods sold and the points issued, with the consideration being allocated to the points on the basis of their fair value. The consideration is only recognised as revenue when the customer has redeemed the voucher and the Company has discharged its obligation.

Royalties and other income are recognised on an accrual basis in accordance with the underlying contractual provisions.

Operating expenses are recognised when the underlying products or services are utilised, or at the time they are incurred.

Interest is recognised pro rata on the basis of the effective interest rate for the assets and liabilities.

BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method, in which the purchase price is offset against the remeasured proportionate share of the net assets of the acquiree (capital consolidation). This is based on the values applicable at the acquisition date, which is defined as the date on which control of the acquiree was obtained. Differences are identified in full, i.e. recognisable assets, liabilities and contingent liabilities of the subsidiary are reported in principle at their fair value in the consolidated financial statements, independent of any non-controlling interests. The fair value of individual assets is determined, for example, using published quoted or market prices at the acquisition date or external appraisals. If no such quoted or market prices are available, the fair values are determined using the most reliable information available, based on market prices for comparable assets and transactions or appropriate valuation techniques. Intangible assets are recognised separately if they are clearly identifiable or separable, or if recognition is based on a contractual or other legal right. To this extent, they are not included in goodwill. No additional provisions for the costs of restructuring may be recognised during purchase price allocation. If the purchase price paid exceeds the remeasured proportionate share of net assets at the acquisition date, the positive difference is recognised as goodwill. After reassessment, any negative goodwill is recognised as income immediately.

GOODWILL

Goodwill from acquisition accounting is capitalised and tested regularly for impairment at least once a year, in accordance with IAS 36.

Impairment tests are also conducted in the case of triggering events that indicate that goodwill might be impaired.

OTHER NON-CURRENT ASSETS

In accordance with IAS 38, purchased and internally generated intangible assets are recognised if it is probable that expected future benefits will flow from their use and if the cost of the asset can be measured reliably. They are measured at cost and, in the case of finite-lived assets, are amortised using the straight-line method over their useful lives of between three and 17 years.

Indefinite-lived intangible assets are tested regularly for impairment at least once a year, and written down to their recoverable amount if an impairment has occurred. Write-downs are reversed up to amortised cost if the reasons for impairment have ceased to apply.

Amortisation and impairment losses are reported under the “Depreciation, amortisation and impairment losses” item of the income statement.

Development costs are expensed since the conditions for capitalisation set out in IAS 38 are not met. They relate primarily to the costs of developing collections and of establishing new product lines.

PROPERTY, PLANT AND EQUIPMENT

In accordance with IAS 16, all property, plant and equipment is measured at cost less depreciation and, if appropriate, impairment losses. Property, plant and equipment is depreciated over the assets’ useful lives using the straight-line method. Items of finite-lived property, plant and equipment with different useful lives are depreciated separately.

Low-value assets costing less than EUR 150.00 are written off in full in the year of acquisition, due to materiality reasons.

Depreciation is based on the following standardised useful lives throughout the Group:

Useful Lives of Property, Plant and Equipment

	Useful lives in years
Shop fittings and fixtures and leasehold improvements	5–10
IT and other technical equipment	3–10
Other equipment, operating and office equipment	1–5

Both the useful lives and the cost are tested periodically for conformity with the pattern of consumption of the economic benefits. Assets are tested for impairment if there are indications that their carrying amount might exceed the recoverable amount.

IMPAIRMENT OF ASSETS

The TOM TAILOR GROUP tests intangible assets and property, plant and equipment for impairment as soon as there are indications that the asset may be impaired. Impairment testing is performed by comparing the carrying amount with the recoverable amount. Recoverable amount is defined as the higher of fair value less costs to sell and the present value of the estimated future cash flows from the value in use of the asset. If the carrying amount exceeds the recoverable amount, the asset is written down by the difference. If the reasons for impairment recognised in previous years no longer apply, the impairment loss is reversed appropriately.

Annual impairment testing for goodwill from initial consolidation and other indefinite-lived intangible assets is performed at the level of the relevant cash-generating unit. Impairment testing is performed by comparing the carrying amount of the cash-generating unit, including the allocable goodwill or the carrying amounts of the other indefinite-lived intangible assets, with the recoverable amount. If the carrying amount exceeds the recoverable amount for the cash-generating unit, the resulting difference is charged to income as an impairment loss. Goodwill that has been written down is not reversed in subsequent years.

FINANCE LEASES

In accordance with IAS 17, the lessee is considered to be the beneficial owner of the leased assets if substantially all the risks and rewards incidental to ownership of the assets are transferred to the lessee (finance lease). Assets classified as being subject to a finance lease are recognised at their fair value or, if lower, at the present value of the minimum lease payments.

They are depreciated using the straight-line method over the shorter of the expected useful life or the lease term. Payment obligations resulting from future lease payments are recognised at their present value in the financial liabilities item.

The interest portion of lease liabilities is expensed over the lease term.

INVESTMENT SECURITIES

Shares in unconsolidated affiliates are measured at the lower of cost or fair value. Their value is less than EUR 1 thousand.

The 49 % interests in the share capital of TT OFF SALE (NI) LTD. and of TT OFF SALE (Ireland) LTD. are included in the consolidated financial statements using the equity method.

FINANCIAL INSTRUMENTS

a) General

Financial instruments are accounted for in accordance with IAS 39 and – to the extent that this is relevant for the TOM TAILOR GROUP – broken down into the following categories:
– at fair value through profit or loss,
– held to maturity,
– available for sale, and
– loans and receivables.

Classification depends on the purpose for which the financial instruments were acquired.

Financial instruments include both non-derivative and derivative assets and liabilities. Derivatives are used to hedge the fair value of balance sheet items or future cash flows.

Trade date accounting is used for all purchases and sales of financial assets. Financial assets are generally initially recognised as from the point when the Group enters into the contract.

Financial instruments are recognised at amortised cost or fair value. Loans and receivables are subsequently measured at amortised cost using the effective interest rate method. Financial assets are derecognised when the contractual rights to payment from the investment have expired or been transferred and the Group has transferred substantially all the risks and rewards incidental to ownership of the assets or, in the case of loans and receivables, on payment.

Fair value generally corresponds to the market or quoted market price. Where no active market exists, fair value is determined using accepted valuation techniques on the basis of the market inputs applicable on the reporting date in question plus confirmations from banks.

Financial assets and groups of assets are assessed for objective evidence of impairment at each reporting date.

Financial assets are initially recognised at fair value plus, in the case of financial assets not at fair value through profit or loss, transaction costs.

Loans and receivables that are not held for trading, held-to-maturity financial investments and all financial assets for which there is no quoted market price on an active market and whose fair value cannot be reliably estimated are measured at amortised cost using the effective interest rate method, to the extent that they have a fixed maturity.

Financial assets with no fixed maturity are measured at cost.

In accordance with IAS 39, an assessment is made at regular intervals whether there is objective evidence that a financial asset or group of financial assets is impaired. Any impairment loss that has to be charged following impairment testing is recognised in profit or loss.

b) Derivatives and Hedge Accounting

In accordance with IAS 39, derivatives are initially recognised at their fair value on the date when the contract is entered into. Subsequent measurement is also performed using the fair value at the respective reporting date. In accordance with IAS 39, derivatives that are not part of a hedging relationship (hedge accounting) are required to be designated as at fair value through profit or loss. The method used to recognise gains or losses depends on whether the derivative concerned was classified as a hedge, as well as on the type of item hedged.

Derivatives may be embedded in other contracts (“host contracts”). If IAS 39.11 requires an embedded derivative to be separated, it is accounted for separately from the host contract and measured at fair value. Separable embedded derivatives are measured at a carrying amount of zero on initial recognition and are subsequently measured at fair value at the reporting date. Gains and losses from changes in fair value of derivatives that do not form part of designated hedging relationships are recognised in full in profit or loss for the period.

In the reporting period, derivatives were used at the Group to hedge interest rate and exchange rate risks from the operating business, and in particular to hedge forecast purchases of goods in foreign currencies.

TOM TAILOR Holding AG hedges cash flows on the basis of predefined minimum hedge ratios. At the level of the Company, highly probable forecast transactions that are expected to occur within a 12-month period are hedged against exchange rate risks using rolling budget planning. These hedges are reported in financial year 2012 as cash flow hedges in accordance with IAS 39.

Derivatives used in cash flow hedge accounting are recognised at their fair value. In the hedging relationship, the intrinsic value as well as the fair value are designated. Measurement gains and losses are broken down into an effective and an ineffective portion. The effectiveness is measured using the critical term match method. The effective portion of the gain or loss on the hedging instruments is recognised in other comprehensive income after adjustment for deferred taxes, and is reclassified to profit or loss as soon as the hedged cash flows are also recognised in the income statement, or if a hedged future transaction does not materialise. Ineffective portions of the hedging relationship are recognised immediately in income.

DEFERRED TAXES

In accordance with IAS 12, deferred tax assets and liabilities are recognised for all temporary differences between the tax base and the IFRS carrying amounts (“balance sheet liability method”), with the exception of deferred tax liabilities arising from the initial recognition of goodwill or the initial recognition of an asset or liability from a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit, and in respect of certain consolidation adjustments.

Deferred tax assets and liabilities are offset if the Group has a legally enforceable right to set off the current tax assets and liabilities and these assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Deferred tax assets also comprise tax credits relating to the expected utilisation of existing tax loss carryforwards, in particular from interest-related losses. Deferred taxes are determined using the tax rates and tax laws that have been enacted or substantively enacted by the date of realisation in the countries in question.

The composite tax rate determined for deferred taxes in Germany was 30.5 % (2011: 30.0 %). This comprises the corporation tax rate of 15.0 % (2011: 15.0 %), the solidarity surcharge of 5.5% of the corporation tax rate (2011: 5.5 %) and the average trade tax rate in the Group of 14.7 % (2011: 14.0 %). In the case of foreign companies, the relevant national tax rates are applied.

Deferred taxes are recognised as non-current and are not discounted.

Changes in deferred taxes in the balance sheet result in principle in deferred tax expense/income. To the extent that accounting matters resulting in a change to deferred taxes are recognised directly in equity or in other comprehensive income, the corresponding change in deferred taxes is also recognised directly in equity or in other comprehensive income.

RECEIVABLES AND OTHER ASSETS

Receivables and other assets are recognised at cost. Appropriate valuation allowances are charged to reflect all identifiable risks. Non-interest-bearing and low-interest receivables with a term of more than one year are discounted; TOM TAILOR uses the effective interest rate method for this. The collectability of receivables is assessed on the basis of the probability of default. Specific valuation allowances are charged individually on receivables that are past due.

INVENTORIES

Raw materials, consumables and supplies and merchandise are measured at average cost.

Where necessary, write-downs to their lower selling prices less costs to sell were recognised.

Inventory risk associated with individual inventory items is accounted for using specific valuation allowances on the basis of obsolescence analyses and analyses of days inventory held.

CASH FUNDS

Cash funds are measured at their nominal value.

COSTS OF RAISING EQUITY CAPITAL

In accordance with IAS 32, costs directly attributable to raising equity capital were charged to capital reserves net of the related income tax benefit. Incremental costs that would otherwise have been avoided were expensed. Costs that are not clearly attributable to raising equity capital are reasonably broken down into costs to be directly offset against equity and costs to be expensed in the reporting period.

DIVIDEND DISTRIBUTION

Shareholder claims to dividend distributions are recognised as liabilities in the period in which the corresponding resolution was passed.

EMPLOYEE BENEFITS

Pension Obligations

Provisions for pensions are recognised using the projected unit credit method in accordance with IAS 19, which was applied on the basis of a conservative estimate of the relevant inputs. The calculations are based on actuarial reports, taking biometric parameters into account. The present value of the defined benefit obligation is offset against the fair value of the capitalised surrender value of qualifying insurance policies ("plan assets").

Actuarial gains and losses are expensed in full in the year concerned. The interest cost on expected pension obligations and the expected return on plan assets are reported in the financial result. All other expenses from the funding of pension obligations are reported in the personnel expenses item.

Other Long-Term Employee Benefits

The Long-Term Incentive Programme, which is measured in accordance with the provisions of IAS 19 as a defined benefit obligation, was granted to senior managers of the Group and is classified as other long-term employee benefits. The present value of the defined benefit obligation is calculated by discounting the benefit earned using the projected unit credit method. The payment obligation resulting from the programme is recognised to the extent that the beneficiaries perform their services in exchange for the payments expected to be made by TOM TAILOR in future reporting periods. The expenses are reported under personnel expenses with the exception of interest cost, which is recognised in the financial result.

SHARE-BASED PAYMENT

In accordance with IFRS 2, the obligations under the Matching Stock Programme (MSP) for the Management Board are measured using valuation techniques based on option pricing models (Monte Carlo simulation). Equity-settled share-based payment transactions are measured at the fair value of the equity instruments as at the grant date. For further information on how the fair value of the equity-settled share-based payment transactions is calculated, please see section H, Other Disclosures and Explanations.

The fair value of the equity instruments is recognised ratably over the vesting period in personnel expenses, with a corresponding increase in equity, and is based on different inputs. The Group reviews its estimates regarding the number of equity instruments and the inputs on each reporting date. Differences between the initial recognition of the options and the amounts are allowed for and recognised in income. After this, a corresponding equity adjustment is made.

OTHER PROVISIONS

Other provisions are recognised where there is a legal or constructive obligation to third parties that will probably lead to an outflow of resources embodying economic benefits, where the amount of the provision can be measured with sufficient reliability. The provisions are measured at fully absorbed cost. Non-current provisions with a term of more than one year are recognised at their settlement amount discounted to the reporting date.

Unless the possibility of an outflow of resources embodying economic benefits is remote, contingent liabilities are disclosed in the notes to the consolidated financial statements.

FINANCIAL AND OTHER LIABILITIES

Financial liabilities are initially recognised at cost, which corresponds to the fair value of the consideration received. Transaction costs are taken into account. Subsequently, the liabilities – with the exception of derivatives – are measured at amortised cost using the effective interest rate method. Other liabilities are recognised at their repayment amount.

SIGNIFICANT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the amounts of reported assets and liabilities, income and expenses, and contingent liabilities. In particular, estimates and assumptions are used when identifying hidden reserves in the course of goodwill allocation during acquisition accounting, when performing impairment tests on intangible assets and property, plant and equipment, when determining standard useful lives for assets throughout the Group, when assessing the collectability of receivables, when recognising and measuring provisions, and when estimating the ability to realise future tax benefits. Particularly during accounting for business combinations, the assets acquired and liabilities assumed are recognised at their fair value. Discounted cash flow methods are commonly used here, the results of which depend on assumptions as to future cash flows and other factors. Although these estimates are made on the basis of management's current knowledge, actual results may deviate from these estimates. Changes resulting from new information within 12 months of initial consolidation are accounted for by adjusting goodwill. Changes above and beyond this are recognised in profit or loss at the point in time when the new information becomes available.

BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that is manufactured over a considerable period of time are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period in which they are incurred.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Events after the end of the reporting period that provide additional information on the Group's position on the reporting date (adjusting events) are included in the financial statements.

Where material, events after the end of the reporting period that are not included in the financial statements (non-adjusting events) are disclosed in the notes.

C. INCOME STATEMENT DISCLOSURES

The individual items in the income statement and balance sheet are not comparable with the prior year due to the acquisition of the BONITA Group on 8 August 2012.

1. REVENUE

Revenue comprises amounts charged to customers for goods and services, less sales allowances.

The classification of revenue by operating segments and region is based on the segment reporting.

2. OTHER OPERATING INCOME

Other operating income is composed of the following items:

Other Operating Income

EUR thousand	2012	2011
Income from negative goodwill	11,092	–
Royalties	3,612	3,108
Shopfitting commissions/bonuses	3,541	2,894
Recharged freight and other costs	1,966	1,680
Rental income	1,908	223
Income from recharged marketing expenses	1,817	1,579
Foreign exchange gains	983	644
Income from the reversal of provisions	436	211
Miscellaneous operating income	4,068	2,824
	29,423	**13,163**

The negative goodwill of EUR 11.1 million from the acquisition of the BONITA Group was recognised as other operating income in financial year 2012.

The increase in royalties was attributable on one hand to new licensed products. This income also reflects the revenue trend and the growing awareness of the TOM TAILOR brand.

At EUR 1.7 million, the significant increase in rental income as against the previous year was mainly due to properties leased out that are owned by BONITA.

Ongoing accelerated expansion and the resulting opening of retail and outlet stores, as well as other controlled selling spaces, saw shopfitting commissions/bonuses rise year-on-year.

3. COST OF MATERIALS

Cost of materials primarily comprises expenses for purchased merchandise.

4. PERSONNEL EXPENSES

Personnel expenses are composed of the following items:

Personnel Expenses

EUR thousand	2012	2011
Wages and salaries	104,262	52,139
Social security contributions, post-employment and other employee benefit costs	17,239	8,946
	121,501	**61,085**

The wages and salaries item includes expenses in the amount of EUR 257 thousand (2011: EUR 164 thousand) for the MSP share-based remuneration programme, as well as expenses in the amount of EUR 7,599 thousand (2011: EUR 692 thousand) for the LTI programme granted to all managers.

Personnel expenses almost doubled as against the prior-year reporting date. The increase in financial year 2012 was attributable to the higher remuneration of management personnel employed by the TOM TAILOR GROUP, a non-recurring effect caused by changes to the long-term remuneration system (which is linked to the long-term performance of the Company and the share price) as a result of the acquisition of BONITA, upfront personnel expenses for further expansion and expenses incurred for the purchasing company in Asia.

Excluding the Management Board and casual workers, the average number of employees was as follows:

Number of Employees

	2012	2011
Hourly workers	29	14
Salaried employees	3,446	1,401
	3,475	**1,415**

Payroll expenses included severance payments in the amount of EUR 1,180 thousand (2011: EUR 459 thousand). Together with additions to defined benefit plans in the amount of EUR 399 thousand (2011: EUR 16 thousand), personnel expenses also included defined contribution obligations in the form of employer contributions to statutory pension insurance in the amount of EUR 5.9 million (2011: EUR 2.9 million).

5. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES

The composition of depreciation, amortisation and impairment losses is presented in the disclosures on intangible assets (D. 10) and property, plant and equipment (D. 11).

The increase in depreciation, amortisation and impairment losses was due in particular to the acquisition of the BONITA Group and capital expenditure in connection with TOM TAILOR's expansion activities in previous financial years and in the reporting period.

6. OTHER OPERATING EXPENSES

Other operating expenses are composed of the following items:

Other Operating Expenses

EUR thousand	2012	2011
Distribution expenses	39,888	25,789
Administrative expenses	31,882	16,107
Operating and other expenses	114,293	65,389
	186,063	**107,285**

The increase in other operating expenses is largely attributable to the acquisition of BONITA in August 2012.

Distribution expenses (EUR 25.0 million) mainly related to marketing expenses, which rose due to the production and broadcasting of the television advert (EUR 5.0 million) and the launch of the new TOM TAILOR POLO TEAM brand at the BREAD & BUTTER fashion trade show in Berlin (EUR 1.2 million).

The most significant expense within the administrative expenses item was legal and consulting fees, which totalled EUR 13.6 million. The considerable year-on-year increase in legal and consulting fees was primarily attributable to consulting expenses and integration costs relating to the acquisition of the BONITA Group.

At EUR 68.4 million, total rent was the largest cost item of operating and other expenses. Rental expenses and incidental rental costs more than doubled as against the previous year as a result of the absorption of BONITA stores in the Group and further expansion in 2012. Higher costs for the fulfilment provider, which handles the online business, also led to an increase in operating and other expenses. Expenses rose in line with the positive revenue trend.

7. FINANCIAL RESULT

Financial Result

EUR thousand	2012	2011
Financial income	323	613
Financial expense	– 16,106	– 7,793
	– 15,783	**– 7,180**

The financial result is largely attributable to bank loans taken out, transaction-related financing costs and the draw-down of other operating bank lines of credit.

The increase in financial expenses was primarily due to higher interest payments from the additional EUR 180 million in bank loans taken out and transaction-related financing costs in the amount of EUR 4.7 million. The increased use of bank lines of credit as a result of the expansion of business activities also contributed to the increase.

As well as these effects, financial expenses included expenses of EUR 89 thousand (2011: EUR 84 thousand) from the unwinding of discounted pension provisions, as well as expenses of EUR 267 thousand (2011: EUR 167 thousand) from the unwinding of discounted financial liabilities in connection with the acquisition of shares.

The financial result also included financial income of EUR 125 thousand from the fair value measurement of financial liabilities.

Fees and structuring costs paid in connection with the new financing structure totalling EUR 9.1 million are amortised over the expected term of the new loans (three years) using the effective interest method.

8. INCOME TAXES

Income taxes are primarily composed of the following items:

Tax Expenses

EUR thousand	2012	2011
Current taxes		
Current income taxes for the financial year	– 7,477	– 5,326
Prior-period adjustments	352	272
	– 7,125	**– 5,054**
Deferred taxes		
Utilisation of loss carryforwards/interest carried forward	9,359	– 1,393
Origination and reversal of temporary differences	689	2,863
Tax effect of costs of raising equity capital recognised in equity	– 253	–
	9,795	**1,470**
	2,670	**– 3,584**

In financial year 2011, deferred tax assets totalling EUR 5.6 million were recognised in respect of cumulative interest carried forward (EUR 19.7 million) due to the probability that they can be offset against future taxable profit. The interest carried forward arose as a result of the earnings stripping rule, which limits the deductibility of interest expenses to a maximum of 30 % of taxable profit before interest, taxes, depreciation and amortisation.

In the reporting period, the interest carried forward and the interest expenses from the financial year could not be utilised for tax purposes, or only in part. Cumulative interest-related loss carryforwards therefore amounted to EUR 31.6 million at the end of 2012. Deferred tax assets recognised for these carryforwards now amount to EUR 8.5 million. In addition, deferred tax assets totalling EUR 6.5 million were recognised for corporation and trade tax loss carryforwards of EUR 20.5 million and EUR 21.9 million respectively due to the probability that they can be offset against future taxable profit. Deferred taxes were recognised and quickly realised using existing tax options that were available for the TOM TAILOR GROUP after the acquisition of BONITA.

Deferred taxes relating to the origination and reversal of temporary differences are attributable to differences between the carrying amounts of assets and liabilities in the consolidated balance sheet and their tax base, as well as consolidation adjustments.

Deferred tax assets of EUR 0.6 million were recognised for tax loss carryforwards of EUR 7.3 million (2011: EUR 5.7 million) relating to TOM TAILOR FRANCE SARL that can be carried forward for an indefinite period.

As at the reporting date, the Group's total tax loss carryforwards and interest carried forward amounted to EUR 63.0 million (2011: EUR 25.7 million). No deferred tax assets were recognised for tax loss carryforwards in the amount of EUR 7.3 million (2011: EUR 6.0 million) because it will not be possible to offset them against future taxable profit.

The reconciliation from expected to reported tax expense is presented in the following:

Tax Reconciliation

EUR thousand	2012	2011
Net income before income tax	436	13,656
Average composite tax rate	30.5 %	30.0 %
Expected income tax expense	**–133**	**–4,097**
Reconciliation:		
Interest-related loss carryforwards	–	322
Usable other loss carryforwards	34	–115
Effects of tax rate differences	–185	1,017
Other tax effects from differences in the basis of tax assessment	2,089	–1,416
Prior-period effects	352	528
Permanent differences	530	–
Other effects	–16	176
Reported income tax income/expense	**2,670**	**–3,584**
Effective tax rate	–612 %	26 %

Deferred taxes were calculated on the basis of a uniform tax rate of 30.5 % (2011: 30.0 %) for reasons of simplification. The uniform tax rate was adjusted from 30.0 % to 30.5 % after the acquisition of the BONITA Group. Please refer to our disclosures in section B (Accounting Policies and Consolidation Methods) for information on how the tax rate is calculated.

Effects of tax rate differences are attributable to differences between the trade tax multiplier used to calculate deferred taxes and the actual composite trade tax multiplier, as well as to different national tax rates for companies in the Group.

Tax effects from differences in the basis of tax assessment are mainly due to expenses that are not deductible for tax purposes and to trade tax add-backs.

The prior-period adjustments are attributable to additional tax payments and refunds for past years.

9. EARNINGS PER SHARE

Earnings per share are calculated in accordance with IAS 33 by dividing the consolidated net income attributable to shareholders of TOM TAILOR Holding AG by the weighted average number of shares outstanding in the reporting period.

There were no outstanding shares as at 31 December 2012 or at 31 December 2011 that could have diluted earnings per share. Diluted earnings per share are therefore identical to basic earnings per share.

Earnings per share and the weighted average number of ordinary shares used to calculate earnings per share are presented in the table below.

Earnings per Share

	31/12/2012	31/12/2011
Total shares as at the reporting date	24,209,035	16,528,169
	2012	**2011**
Share of consolidated net income attributable to shareholders of the parent (EUR thousand)	288	9,820
Weighted average number of ordinary shares (thousands of shares)	19,861	16,528
Basic earnings per share (in EUR)	0.01	0.59
Diluted earnings per share (in EUR)	0.01	0.59

D. BALANCE SHEET DISCLOSURES

10. INTANGIBLE ASSETS

Intangible assets are composed of the following items:

Intangible Assets

EUR thousand	31/12/2012	31/12/2011
Hidden reserves identified in the course of initial consolidation		
Brands	249,953	62,221
Customer bases	25,274	28,031
Beneficial leases	18,663	–
Licensing agreements and similar rights	15,777	18,474
	309,667	**108,726**
Other		
Key money/store subsidies	10,482	14,794
Other rights of use	12,041	4,037
Software	10,388	1,743
	32,911	**20,574**
Software leased under finance leases	261	479
	342,839	**129,779**
Goodwill		
arising from the acquisition of a non-controlling interest in TOM TAILOR Gesellschaft m.b.H., Wörgl	3,361	3,361
arising from the initial consolidation of Tom Tailor GmbH by TOM TAILOR Holding GmbH	2,291	2,291
arising from the initial consolidation of TOM TAILOR South Eastern Europe Holding GmbH, Wörgl	2,025	2,025
arising from the initial consolidation of TOM TAILOR Retail Joint Venture GmbH, Bregenz	2,152	1,376
	9,829	**9,053**
Prepayments		
Licences	97	–
	352,765	**138,832**

There were no impaired intangible assets.

Brands and goodwill are not amortised. Brands, as significant intangible assets, and existing goodwill were tested for impairment at the reporting date by comparing the recoverable amount, which is determined on the basis of the net selling price (fair value less costs to sell), with the carrying amount in each case. Fair value less costs to sell was used in impairment testing for the first time in financial year 2012. In the previous year, value in use was used for impairment testing of intangible assets that are not amortised. The change was necessary to accommodate the Company's focused growth strategy, which is only reflected to a limited extent in the value in use concept. In the absence of an active market, the net selling price was calculated using the discounted cash flow (DCF) method.

Intangible assets are allocated to the respective cash-generating units and tested for impairment at this level. The TOM TAILOR GROUP's cash-generating units are the TOM TAILOR wholesale and TOM TAILOR retail segments, as in the previous year, plus BONITA from August 2012 onwards.

EUR 44.8 million (2011: EUR 44.8 million) of the brands item is allocated to the TOM TAILOR wholesale segment in connection with impairment testing, EUR 17.4 million (2011: EUR 17.4 million) to the TOM TAILOR retail segment and EUR 187.7 million to the BONITA segment. EUR 4.9 million (2011: EUR 4.9 million) of goodwill relates to the TOM TAILOR wholesale segment and EUR 4.9 million (2011: EUR 4.1 million) to the TOM TAILOR retail segment.

Impairment testing is based on corporate planning, with a detailed three-year planning period followed by a perpetual annuity.

To calculate fair value less costs to sell, cash flows for the next three years are forecast on the basis of past experience, current operating results, management's best estimates of future performance and market assumptions.

Fair value is calculated on the assumption of sustained revenue growth in the detailed planning period. Risk allowances for regional factors and Company-specific market share trends are applied to revenue in some cases.

Cash flow is extrapolated using a growth rate of 1% (2011: 0.5%) for the perpetual annuity. The costs to sell were recognised at 1% of the enterprise value. The cost of capital used to discount future cash flows (weighted average cost of capital, WACC) is calculated on the basis of market data. As at 31 December 2012, the WACC before taxes for the brands was between 9.6% and 10.4% (2011: 9.4%), while the WACC after taxes was between 6.9% and 7.0% (2011: 6.6%).

Impairment testing did not lead to any impairment losses. Given the planned expansion, the recoverable amount clearly exceeds the carrying amount of the cash generating unit; consequently, minor adjustments to the parameters used (e.g. adjustments of 100 basis points to the WACC) would not result in any impairment losses.

Customer bases, which relate to recurring customers (useful life of 17 years), franchise partners, shop-in-shop customers and multi-label customers (each with a useful life of six years), beneficial leases (useful life of five years) and licensing agreements (useful life of 14 years) are amortised over their useful life. There were no indications of impairment (triggering events) to these intangible assets as at the reporting date.

Intangible assets changed as follows in 2012:

Changes in Intangible Assets in 2012

EUR thousand	Brands	Goodwill	Customer bases	Licensing agreements and similar rights	Beneficial leases	Other	Prepayments	**Total**
Cost								
Balance at 1 January 2012	**62,221**	**9,053**	**67,074**	**32,596**	**–**	**50,558**	**–**	**221,502**
Foreign exchange differences	–	–	–	–	–	–17	–	–17
Change in basis of consolidation	187,732	1,047	–	–	20,359	33,280	–	242,418
Additions	–	–	–	–	–	9,219	97	9,316
Reclassifications	–	–	–	–	–	2	–	2
Disposals	–	–	–	–	–	–7,874	–	-7,874
Balance at 31 December 2012	**249,953**	**10,100**	**67,074**	**32,596**	**20,359**	**85,168**	**97**	**465,347**
Amortisation and impairment losses								
Balance at 1 January 2012	**–**	**–**	**39,043**	**14,122**	**–**	**29,505**	**–**	**82,670**
Foreign exchange differences	–	–	–	–	–	6	–	6
Change in basis of consolidation	–	271	–	–	–	19,339	–	19,610
Additions	–	–	2,757	2,697	1,696	11,000	–	18,150
Reclassifications	–	–	–	–	–	1	–	1
Disposals	–	–	–	–	–	-7,855	–	-7,855
Balance at 31 December 2012	**–**	**271**	**41,800**	**16,819**	**1,696**	**51,996**	**–**	**112,582**
Carrying amount								
Balance at 1 January 2012	**62,221**	**9,053**	**28,031**	**18,474**	**–**	**21,053**	**–**	**138,832**
Balance at 31 December 2012	**249,953**	**9,829**	**25,274**	**15,777**	**18,663**	**33,172**	**97**	**352,765**
of which leased								261

Additions from the change in the basis of consolidation were attributable to the acquisition of the BONITA Group as at 8 August 2012. Please refer to our disclosures on the change in the basis of calculation in section B.

Customer bases changed as follows in 2012:

Changes in Capitalised Customer Bases 2012

EUR thousand	Recurring customers	Franchise partners	SIS customers	Multi-label customers	**Total customer bases**
Cost					
Balance at 1 January 2012	**46,873**	**1,705**	**8,498**	**9,998**	**67,074**
Balance at 31 December 2012	**46,873**	**1,705**	**8,498**	**9,998**	**67,074**
Amortisation and impairment losses					
Balance at 1 January 2012	**18,842**	**1,705**	**8,498**	**9,998**	**39,043**
Additions	2,757	–	–	–	2,757
Balance at 31 December 2012	**21,599**	**1,705**	**8,498**	**9,998**	**41,800**
Carrying amount					
Balance at 1 January 2012	**28,031**	**–**	**–**	**–**	**28,031**
Balance at 31 December 2012	**25,274**	**–**	**–**	**–**	**25,274**

Intangible assets changed as follows in financial year 2011:

Changes in Intangible Assets in 2011

EUR thousand	Brands	Goodwill	Customer bases	Licensing agreements and similar rights	Beneficial leases	Other	Prepayments	**Total**
Cost								
Balance at 1 January 2011	**62,221**	**7,677**	**67,074**	**31,421**	**–**	**42,847**	**82**	**211,322**
Foreign exchange differences	–	–	–	–	–	24	–	24
Change in basis of consolidation	–	1,376	–	1,175	–	4	–	2,555
Additions	–	–	–	–	–	8,538	186	8,724
Reclassifications	–	–	–	–	–	–14	–268	–282
Disposals	–	–	–	–	–	–841	–	–841
Balance at 31 December 2011	**62,221**	**9,053**	**67,074**	**32,596**	**–**	**50,558**	**–**	**221,502**
Amortisation and impairment losses								
Balance at 1 January 2011	**–**	**–**	**35,724**	**11,462**	**–**	**21,835**	**–**	**69,021**
Foreign exchange differences	–	–	–	–	–	23	–	23
Change in basis of consolidation	–	–	–	–	–	2	–	2
Additions	–	–	3,319	2,660	–	8,476	–	14,455
Disposals	–	–	–	–	–	–831	–	–831
Balance at 31 December 2011	**–**	**–**	**39,043**	**14,122**	**–**	**29,505**	**–**	**82,670**
Carrying amount								
Balance at 1 January 2011	**62,221**	**7,677**	**31,350**	**19,959**	**–**	**21,012**	**82**	**142,301**
Balance at 31 December 2011	**62,221**	**9,053**	**28,031**	**18,474**	**–**	**21,053**	**–**	**138,832**
of which leased								479

Customer bases changed as follows in 2011:

Changes in Capitalised Customer Bases 2011

EUR thousand	Recurring customers	Franchise partners	SIS customers	Multi-label customers	**Total customer bases**
Cost					
Balance at 1 January 2011	**46,873**	**1,705**	**8,498**	**9,998**	**67,074**
Additions	–	–	–	–	–
Disposals	–	–	–	–	–
Balance at 31 December 2011	**46,873**	**1,705**	**8,498**	**9,998**	**67,074**
Amortisation and impairment losses					
Balance at 1 January 2011	**16,084**	**1,658**	**8,262**	**9,720**	**35,724**
Additions	2,758	47	236	278	3,319
Disposals	–	–	–	–	–
Balance at 31 December 2011	**18,842**	**1,705**	**8,498**	**9,998**	**39,043**
Carrying amount					
Balance at 1 January 2011	**30,789**	**47**	**236**	**278**	**31,350**
Balance at 31 December 2011	**28,031**	**–**	**–**	**–**	**28,031**

11. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment mainly comprises shop fittings and fixtures as well as operating and office equipment.

Property, plant and equipment changed as follows:

Changes in Property, Plant and Equipment in 2012

EUR thousand	Land and buildings, including buildings on third-party land	Other equipment, operating and office equipment	Prepayments	Total
Cost				
Balance at 1 January 2012	**4,340**	**88,364**	**133**	**92,837**
Foreign exchange differences	–23	11		–12
Change in basis of consolidation	47,973	156,060	72	204,105
Additions	1,148	30,507	1,092	32,747
Reclassifications	225	739	–966	–2
Disposals	–3,384	–6,894		–10,278
Balance at 31 December 2012	**50,279**	**268,787**	**331**	**319,397**
Depreciation and impairment losses				
Balance at 1 January 2012	**643**	**42,595**	**21**	**43,259**
Foreign exchange differences	–3	–72		–75
Change in basis of consolidation	13,798	84,937		98,735
Additions	1,343	19,295	1	20,639
Reclassifications		22	–22	–
Disposals	–784	–5,877		–6,661
Balance at 31 December 2012	**14,997**	**140,900**	**–**	**155,897**
Carrying amount				
Balance at 1 January 2012	**3,697**	**45,769**	**112**	**49,578**
Balance at 31 December 2012	**35,282**	**127,887**	**331**	**163,500**
of which leased				16,092

Changes in Property, Plant and Equipment in 2011

EUR thousand	Land and buildings, including buildings on third-party land	Other equipment, operating and office equipment	Prepayments	Total
Cost				
Balance at 1 January 2011	**2,333**	**64,130**	**887**	**67,350**
Foreign exchange differences	–23	–72	–	–95
Change in basis of consolidation	–	882	0	882
Additions	2,030	23,410	159	25,599
Reclassifications	–	970	–688	282
Disposals	–	–956	–225	–1,181
Balance at 31 December 2011	**4,340**	**88,364**	**133**	**92,837**
Depreciation and impairment losses				
Balance at 1 January 2011	**304**	**31,848**	**11**	**32,163**
Foreign exchange differences	–2	1	–	–1
Change in basis of consolidation	–	605	–	605
Additions	341	10,725	10	11,076
Disposals	–	–584	–	–584
Balance at 31 December 2011	**643**	**42,595**	**21**	**43,259**
Carrying amount				
Balance at 1 January 2011	**2,029**	**32,282**	**876**	**35,187**
Balance at 31 December 2011	**3,697**	**45,769**	**112**	**49,578**
of which leased				13,190

Additions related largely to shop fittings and fixtures for new retail and outlet stores opened in the reporting period.

Property, plant and equipment also include leased operating and office equipment; most of the leases have a remaining term of up to five years.

No impairment losses or reversals of impairment losses were recognised in respect of property, plant and equipment in the reporting period or in the previous year.

Please refer to section 22. (c) (Disclosures on Collateral) for information on the provision of items of property, plant and equipment as collateral.

Further information on minimum lease payments for leases classified as finance leases (including leases for non-current intangible assets) is presented in the following.

Future Minimum Lease Payments for Finance Leases

EUR thousand	31/12/2012	31/12/2011
Minimum lease payments		
Up to 1 year	5,168	4,939
1 to 5 years	11,871	9,811
	17,039	**14,750**
Interest component		
Up to 1 year	1,054	869
1 to 5 years	1,428	1,059
	2,482	**1,928**
Present value of minimum lease payments		
Up to 1 year	4,115	4,070
1 to 5 years	10,443	8,753
	14,558	**12,823**

None of these leases can be cancelled before the end of their contractual term.

Operating Leases

In addition to finance leases, leases and rental agreements were entered into that must be classified as operating leases in accordance with IAS 17 on the basis of their economic substance; this means that the leased asset concerned is allocated to the lessor. These primarily relate to rental agreements for properties used for the Group's retail activities, as well as for office space used by Group companies and parts of the vehicle fleet.

12. INVESTMENT SECURITIES

TT OFF SALE (NI) LTD., Belfast/United Kingdom, was formed in financial year 2008. As a founding shareholder, Tom Tailor GmbH holds 49.0% of the shares in TT OFF SALE (NI) LTD. The interest is included in the consolidated financial statements using the equity method.

The contribution was paid in cash and amounted to GBP 100 (corresponding to EUR 104). In 2011, the company recorded revenue of GBP 799 thousand (corresponding to EUR 920 thousand) and a net loss for the year of GBP 287 thousand (corresponding to EUR 330 thousand).

As the share of losses attributable to the Group (EUR 162 thousand) exceeded the carrying amount of the equity interest, the share of losses was only recognised in the Group up to the carrying amount of the equity interest (EUR 0 thousand). The cumulative share of losses (EUR 1,373 thousand) was thus not included in the consolidated financial statements. The financial statements for financial year 2012 are not yet available.

In its annual financial statements for the year ended 31 December 2011, TT OFF SALE (NI) LTD. reported non-current assets in the amount of GBP 554 thousand (corresponding to EUR 663 thousand), current assets in the amount of GBP 981 thousand (corresponding to EUR 1,174 thousand), current liabilities in the amount of GBP 3,985 thousand (corresponding to EUR 4,771 thousand) and equity in the amount of GBP –2,451 thousand (corresponding to EUR –2,934 thousand).

Tom Tailor GmbH supplied TT OFF SALE (NI) LTD. with merchandise valued at EUR 1,584 thousand in the reporting period. The gross profit generated from this delivered merchandise was reversed in the consolidated financial statements of TOM TAILOR Holding AG to the extent that TT OFF SALE (NI) LTD. had not resold it to third parties by the reporting date. It was charged to trade receivables because the carrying amount of the equity interest was not sufficient to eliminate these intercompany profits. Revenue was reduced by the same amount. Deferred tax assets were recognised in respect of the consolidation adjustment.

TT OFF SALE (Ireland) LTD., Dublin/Ireland, was formed in 2009. Tom Tailor GmbH holds 49.0% of the shares in the company indirectly via TT OFF SALE (NI) LTD. The financial statements for financial year 2012 are not yet available.

According to the company's annual financial statements, it recorded revenue of EUR 1,269 thousand and a net loss for the year of EUR 337 thousand in the financial year 2011. TT OFF SALE (Ireland) LTD. has non-current assets in the amount of EUR 145 thousand, current assets in the amount of EUR 427 thousand and current liabilities in the amount of EUR 967 thousand. The prior-year results and the net loss for the year led to negative equity of EUR 395 thousand.

There is no existing fair value for the equity interest.

13. OTHER ASSETS/PREPAID EXPENSES

Other assets are composed of the following items:

Other Assets

EUR thousand	31/12/2012	31/12/2011
Receivables from online business	4,495	–
Procurement agent commissions	2,580	3,533
Fair value of currency futures	–	4,624
Creditors with debit balances	3,937	2,840
Security deposits	2,099	2,176
Store subsidies	4,688	1,913
VAT receivables	967	1,243
Prepaid rent	2,020	–
Other assets	2,859	2,100
	23,645	**18,429**
of which non-current	8,369	6,669
of which current	15,276	11,760

Receivables from online business were recognised for the first time in financial year 2012 under other assets and have a carrying amount of EUR 4,495 thousand. These receivables were attributable to the new contractual arrangement in connection with the change in service provider in 2012. From 2012 onwards, receivables are no longer reported as receivables from end customers, but from the service provider, due to contractual arrangements. In this way, the contractual right to receive the cash flows from the financial asset was transferred to the service provider, who is responsible for collecting the receivable and bears the full customer credit risk.

14. INVENTORIES

Inventories are composed of the following items:

Inventories

EUR thousand	31/12/2012	31/12/2011
Raw materials, consumables and supplies	2,928	1,105
Merchandise	120,809	56,477
	123,737	**57,582**

Write-downs to the lower net realisable value rose by EUR 828 thousand compared with the previous year (2011: increase of EUR 420 thousand). The change was recognised in the income statement. This included expected costs to sell that are still to be incurred. Write-downs reversed to profit or loss were recognised in connection with disposals of an immaterial amount.

Inventories carried at net realisable value amounted to EUR 120,809 thousand as at the reporting date (2011: EUR 56,477 thousand). These include goods in transit in the amount of EUR 23,099 thousand (2011: EUR 13,502 thousand). The increase in inventories was primarily due to the inclusion of BONITA in the Group, the increase in the number of controlled selling spaces and the positive revenue trend. The expansion in the retail segment in particular led to a corresponding increase in inventories.

15. TRADE RECEIVABLES

Trade Receivables

EUR thousand	31/12/2012	31/12/2011
Trade receivables	49,845	42,977
Receivables from associate	2,072	2,535
	51,917	**45,512**

As in the previous year, trade receivables are due within one year. Their carrying amount corresponds to their fair value.

Changes to valuation allowances on current receivables within financial assets measured at (amortised) cost are presented in the following table:

Valuation Allowances on Non-current Receivables

EUR thousand	2012	2011
Balance at 1 January	**3,632**	**3,452**
Additions recognised in profit or loss	2,573	1,170
Utilisation	–511	–990
Reversals	–75	–
Balance at 31 December	**5,619**	**3,632**

The receivables presented above include amounts that were past due at the reporting date, but for which the Group has not recognised any impairment losses (see age structure analysis). This is because there were no material changes to customer credit quality and the outstanding amounts are still deemed to be collectible. This assessment is based on the collateral, instalment agreements and documents on financial position available to the Group in most cases, as well as its right of set-off against the counterparty.

The age structure of trade receivables as at 31 December is as follows:

Age Structure of Trade Receivables

EUR thousand	31/12/2012	31/12/2011
Neither due nor impaired	37,967	28,294
Carrying amount of receivables impaired	4,592	6,630
Past due but not impaired		
< 30 days	5,035	3,918
30–90 days	2,301	3,342
> 90 days	2,022	3,328
	51,917	**45,512**

Impairment testing of trade receivables takes into account all changes to credit quality since payment terms were granted until the reporting date. Supplier credits granted to customers are classified as not due. The broad customer base meant that there was no significant credit risk concentration as at the reporting date.

Expenses relating to losses on receivables and valuation allowances on receivables totalled EUR 3,075 thousand (2011: EUR 1,935 thousand).

16. CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents

EUR thousand	31/12/2012	31/12/2011
Overnight funds and other bank deposits	47,396	8,515
Cash-in-hand	5,986	861
	53,382	**9,376**

17. EQUITY

Changes in equity are presented in the statement of changes in equity.

A total of 1,652,816 new shares with a notional interest in the share capital of EUR 1.00 per share were issued from authorised capital in the amount of EUR 8,264,084 in the course of the capital increase on 5 July 2012; shareholders' pre-emptive rights were disapplied. Based on the issue price of EUR 12.50 per share, the cash capital increase generated gross issue proceeds of approximately EUR 20.6 million.

On 8 August 2012, part of the purchase price for the acquisition of the BONITA Group was paid by way of an exchange of shares between TOM TAILOR Holding AG and ISLA Vermögensverwaltungs GmbH (formerly BONITA International Verwaltungs GmbH), Warstein/Germany. A total of 6,028,050 new no-par value registered shares with a notional interest in the share capital of EUR 1.00 per share were issued from authorised capital for the exchange of shares. The market price for the TOM TAILOR Holding AG shares given up amounted to EUR 15.30 per share as at the acquisition date.

The subscribed capital increased by EUR 6,028,050 as a result of the non-cash capital increase. The amount in excess of the notional interest in the share capital (EUR 86.2 million) was appropriated to the capital reserves. The shares from the non-cash capital increase are subject to a three-year lock-up period and therefore cannot be sold.

The Company's subscribed capital after the cash and non-cash capital increase amounts to a total of EUR 24,209,035 and is composed of 24,209,035 no-par-value shares.

The capital reserves contain the additional payments by the shareholders as well as the amounts in excess of the notional interest in the share capital received on issuance of the shares. After adjustment for the issuing costs attributable to TOM TAILOR Holding AG (adjusted for the income tax benefit) in the amount of EUR 0.6 million, which are recognised directly in equity, total capital reserves rose by EUR 86.6 million to EUR 274.5 million.

EUR 17,970 thousand (2011: EUR 17,602 thousand) was withdrawn from the capital reserves in financial year 2012 to offset the net loss that exceeded profit carried forward for the year reported by TOM TAILOR Holding AG.

Accumulated other comprehensive income includes the reserve for currency translation differences and the hedge reserve after adjustment for tax effects.

The foreign currency derivatives recognised in equity at their fair value in 2011 (a total of EUR 4.2 million), net of the related deferred taxes (EUR 1.3 million), were reclassified in their entirety to net income for the period in 2012 because the underlying hedged items were recognised in the income statement. The Group bought new foreign currency derivatives in the reporting period as part of its hedging strategy. In this context, a total of EUR 4.9 million was appropriated to the hedge reserve. Deferred taxes on the measurement of derivative financial instruments amounted to EUR 1.4 million. After adjustment for deferred taxes and the amount recognised in net income for the period, the hedge reserve amounted to EUR –3.5 million as at 31 December 2012.

Consolidated net accumulated losses changed as follows:

Accumulated Loss

EUR thousand	2012	2011
1 January	**–95,793**	**–123,215**
Distribution	–2,810	–
Consolidated net income attributable to shareholders of TOM TAILOR Holding AG	3,106	10,072
Less non-controlling interests	–2,818	–252
After non-controlling interests	288	9,820
Withdrawal from capital reserves	17,970	17,602
31 December	**–80,345**	**–95,793**

The foreign currency translation reserve includes exchange rate gains or losses from the translation of the financial statements of the Swiss subsidiaries, the Hungarian subsidiary, TOM TAILOR South Eastern Europe Holding GmbH, Wörgl/Austria, and TOM TAILOR Sourcing Ltd., Hong Kong/China.

18. DIVIDEND PER SHARE

The Annual General Meeting on 18 May 2012 resolved to distribute a dividend of EUR 0.17 per share carrying dividend rights. This corresponds to a total dividend distribution of EUR 2,810 thousand.

The new syndicated loan agreement entered into in connection with the acquisition of BONITA provides for a restriction on future dividend payments in order to protect the consortium banks. Under the agreement, dividends may only be paid if the equity ratio at Group level amounts to at least 30 %. In addition, the size of the dividend depends on net debt and EBITDA. A maximum of 30% of the consolidated net income for the period may be distributed for as long as the ratio of net debt to EBITDA exceeds 2.5. The loan agreement provides for a maximum potential dividend of 50% if the ratio of net debt to EBITDA is less than 2.0.

19. PROVISIONS FOR PENSIONS

Provisions for pensions are recognised for obligations arising from pension entitlements. The beneficiaries are former senior executives and former managing directors/Management Board members and their surviving dependants.

Pension provisions relate solely to defined benefit plans. Pension plans are funded by provisions and are thus unfunded. Pension commitments are covered by pension liability insurance policies.

Pension obligations (present value of the defined benefit obligation) are calculated using actuarial techniques, which require estimates to be made. These are based on the following assumptions:

Pension Provisions – Assumptions

%	2012	2011
Discount rate	3.80	5.40

Pension and pay trends are set at 0.0 % and do not affect future pension payments because pension commitments only relate to fixed amounts. This is based on a fluctuation of 0.0 %, as some of the beneficiaries are no longer actively employed. The average expected return on plan assets is approximately 7 %.

Pension commitments are measured using biometric parameters, which are based on the 2005 mortality tables published by Prof. Dr Heubeck.

Actuarial gains and losses may arise from increases or decreases in either the present value of the defined benefit obligation or the market value of pension liability insurance. Among other things, these may be caused by changes to the calculation parameters, changes in estimates relating to pension obligation risk and differences between actual and expected income from the insurance policy.

Taking into account the basis of calculation in accordance with IAS 19, the funded status of pension commitments is as follows:

Pension Provisions

EUR thousand	31/12/2012	31/12/2011
Present value of defined benefit obligation (funded by provisions only)	1,533	1,650
Less pension liability insurance	–1,022	–1,369
Net obligations	511	281
Carrying amount	**511**	**281**

The present value of defined benefit obligations changed as follows:

Pension Provisions: Change in Present Value of Defined Benefit Obligation

EUR thousand	2012	2011
Present value of defined benefit obligation as at 1 January	**1,650**	**1,550**
Service cost	21	20
Interest cost	89	84
Actuarial gains and losses	194	–4
Payment of pension claims	–421	–
Present value of defined benefit obligation as at 31 December	**1,533**	**1,650**

The capitalised surrender value of pension liability insurance, which is offset against the present value of the defined benefit obligation, changed as follows:

Pension Provisions: Change in Capitalised Surrender Value of Pension Liability Insurance

EUR thousand	2012	2011
Capitalised surrender value of pension liability insurance as at 1 January	**1,369**	**1,295**
Contributions to capitalised surrender value of pension liability insurance	53	66
Gains on capitalised surrender value of pension liability insurance	1	21
Payment of pension claims	–768	–
Other changes	367	–13
Capitalised surrender value of pension liability insurance as at 31 December	**1,022**	**1,369**

According to the insurer, the fair value of pension liability insurance was EUR 1,101 thousand as at the reporting date (2011: EUR 1,796 thousand). EUR 79 thousand (2011: EUR 427 thousand) was not offset as at the reporting date due to the cap on offsetting the capitalised surrender value of pension liability insurance up to the present value of pension commitments.

Expenses from the unwinding of discounted pension provisions are reported in the financial result. All other pension expense components are reported in personnel expenses.

The overall expected return is based on the weighted average expected return on plan assets. The expected return is estimated by management on the basis of historical return trends and market forecasts by analysts relating to the assets for the duration of the obligation in question. The Company does not contribute to plan assets.

The amounts of the defined benefit obligation and the plan assets for the current financial year and the preceding four reporting periods are as follows:

Historical Information

EUR thousand	2012	2011	2010	2009	2008
Present value of defined benefit obligation	1,533	1,650	1,550	1,376	1,320
Fair value of plan assets	– 1,022	– 1,369	– 1,295	– 1,200	– 1,146
Plan deficit	**511**	**281**	**255**	**176**	**174**

20. OTHER PROVISIONS/ CONTINGENT LIABILITIES

Other provisions changed as follows:

Other Provisions

EUR thousand	Employee-related provisions	Customer bonuses	Returns	Outstanding invoices	Restoration obligations	Other	Total
Balance at 31 December 2011	**5,970**	**3,244**	**3,168**	**1,246**	**100**	**1,980**	**15,708**
Additions	13,586	4,469	3,680	1,627	–	1,167	24,529
Reversals	16	–	–	–	–	420	436
Unwinding of discounts/changes in interest rates	34	–	–	–	– 168	–	– 134
Changes in consolidated Group	8,097	–	1,032	–	8,621	2,339	20,089
Utilisation	7,159	3,244	3,788	1,246	289	2,569	18,295
Balance at 31 December 2012	**20,512**	**4,469**	**4,092**	**1,627**	**8,264**	**2,497**	**41,461**
Current	16,633	4,469	4,092	1,627	298	2,497	29,616
Non-current	3,879	–	–	–	7,966	–	11,845

Employee-related provisions largely relate to provisions for bonuses, the long-term remuneration system for Management Board members and managers, and outstanding holiday and overtime entitlements.

A long-term incentive programme (LTI) was introduced in July 2010 for the TOM TAILOR GROUP's management. It serves to retain personnel and achieve the Company's long-term goals. This remuneration system runs for a period of eight years (starting in financial year 2010) and is based on a comparison of target and actual revenue and the operating result over a three-year observation period in each case. Any bonus is granted in tranches every financial year on an individual basis. Together with revenue and the operating result, share price performance is another component that is taken into consideration. The share price of the three previously issued tranches was modelled at each reporting date using a Monte Carlo method, taking into account expected volatility (tranche 1: 47.5 %; tranche 2: 41.54 %; tranche 3: 41.17 %), the risk-free interest rate (tranche 1: 2.74 %; tranche 2: 2.84 %; tranche 3: 3.19 %), and the expected dividend distribution (2.5 %). The programme is also open to the members of the Management Board. Tranche 1 under this remuneration system will be paid out in 2013 for the first time. Tranche 2 and tranche 3 can first be paid out in 2014 and 2015 respectively.

Provisions for restoration obligations relate to the expected costs of returning each store to its structural condition at the time the lease was entered into when the lease expires. The present value of the expected costs is recognised as a provision at the start of the lease; the amount of the provision is charged to other comprehensive income. The estimated costs are recognised as non-current assets and amortised over the average term of the leases.

Provisions for customer bonuses comprise discounts that are conditional on order volumes and contractually agreed commission entitlements that had not yet been paid out as at the reporting date.

Provisions for returns are based on past experience of return rates and the time taken to receive them. Provisions are calculated on the basis of average margins and average return rates.

Provisions are expected to be settled within 12 months, with the exception of part of the provision for the long-term incentive programme (LTI) for management and restoration obligations.

One Management Board member has a firm entitlement, if his contract is terminated, to a severance payment in the amount of his fixed remuneration component for the remainder of his contract.

A former service provider has brought an action against a Group company. The total value of the action is EUR 1.8 million. The Management Board and the advising lawyers consider it unlikely that the action will be successful; as a result, no provisions have been recognised in the consolidated financial statements for any liability in connection with this legal dispute.

Otherwise there are no other material contingent liabilities.

21. DEFERRED TAXES

Recognised deferred tax assets relate to the following items:

Deferred Tax Assets in the Reporting Period

	31 December 2012	
EUR thousand	Basis of assessment	Deferred tax assets
Tax loss carryforwards and interest carried forward	51,161	15,676
Measurement of currency forwards	5,011	1,530
Consolidation adjustments (consolidation of intercompany balances, elimination of intercompany profits/losses)	4,010	1,255
Pension provisions	362	111
Other	866	265
	61,410	**18,837**
Set off against deferred tax liabilities	–61,410	–18,837
	–	**–**

Deferred tax assets relate primarily to the future usability of cumulative interest carried forward, as well as corporation and trade tax loss carryforwards. This led to total deferred tax assets of EUR 15.7 million.

In addition to deferred tax assets in respect of tax loss carryforwards, deferred tax assets were recognised for measurement differences relating to currency hedges and for consolidation adjustments. Deferred taxes attributable to currency forwards are reported in other comprehensive income if they are part of an effective hedging relationship.

Deferred Tax Assets in the Previous Year

	31 December 2011	
EUR thousand	Basis of assessment	Deferred tax assets
Tax loss carryforwards and interest carried forward	19,710	5,601
Measurement of interest rate hedges	3,082	925
Consolidation adjustments (consolidation of intercompany balances, elimination of intercompany profits/losses)	1,254	376
Pension provisions	493	148
Other	957	287
	25,496	**7,337**
Set off against deferred tax liabilities	–25,496	–7,337
	–	**–**

Deferred Tax Liabilities in the Reporting Period

	31 December 2012	
EUR thousand	Basis of assessment	Deferred tax liabilities
Intangible assets	311,540	94,626
Treatment of transaction costs	7,038	2,149
Leases	1,117	326
Measurement of receivables	745	219
Other	497	152
	320,937	**97,472**
Set off against deferred tax assets	–61,410	–18,837
	259,527	**78,635**

Deferred tax liabilities in the amount of EUR 63.2 million were recognised as intangible assets in connection with the recognition of intangible assets in the course of the initial consolidation of BONITA Deutschland Holding GmbH, Hamminkeln/Germany, and its subsidiaries; these had a residual carrying amount of EUR 63.0 million as at the reporting date.

As at 31 December 2011, recognised deferred tax liabilities were attributable to the following recognition and measurement differences:

Deferred Tax Liabilities in the Previous Year

	31 December 2011	
EUR thousand	Basis of assessment	Deferred tax liabilities
Intangible assets	108,727	32,618
Measurement of receivables	586	176
Measurement of currency forwards	4,624	1,387
Other	150	45
	114,087	**34,226**
Set off against deferred tax assets	–25,496	–7,337
	88,591	**26,889**

22. FINANCIAL LIABILITIES

a) Composition

Current and non-current financial liabilities are composed of the following items:

Financial Liabilities in the Reporting Period

	31 December 2012			
EUR thousand	Up to 1 year	1 to 5 years	Over 5 years	Total
Liabilities to banks	90,000	191,409	–	281,409
Lease liabilities	4,115	10,443	–	14,558
Liabilities to third parties	2,500	2,727	–	5,227
	96,615	**204,579**	**–**	**301,194**

In the previous year, current and non-current financial liabilities were composed of the following items:

Financial Liabilities in the Previous Year

	31 December 2011			
EUR thousand	Up to 1 year	1 to 5 years	Over 5 years	Total
Liabilities to banks	–	60,575	–	60,575
Lease liabilities	4,070	8,753	–	12,823
Liabilities to third parties	2,407	8,175	–	10,582
	6,477	**77,503**	**–**	**83,980**

b) Disclosures

Liabilities to Banks

In connection with the acquisition of the BONITA Group, the existing bank finance concept was replaced by new, market-oriented bank financing tailored to TOM TAILOR's growth in August 2012; this means that bank lines of credit sufficient to support future growth are in place.

In this context, the previous bank lines of credit in the amount of EUR 225 million were increased to EUR 455 million. The amount of EUR 455 million is broken down into a current account overdraft facility of EUR 137.5 million (until 8 August 2012: EUR 85 million), a guarantee line of credit in the amount of EUR 137.5 million (until 8 August 2012: EUR 100 million) and term loans of EUR 180 million (until 8 August 2012: EUR 40 million). The variable effective interest rate for the lines drawn down is based on three-month and six-month EURIBOR plus a margin that ultimately depends on the ratio of net debt to EBITDA. Term loans amounting to EUR 80 million have a term of one year plus two six-month extension options. The remaining credit lines are available to the TOM TAILOR GROUP for three years plus two one-year extension options.

Bank commissions and transaction costs of EUR 7.0 million relating to the finance are amortised over the term of the liabilities to banks using the effective interest method. The deferred commission is being recognised in the interest expense item of the income statement over the term of the loan.

The other loans, adjusted for the repayments in the amount of EUR 32.5 million, fall due at the end of June 2015 unless a prolongation option has been exercised by then. At most, the prolongation options would result in repayments of EUR 47.5 million and a maturity date of the end of June 2017. The other key terms and conditions of the financing are unchanged.

Liabilities from overdraft facilities amounted to EUR 108.4 million as at the reporting date (2011: EUR 3.2 million).

In 2012, the variable effective interest rate for long-term loans was based on three-month EURIBOR plus a margin that depends on the ratio of net debt to EBITDA after adjustment for one-off effects.

Continued loan finance is dependent on compliance with certain financial covenants (recurring EBITDA/net interest income affecting cash, net debt/recurring EBITDA, net debt (including future rent)/EBITDAR and the equity ratio); these are to be calculated on the basis of the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRSs).

The existing financial covenants were met in 2012 with sufficient headroom.

c) Disclosures on Collateral

Liabilities to banks (EUR 180 million) are collateralised by the pledge of the shares in the following subsidiaries: Tom Tailor GmbH, Hamburg/Germany, Tom Tailor Retail GmbH, Hamburg/Germany, TOM TAILOR Gesellschaft m.b.H., Wörgl/Austria, TOM TAILOR Retail Gesellschaft m.b.H., Wörgl/Austria, BONITA GmbH & Co. KG, Hamminkeln/Germany, GEWIB GmbH, Hamminkeln/Germany, and BONITA Deutschland Holding GmbH, Hamminkeln/Germany. The right to realise collateral can be asserted if there are grounds for termination in accordance with the existing syndicated loan agreement.

d) Liabilities to Third Parties

Liabilities to third parties include the present value (discounted at a rate of 6.5 %) of the purchase price obligation arising from the acquisition of the 51% interest in TOM TAILOR South Eastern Europe Holding GmbH, Wörgl/Austria, in the amount of EUR 2,500 thousand, which is payable within one year.

The purchase price of EUR 2,727 thousand for 51% of the shares of TOM TAILOR Retail Joint Venture GmbH, Bregenz/Austria, is recognised in full under non-current financial liabilities according to the settlement date of the purchase price.

23. TRADE PAYABLES

As in the previous year, trade payables are due without exception within one year. Their carrying amount corresponds to their fair value.

Standard retention of title applies.

24. OTHER LIABILITIES

Other liabilities are composed of the following items:

Other Liabilities

EUR thousand	31/12/2012	31/12/2011
Other taxes (mainly VAT)	9,563	3,498
Fair value of currency futures	5,011	–
Fair value of interest rate hedges	3,340	3,082
Employee-related liabilities and social security contributions	2,064	867
Debtors with credit balances	402	466
Customer vouchers, prepayments and credits	5,517	–
Logistics fee	1,446	2,763
Purchase price adjustment relating to the acquisition of BONITA	1,284	–
Contributions	1,039	–
Supervisory Board remuneration	425	385
Other liabilities	1,387	368
	31,478	**11,429**
of which non-current	5,000	4,528
of which current	26,478	6,901

The customer vouchers and credits item relates to vouchers issued to customers before the reporting date and approved credits that were only redeemed after the end of the reporting period.

The Company received an up-front payment of EUR 5.9 million in connection with the outsourcing of its logistics activities to DHL in 2008, which is being deferred and amortised over the term of the agreement as a logistics fee.

E. MANAGEMENT OF FINANCIAL RISK AND FINANCIAL DERIVATIVES

CAPITAL MANAGEMENT

The purpose of the TOM TAILOR GROUP's capital management is to safeguard its ability to continue as a going concern, guarantee an adequate return on equity and optimise the capital structure.

The Group manages its capital structure by borrowing and repaying debt, through the capitalisation measures indicated by investors and by using financial instruments to hedge future cash flows, while at the same time bearing in mind the economic and legal environment.

Loan finance granted by banks is dependent on compliance with certain financial covenants; these are to be calculated on the basis of the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRSs).

The capital structure is monitored primarily using cash-flow-related indicators (recurring EBITDA/net interest income affecting cash flow, net debt (including future rent)/EBITDAR, net debt/recurring EBITDA).

The Group's ability to pay interest and principal is therefore a key capital management tool.

Equity amounted to EUR 218,966 thousand (2011: EUR 113,742 thousand).

In the reporting period, equity was impacted by both a cash capital increase from which TOM TAILOR received gross proceeds totalling around EUR 20.6 million and a non-cash capital increase that lifted equity by EUR 92.2 million.

The TOM TAILOR GROUP's financial strategy is to use the cash flow generated from operations to continue reducing its debt and strengthening its capital base going forward.

USE AND MANAGEMENT OF FINANCIAL INSTRUMENTS

In particular, financial liabilities comprise bank loans, finance leases and trade payables. The main purpose of these financial liabilities is to finance the Group's business activities. The Group has various financial assets such as trade receivables and cash funds that result directly from its business activities.

The Group also holds derivative financial instruments. These primarily include interest rate hedges (interest rate swaps) and currency forwards. The purpose of these derivative financial instruments is to hedge interest rate and currency risk resulting from the Group's business activities and sources of financing. The use of derivative financial instruments is subject to internal guidelines and control mechanisms.

FAIR VALUES OF FINANCIAL INSTRUMENTS

The following table shows the carrying amounts and fair values of the financial instruments recognised in the consolidated financial statements:

Fair Value of Financial Instruments

EUR thousand	Category under IAS 39	Carrying amount 2012	Carrying amount 2011	Fair value 2012	Fair value 2011
Financial assets					
Trade receivables and other assets	LaR	69,276	56,061	69,276	56,061
Cash and cash equivalents	LaR	53,382	9,376	53,382	9,376
Derivatives used to hedge interest rate and currency risk that are not part of a hedging relationship	FVTPL	–	387	–	387
Derivatives used to hedge interest rate and currency risk that are part of a hedging relationship	n.a.	–	4,237	–	4,237
Financial liabilities					
Liabilities to banks					
Acquisition loan	FLAC	172,962	57,380	172,962	57,380
Other liabilities to banks	FLAC	108,447	3,195	108,447	3,195
Finance lease liabilities	FLAC	14,558	12,823	14,558	12,823
Liabilities to third parties	FLAC	2,500	3,741	2,500	3,741
Liabilities to third parties	FVTPL	2,727	6,840	2,727	6,840
Derivatives used to hedge interest rate and currency risk that are not part of a hedging relationship	FVTPL	3,340	3,082	3,340	3,082
Derivatives used to hedge interest rate and currency risk that are part of a hedging relationship	n.a.	5,011	–	5,011	–
Trade payables and other liabilities	FLAC	96,800	62,456	96,800	62,456

FLAC = financial liabilities measured at amortised cost
FVTPL = financial assets/financial liabilities at fair value through profit or loss
LaR = loans and receivables

The fair values of the derivative financial instruments based on the notional amounts do not reflect offsetting changes in the value of hedged items. They are not necessarily the amounts the Group will generate or have to pay in the future under current market conditions.

With the exception of the derivatives entered into to hedge interest rate risk, the hedges existing at the reporting date meet the requirements for hedge accounting under IAS 39. All changes in the fair value of derivatives in an effective hedging relationship are recognised in accumulated other comprehensive income (EUR –5,011 thousand; 2011: EUR 4,237 thousand). Derivatives that are not part of an effective hedging relationship are recognised in the income statement immediately (2012: EUR 0 thousand; 2011: EUR 387 thousand).

The fair values of cash and cash equivalents, trade receivables, other receivables, trade payables, other current financial liabilities and revolving credit facilities correspond to their carrying amounts. This is due primarily to the short terms of such instruments.

Trade receivables in particular are measured by the Group mainly on the basis of the individual customer's credit quality. Based on this measurement, valuation allowances are recognised to account for the losses expected on these receivables. As at 31 December 2012 the carrying amounts of these receivables less valuation allowances did not differ significantly from their assumed fair values.

The TOM TAILOR GROUP generally determines the fair value of liabilities to banks and other financial liabilities, finance lease liabilities and other non-current financial liabilities by discounting the expected future cash flows at the rates applicable to similar financial liabilities with a comparable remaining maturity. Interest is paid on the syndicated loan granted by the banks at current market rates, as a result of which its carrying amount and fair value at the reporting date are largely the same.

For financial instruments that are measured at fair value and for which there are no quoted prices in an active market, fair value is determined using valuation techniques, primarily the discounted cash flow method. This is based on management's forecasts and assumptions about future revenue and earnings, investments, growth rates and discount rates.

The purchase price liabilities arising from the acquisition of the 51% interest in TOM TAILOR Retail Joint Venture GmbH domiciled in Bregenz/Austria and the options on TOM TAILOR E-Commerce GmbH & Co. KG granted to the partner in a cooperation project related to online activities were classified as financial liabilities at fair value through profit or loss. These comprise contingent purchase price payments, the amount of which will be based on the current market value of the shares at the relevant date.

The Group only enters into derivative financial instruments with financial institutions with a good credit rating. Interest rate hedges (interest rate swaps) and forward exchange contracts are measured using a valuation technique with inputs observable in the market. The most frequently used valuation techniques include forward pricing and swap models that apply present value calculations.

The models capture a number of variables, such as the credit quality of business partners, spot and forward exchange rates, and yield curves.

The Group uses the following hierarchy for each valuation technique used to determine and present the fair values of financial instruments:
– Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
– Level 2: techniques where all inputs that have a significant effect on the fair value recognised are observable either directly or indirectly
– Level 3: techniques that use inputs that have a significant effect on the fair value recognised and are not based on observable market data

The following tables show the financial instruments for financial years 2012 and 2011 that are subsequently measured at fair value.

Fair Value of Financial Instruments

EUR thousand	2012	Level 1	Level 2	Level 3
Financial liabilities at fair value through profit or loss				
Derivatives used to hedge interest rate risk (interest rate swap)	3,340	–	3,340	–
Contingent consideration from business combinations	2,727	–	–	2,727
Hedging instruments designated as cash flow hedges (currency forwards)	5,011	–	5,011	–
	11,078	**–**	**8,351**	**2,727**

EUR thousand	2011	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Hedging instruments designated as cash flow hedges (currency forwards)	4,624	–	4,624	–
	4,624	**–**	**4,624**	**–**
Financial liabilities at fair value through profit or loss				
Derivatives used to hedge interest rate risk (interest rate swap)	3,082	–	3,082	–
Contingent consideration from business combinations	6,840	–	–	6,840
	9,922	**–**	**3,082**	**6,840**

Financial liabilities based on a Level 3 fair value measurement include the contingent purchase price payments arising from the acquisition of the majority interest in TOM TAILOR Retail Joint Venture GmbH, Bregenz/Austria.

Gains of EUR 125 thousand (2011: EUR 0 thousand) related to the contingent consideration were recognised in the consolidated income statement during the reporting period.

The following table shows the reconciliation of the Level 3 measurements to the fair value of financial liabilities.

Reconciliation of Level 3 Measurements to the Fair Value of Financial Liabilities

	31 December 2012						
				Total gains and losses			
EUR thousand	**Opening balance**	Acquisitions	Disposals	Recognised in the income statement	Recognised in other comprehensive income	Re-classifications	**Closing balance**
Purchase price liabilities	**2,321**	–	–	–125	–	531	**2,727**

	31 December 2011						
				Total gains and losses			
EUR thousand	**Opening balance**	Acquisitions	Disposals	Recognised in the income statement	Recognised in other comprehensive income	Re-classifications	**Closing balance**
Purchase price liabilities	**–**	2,321	–	–	–	–	**2,321**

Net Gains and Net Losses on Financial Instruments

EUR thousand	2012	2011
Loans and receivables	–4,819	–2,740
of which net interest income	–761	181
Financial liabilities measured at amortised cost	–8,606	–5,276
of which net interest income	–6,980	–4,405
Financial assets/liabilities at fair value through profit or loss	–1,639	–1,502
of which net interest income	–1,119	–2,343

Net gains and losses on financial instruments comprise measurement gains and losses, changes in the value of premiums and discounts, the recognition and reversal of impairment losses, currency translation gains and losses, interest and all other effects of financial instruments on profit or loss. The financial assets/liabilities at fair value through profit or loss item only includes gains and losses on those instruments that are not designated as hedging instruments in a hedging relationship under IAS 39.

The significant risks to the Group arising from financial instruments comprise interest-rate-related cash flow risk as well as liquidity, currency and credit risk. The Company's management decides on strategies and methods for managing specific types of risk, which are presented in the following.

MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Due to its activities, the Group is mainly exposed to financial risk arising from changes in exchange rates (see Currency Risk below) and changes in interest rates (see Interest Rate Risk below). The Group's operations are also affected by credit risk (see Credit Risk below) and liquidity risk (see Liquidity risk below).

Derivative financial instruments are entered into to manage existing interest rate and currency risk. These include:
- currency forwards to hedge the foreign exchange risk that results from importing items of clothing produced mainly in Asia
- interest rate swaps to reduce the risk of rising interest rates on variable-rate financial liabilities

The sensitivity analyses in the following sections refer in each case to the data as at 31 December 2012 and 2011.

The sensitivity analyses were prepared on the basis of the hedging relationships existing on 31 December 2012 and on the assumption that net debt, the ratio of fixed to variable interest rates on liabilities and derivatives, and the percentage of financial instruments in foreign currencies remain unchanged.

a) Credit Risk

The Group is exposed to credit risk as a result of its operating business and certain financing activities.

To minimise credit risk in the operating business, the outstanding amounts are monitored centrally and on an ongoing basis.

The Group only enters into business transactions with third parties with a good credit rating. All customers that wish to enter into business with the Group on a credit basis are subject to a credit check. The risk is also countered by entering into credit insurance policies and securing collateral. Identifiable credit risks are accounted for by recognising specific valuation allowances.

In its financing activities, the risk of default by the counterparty concerned is limited by selecting financial institutions of good and very good credit quality.

The maximum exposure to credit risk is reflected in the carrying amounts of the trade receivables and cash and cash equivalents carried in the balance sheet.

b) Liquidity Risk

In order to both ensure that the Group remains solvent at all times and safeguard its financial flexibility, a revolving liquidity plan is created that shows the inflow and outflow of liquidity in both the short and medium term. If necessary, a liquidity reserve is held in the form of credit lines and cash funds.

The following tables show the maturity analysis of the financial liabilities, including the remaining contractual maturities and expected interest payments.

Analysis of Maturity 2012

	Non-derivative financial liabilities				Derivative liabilities	
EUR thousand	Liabilities to banks	Finance leases	Liabilities to shareholders	Other liabilities	Interest rate hedges	Currency hedges
Carrying amount at 31 December 2012	**281,409**	**14,558**	**–**	**102,027**	**3,340**	**5,011**
Cash flows in 2013						
Interest payments	7,116	1,054	–	–	1,036	–
Principal repayments	90,000	4,115	–	99,300	–	5,011
Cash flows 2014–2017						
Interest payments	15,501	1,428	–	–	2,023	–
Principal repayments	191,409	10,443	–	2,727	–	–
Cash flows 2018 f.						
Interest payments	–	–	–	–	–	–
Principal repayments	–	–	–	–	–	–

Analysis of Maturity 2011

	Non-derivative financial liabilities			Derivative liabilities	
EUR thousand	Liabilities to banks	Finance leases	Other liabilities	Interest rate hedges	Currency hedges
Carrying amount at 31 December 2011	**60,575**	**12,823**	**73,037**	**3,082**	**–**
Cash flows in 2012					
Interest payments	3,187	869	172	1,658	–
Principal repayments	–	4,070	63,416	–	–
Cash flows 2013–2016					
Interest payments	4,409	1,059	122	1,604	–
Principal repayments	60,575	8,753	9,621	–	–
Cash flows 2017 f.					
Interest payments	–	–	–	–	–
Principal repayments	–	–	–	–	–

For reasons of simplification, a constant yield curve was assumed for the cash flows from expected interest payments.

c) Currency Risk

The Group's exposure to currency risk results from its operating activities. The Group purchases some of its merchandise in US dollars. In the reporting period, currency forwards were entered into to hedge risks arising from changes in exchange rates.

In the same period, cash inflows from those currency forwards were allocated to specific expected cash outflows for merchandise purchases, as a result of which the currency forwards entered into were designated as cash flow hedges (hedges of cash flows from forecast transactions). In addition to the intrinsic value, the fair value of the option is designated as well. At the reporting date, the currency forwards were measured at their fair value. The fair values were determined by banks using the exchange rates for hedges with matching maturities at the reporting date. The fair value of the currency forwards existing at the reporting date in the amount of EUR – 5,011 thousand (2011: EUR 4,624 thousand) was recognised net of deferred taxes in the amount of EUR –1,503 thousand (2011: EUR 1,388 thousand) in the hedge reserve and accordingly in other comprehensive income if the hedging relationship was regarded as effective. Income and expenses from currency forwards are included in the purchase costs of merchandise and used within material expenses in a timely manner. The prior-year amounts were included in profit or loss for the period. All hedged future merchandise purchases and therefore all cash flows are expected to occur in 2013.

Income of EUR 4,879 thousand was reclassified from other comprehensive income to profit and loss in financial year 2012. Corresponding deferred taxes amounted to EUR 1,490 thousand.

Currency forwards that could not be allocated to a hedging relationship contributed EUR 0 thousand to profit or loss in the reporting period (2011: EUR 270 thousand).

In addition, the Swiss Group companies are exposed to currency risk as a result of business relationships with TOM TAILOR that are accounted for in euros.

The Group's trade receivables and payables denominated in foreign currencies are primarily as follows:

Currency Risk 2012

	31 December 2012		
EUR thousand	**Amount** in local currency	**Closing rate** local currency/EUR	**Amount**
Trade receivables	TCHF 1,050	1.21	870
	THKD 621	10.23	61
			931
Trade payables	TCHF 814	1.21	674
	TUSD 15,308	1.32	11,602
	THKD 181,608	10.23	17,759
			29,361

In the previous year, the Group had the following trade receivables and payables denominated in foreign currencies:

Currency Risk 2011

	31 December 2011		
EUR thousand	**Amount** in local currency	**Closing rate** local currency/EUR	**Amount**
Trade receivables	TCHF 1,202	1.22	988
			988
Trade payables	TUSD 11,392	1.29	8,809
			8,809

Comprehensive income from foreign exchange gains and losses (excluding derivatives) amounted to EUR –1,627 thousand in the financial year (2011: EUR – 871 thousand).

In accordance with IFRS 7, the Group prepares sensitivity analyses for currency risk, which it uses to determine the effects on profit or loss and equity of hypothetical changes in relevant risk variables. The periodic effects are determined by applying the hypothetical changes in the risk variables to the portfolio of financial instruments at the reporting date. In doing so, it is assumed that the portfolio at the reporting date is representative of the year as a whole. The currency risk sensitivity analyses are based on the following assumptions:

- The majority of the non-derivative financial instruments (securities, receivables, cash and cash equivalents, liabilities) are denominated directly in euros, the functional currency. If these financial instruments are not denominated in euros, they are included in the sensitivity analyses.
- Exchange-rate-related changes in the fair values of currency derivatives affect equity (hedge reserve).
- Significant effects result from changes in the exchange rates for the US dollar and the Swiss franc versus the euro. Changes in the exchange rates of other currencies have only insignificant effects and therefore are not considered separately.

If the euro had risen (fallen) by 10% against the US dollar at the reporting date, the net exchange gain on liabilities recognised in US dollars would have been EUR 1,279 thousand higher or EUR 1,563 thousand lower respectively (2011: EUR 768 thousand higher or EUR 939 thousand lower). By contrast, the hedge reserve recognised in equity for currency forwards entered into in US dollars would have been EUR 16,623 thousand lower or EUR 16,549 thousand higher respectively (2011: EUR 7,081 thousand lower or EUR 8,620 thousand higher).

A 10% rise (fall) in the euro against the Swiss franc would have resulted in the currency translation reserve for financial statements not prepared in the reporting currency being EUR 244 thousand higher or EUR 298 thousand lower respectively (2011: EUR 178 thousand higher or EUR 217 thousand lower).

d) Interest Rate Risk

The Group is mainly subject to interest rate risk in the eurozone. The TOM TAILOR GROUP uses derivative financial instruments to hedge the interest rate risk on variable-rate loans.

Interest rate swaps maturing at the end of 2013 and 2016 is in place to limit interest rate risk. The term and the notional amount do not match the underlying bank loans. The Company receives a variable rate of interest based on 3-month EURIBOR and pays a fixed rate of interest of 2.33 %.

The following table shows the aggregate notional amounts, carrying amounts and fair values of the interest rate hedging products used:

Interest Rate Hedges

EUR thousand	2012	2011
Notional amount	54,977	72,380
Carrying amount	–3,340	–3,082
Fair value	–3,340	–3,082

In the reporting period, interest expense of EUR 258 thousand (2011: interest income of EUR 454 thousand) on interest rate hedging instruments at fair value through profit or loss was reported in the net financial result.

In accordance with IFRS 7, interest rate risk is shown using sensitivity analyses. These show the effects of changes in market interest rates on interest payments, interest income and expense, other components of profit or loss and, if applicable, equity. The interest rate risk sensitivity analyses are based on the following assumptions:

- Changes in market interest rates on fixed-rate non-derivative financial instruments only affect profit or loss if these are measured at fair value. Therefore, all fixed-rate financial instruments measured at amortised cost are not exposed to interest rate risk within the meaning of IFRS 7.
- Changes in market interest rates affect net interest income on variable-rate non-derivative financial instruments and are therefore included in the sensitivity calculations in relation to profit or loss.
- Changes in market interest rates on interest rate derivatives affect net interest income (gain or loss on the fair value remeasurement of financial assets and net interest income from interest payments in the reporting period) and are therefore included in the sensitivity calculations in relation to profit or loss.

If market interest rates had been 100 basis points higher (lower) at the reporting date, net interest income would have been EUR 3,150 thousand higher or EUR 2,563 thousand lower respectively (2011: EUR 1,061 thousand higher or EUR 1,084 thousand lower).

e) Other Price Risk

The Group was not exposed to any significant other price risk in the reporting period or in the previous year.

F. CASH FLOW DISCLOSURES

The statement of cash flows shows how the Group's cash and cash equivalents change due to cash inflows and outflows over the course of the reporting period. IAS 7 Statements of Cash Flows distinguishes between cash flows from operating, investing and financing activities.

The cash and cash equivalents reported in the statement of cash flows include all of the liquid assets recognised in the balance sheet, namely cash-in-hand, cheques and bank balances, provided that they are available within three months without material changes in value.

Net cash used in investing activities amounted to EUR 148.8 million in financial year 2012, compared with EUR 22.3 million in the previous year. The purchase price paid for the BONITA Group companies (EUR 144.5 million), less the liquid assets acquired (EUR 28.5 million), accounted for most of this increase. In line with the growth strategy, investments of EUR 35.6 million were made to increase selling spaces for the three segments, TOM TAILOR wholesale, TOM TAILOR retail and BONITA.

Since they do not affect cash flows, the additions to leased intangible assets and items of property, plant and equipment classified as finance leases were offset against the change (also non-cash) in financial liabilities to which the liabilities under finance leases are assigned.

Net cash provided by financing activities amounted to EUR 187.0 million in the reporting period compared with net cash used in financing activities of EUR 5.2 million in the previous year. The gross proceeds of the cash capital increase implemented before the acquisition provided net cash of EUR 20.6 million. To finance the acquisition, EUR 140 million in new liabilities to banks (term loans) was taken out and used in the payment of the purchase price and the transaction costs.

As at 31 December 2012, financing activities also included unused lines of credit amounting to EUR 29.1 million (2011: EUR 33.1 million).

The effects of changes in cash and cash equivalents due to exchange rates were largely attributable to the Swiss subsidiaries and were reported separately as the “Effect of exchange rate changes on cash and cash equivalents”.

G. SEGMENT REPORTING

Operating Segments 2012 (2011)

	Wholesale	Retail				
EUR thousand	TOM TAILOR	TOM TAILOR	BONITA	Total	Consolidation	**Group**
Third-party revenue	269,908 (257,002)	205,840 (154,648)	153,949	359,789 (154,648)		629,697 (411,650)
Intersegment revenue	83,623 (64,139)				– 83,623 (– 64,139)	– (–)
Revenue	**353,531** (321,141)	**205,840** (154,648)	**153,949**	**359,789** (154,648)	**-83,623** (– 64,139)	**629,697** (411,650)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**124** (31,219)	**19,379** (16,182)	**33,890**	**53,270** (16,182)	**1,616** (– 1,034)	**55,010** (46,367)
Material non-cash expenses/income	**25,370** (12,080)	**1,919** (1,933)	**– 8,361**	**– 6,442** (1,933)		**18,928** (14,013)

Information about Regions 2012 (2011)

EUR thousand	Germany	International markets	**Group**
Revenue	419,238 (267,025)	210,459 (144,625)	629,697 (411,650)
Non-current assets	457,646 (157,802)	58,619 (30,608)	516,265 (188,410)

In accordance with the management approach under IFRS 8, the segments correspond to the TOM TAILOR GROUP's business activities. The TOM TAILOR GROUP's business activities are classified based on the distribution structure and according to the umbrella brands in the TOM TAILOR wholesale, TOM TAILOR retail and BONITA segments. This segmentation corresponds to the internal management and reporting and reflects the different risk and earnings structures of the business areas.

In the wholesale segment, TOM TAILOR products are distributed by resellers through franchise stores, shop-in-shops and multi-label stores (B2B).

In the retail segment, the collections of the different product lines are sold directly to end customers via own stores (centre stores, city stores, flagship stores and outlets) and an e-shop (B2C). The e-partnerships in the e-business, which reach end customers via a reseller, are the only exception. This business is assigned to the retail segment based on internal management and reporting. The retail segment was extended to include BONITA in financial year 2012, so an additional differentiation between the TOM TAILOR and BONITA umbrella brands has been made.

In principle, the recognition and measurement methods used for the consolidated financial statements are also applied to the segment information.

TOM TAILOR's Management Board has specified the use of EBITDA and revenue, which are used for management and reporting, as performance indicators.

Net interest income and tax income and expenses are only considered at overall Group level for management purposes.

The assets and liabilities of each segment are not disclosed, in accordance with the management approach under IFRS 8, since this information is not reported at segment level.

Intersegment income, expenses and earnings are eliminated in consolidation.

Intragroup revenue is eliminated on an arm's length basis.

The non-cash items mainly comprise changes in provisions, the measurement of currency forwards and impairment losses on inventories and trade receivables.

The information on segment revenue by regions shown above is classified by customer location. Non-current assets by region are composed of intangible assets and items of property, plant and equipment.

H. OTHER DISCLOSURES AND EXPLANATIONS

RESEARCH AND DEVELOPMENT

Research and development costs reported under expenses amounted to EUR 9,791 thousand (2011: EUR 8,609 thousand). They relate to the development of the collections.

CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

a) Contingent Assets and Liabilities

As at the reporting date, there were the following contingent assets and liabilities that have a material effect on the net assets, financial position and results of operations:

Tom Tailor GmbH has a call option to acquire the 49 % non-controlling interest in TOM TAILOR South Eastern Europe Holding GmbH, Wörgl/Austria. The option can be exercised for the first time three years after the contract was entered into (March 2014 at the earliest) and will then have a term of two years.

In addition, Tom Tailor GmbH has a call option to acquire the 49 % non-controlling interest in TOM TAILOR Sourcing Ltd., Hong Kong/China. This option can be exercised on 1 January 2016 at the earliest and has an indefinite term.

The purchase price payable for the two options to acquire the remaining shares will be based on the current fair value of the shares when the option is exercised. No value was stated as the call options could not be reliably measured as at the reporting date.

b) Other Financial Obligations

The Group's other financial obligations mainly consisted of the following rental agreements and operating leases:

Other Financial Obligations 2012

	31 December 2012			
EUR thousand	Within one year	Between one and five years	More than five years	Total
Leases	95,103	298,591	120,620	514,314
of which Nordport logistics centre	1,513	4,791	–	6,304
Receivables from sublease: Nordport logistics centre	–1,513	–4,791	–	–6,304
Other operating leases	2,030	3,250	–	5,280
Other	11,140	31,540	20	42,700
	106,760	**328,590**	**120,640**	**555,990**

Other Financial Obligations 2011

	31 December 2011			
EUR thousand	Within one year	Between one and five years	More than five years	Total
Leases	32,093	113,251	60,592	205,936
of which Nordport logistics centre	1,513	6,051	252	7,816
Receivables from sublease: Nordport logistics centre	–1,513	–6,051	–252	–7,816
Other operating leases	1,713	2,470	–	4,183
Other	7,780	26,680	1,060	35,520
	40,073	**136,350**	**61,400**	**237,823**

The rise in financial obligations from rental agreements was largely attributable to the acquisition of BONITA and the leasing of new retail and outlet stores.

Other financial obligations primarily consist of minimum purchase obligations under a logistics outsourcing contract.

As at 31 December 2012, the Group had obligations to purchase goods in 2013 amounting to EUR 96.5 million (2011: EUR 36.8 million) resulting from binding purchase orders placed with suppliers by the reporting date.

SUPPLEMENTARY DISCLOSURES ON RENTAL AGREEMENTS AND LEASES

The payments under leases recognised as an expense in the reporting period amounted to EUR 6,755 thousand (2011: EUR 6,200 thousand). This related solely to minimum lease payments. Contingent lease payments are largely revenue-based and amounted to EUR 1,601 thousand in the reporting period (2011: EUR 520 thousand). In addition, leases may contain escalation agreements (index-adjusted rents, graduated rent) and common industry lease prolongation options. There were no sublease payments with a material effect in either financial year 2012 or 2011.

Expenses for other operating leases of EUR 2,797 thousand were recognised in the year under review (2011: EUR 1,225 thousand).

Excluding the lease obligation for the Nordport logistics centre, subleases were insignificant in both the reporting period and the previous year. Please refer to the disclosures under (b) Other Financial Obligations.

BORROWING COSTS

Due to the non-existence of a qualifying asset that takes a substantial period of time to get ready for its intended use or sale, no borrowing costs were capitalised in the year under review.

LITIGATION

A former service provider has brought an action against a Group company. The total value of the action is EUR 1.8 million. The Management Board and the advising lawyers consider it unlikely that the action will be successful; as a result, no provisions have been recognised in the consolidated financial statements for any liability in connection with this legal dispute.

RELATED PARTY DISCLOSURES

In accordance with IAS 24 Related Party Disclosures, relationships with persons who or entities that control the Group or are controlled by the Group must be disclosed, unless they are included in the consolidated financial statements as consolidated companies.

In principle, related parties of the TOM TAILOR GROUP may be members of the Management Board and the Supervisory Board, as well as those companies that are controlled or influenced by members of governing bodies. Joint ventures and associates may also be related parties.

Joint Ventures and Associates

TOM TAILOR GROUP holds an interest in a company in Northern Ireland; this relationship falls within the scope of normal business dealings.

The Northern Irish company is TT OFF SALE (NI) LTD., Belfast/United Kingdom, and its wholly owned subsidiary, TT OFF SALE (Ireland) LTD., Dublin/Ireland, in which Tom Tailor GmbH directly and indirectly holds 49 % of the shares as part of a franchise partnership. TT OFF SALE (NI) LTD. is operated by the partner. The goods and services provided to the company amounted to EUR 1,584 thousand in the reporting period (2011: EUR 1,024 thousand). The receivables from the company (after valuation allowance) amounted to EUR 2,072 thousand as at 31 December 2012 and EUR 2,535 thousand as at 31 December 2011.

Related Parties (Persons)

a) Management Board

- Mr Dieter Holzer, businessman, Ravensburg (Chief Executive Officer)
- Dr Axel Rebien, businessman, Quickborn
- Dr Marc Schumacher, businessman, Hamburg
- Mr Christoph Rosa, businessman, Schweinfurt (until 29 February 2012)
- Mr Udo Greiser, businessman, Konstanz (since 1 March 2012)

The members of the Management Board were not members of other supervisory boards or governing bodies during the reporting period.

Management Board Remuneration

Share-based Remuneration System

On 20 January 2010, the Supervisory Board resolved to implement a share-based remuneration system (the matching stock programme, or MSP) for the members of the Management Board. The MSP runs for a total of 14 years from the date of the initial listing and serves to align the mutual interests of the Management Board and the shareholders.

The MSP consists of a total of five tranches. The first tranche was allotted on the date of initial listing; the following tranches are each allotted one year after the respective preceding tranche. The members of the Management Board must have an ongoing service or employment contract with TOM TAILOR Holding AG and hold shares of TOM TAILOR Holding AG (MSP shares) at the time of allotment. Each MSP share conveys the right to 0.4 (Chief Executive Officer) or three (other members of the Management Board) phantom shares per tranche. The phantom shares are subject to a vesting period of four years from the date of allotment of the relevant tranche. They are automatically exercised during defined windows, provided the exercise threshold is reached, an MSP gain can be determined and the participant has not objected to the exercise in due time. The exercise threshold is reached if TOM TAILOR Holding AG's shares have outperformed the SDAX® since the allotment of the relevant tranche. On exercise, the members of the Management Board are paid the difference between the price at the time of exercise and the strike price of all of the phantom shares exercised, less payroll tax and other deductions, in the form of TOM TAILOR Holding AG shares. The amount determined before payroll tax and other deductions is capped for each tranche at 2.5 % of the EBITDA reported in the most recent consolidated financial statements of TOM TAILOR Holding AG.

The MSP was classified and measured as an equity-settled share-based payment transaction. Cash settlement is not permitted, with the exception of fractional shares. The fair value of the equity instruments has been estimated for all tranches based on a Monte Carlo model, taking into consideration the conditions in which the phantom shares were granted. This includes modelling the exercise threshold and the simulation of future exercise prices and strike prices. Fair value measurement was carried out based on the following parameters:

Fair Value Parameters

	2010 tranche	2011 tranche
Dividend yield	2.50 %	2.50 %
Remaining term	7.5 – 11.5 years	7.5 – 11.5 years
Expected volatility	31.65 – 32.90 %	29.25 – 29.70 %
Risk-free interest rate	3.10 – 3.54 %	2.90 – 3.26 %
Share price at measurement date	EUR 12.85	EUR 13.91
SDAX® price at measurement date	3,832.91	5,466.82
Expected SDAX® volatility	19.23 – 19.56 %	19.05 – 19.46 %

The term in each case has been determined as the period from the measurement date until the maturity of the relevant tranche. The expected share price volatility has been determined based on comparable listed companies, due to the lack of historical data available. The expected volatility is based on the assumption that future trends can be predicted on the basis of historical volatility. Consequently, actual volatility may differ from the assumptions made. The Company reviews its estimates of the number of equity instruments and the parameters at each reporting date. Differences compared with the initial recognition of the options are adjusted and recognised in the income statement. During the previous year, accounting estimates regarding the volatility assumptions were changed in accordance with IAS 8. The resulting changes were recognised in the income statement in financial year 2011.

The weighted average fair value of the phantom shares awarded in the reporting period and calculated based on these parameters was EUR 3.12, or EUR 3.14 for the phantom shares awarded in the previous year.

As part of the MSP, the members of the Management Board have contributed a total of 282,000 MSP shares to the programme, with 72,500 MSP shares contributed in financial year 2011. In 2010, 209,500 MSP shares with a strike price of EUR 13.00 were contributed, while the strike price of the 72,500 newly contributed shares is EUR 13.63. These MSP shares convey the right to acquire a total of 925,000 phantom shares (of which 220,000 phantom shares relate to the MSP shares contributed in 2011).

At the reporting date, all of the phantom shares were outstanding and were not exercisable.

The MSP gave rise to an expense for equity-settled share-based payment transactions of EUR 257 thousand in the reporting period.

With regard to the long-term incentive programme (LTI), please refer to the disclosures under 20. Other Provisions/Contingent Liabilities.

Governing Body Remuneration

EUR thousand	2012	2011
Salaries and short-term benefits	4,671	3,418
Other long-term incentives (LTI)	2,196	477
Long-term share-based remuneration (MSP)	257	164
	7,124	**4,059**

The fixed and variable remuneration components were paid during the course of the year or will fall due shortly after the annual financial statements are adopted.
The long-term benefits are variable. At the reporting date, they included Management Board entitlements under the MSP and the LTI programme totalling EUR 3,519 thousand (2011: EUR 1,066 thousand). These benefits will fall due for payment in 2013 and 2014 at the earliest. Details of the remuneration of the individual Management Board members in accordance with § 314 (1) no. 6 a, sentences 5 to 8 of the Handelsgesetzbuch (HGB – German Commercial Code) are presented in the remuneration report in the Group Management Report.

Related Party Disclosures (Persons)

In accordance with IAS 19, a provision of EUR 199 thousand was recognised for pension obligations to former members of the management and their surviving dependants (2011: EUR 108 thousand).

Shareholdings of Members of the Management Board

At 31 December 2012 and 31 December 2011, the Management Board held the following number of shares:

Shareholdings of the Members of the Management Board

No. of shares at 31 December	2012	2011
Dieter Holzer	266,610	260,610
Dr Axel Rebien	20,000	12,000
Udo Greiser	4,000	–

b) Supervisory Board

In accordance with the Articles of Association, the Supervisory Board is composed of six members.

The members are:
- Mr Uwe Schröder, businessman, Hamburg (Chairman)
- Mr Thomas Schlytter-Henrichsen, businessman, Königstein/Taunus (Deputy Chairman)
- Mr Andreas W. Bauer, businessman, Munich
- Mr Andreas Karpenstein, lawyer, Düsseldorf
- Dr Christoph Schug, entrepreneur, Mönchengladbach
- Mr Gerhard Wöhrl, businessman, Munich

In accordance with the Articles of Association, the members of the Supervisory Board receive a fixed remuneration of EUR 40 thousand (the Chairman receives EUR 150 thousand and the Deputy Chairman EUR 75 thousand) in addition to compensation for out-of-pocket expenses (plus VAT, if applicable). This remuneration is payable after the end of the Annual General Meeting receiving or resolving the approval of the consolidated financial statements for the financial year in question.

Mr Uwe Schröder (Chairman) indirectly holds shares in TOM TAILOR Holding AG. As a related party of Mr Uwe Schröder, Schröder Consulting GmbH receives sponsorship payments from Tom Tailor GmbH for TOM TAILOR's brand association with the sport of polo. Sponsorship payments of EUR 368 thousand were made in 2012. There is an employment contract between

TOM TAILOR Holding AG and the son of Supervisory Board Chairman Uwe Schröder, Mr Oliver Schröder. Mr Oliver Schröder has been employed by the TOM TAILOR GROUP since 1998.

Mr Thomas Schlytter-Henrichsen (Deputy Chairman) indirectly holds shares in TOM TAILOR Holding AG.

At 31 December 2012, Supervisory Board members Dr Christoph Schug and Mr Bauer directly held 18,400 and 4,400 shares, respectively.

Mr Gerhard Wöhrl is the majority shareholder of Rudolf Wöhrl AG and was also chairman of that company's management board until 31 March 2010. The TOM TAILOR GROUP generated revenue of around EUR 5.5 million with Rudolf Wöhrl AG in 2012. Trade receivables amounted to EUR 821 thousand as at 31 December 2012.

Mr Andreas W. Bauer is a partner in the consulting firm Roland Berger Strategy Consultants, Munich. A consultancy agreement was entered into between TOM TAILOR and Roland Berger Strategy Consultants in connection with the integration of BONITA and the related due diligence processes. In financial year 2012, EUR 809 thousand was paid for due diligence and consulting services. Trade payables amounted to EUR 452 thousand as at 31 December 2012.

Other Appointments of Members of the Supervisory Board

Members of TOM TAILOR Holding AG's Supervisory Board are also members of a governing body of the following companies:

Uwe Schröder (Chairman of the Supervisory Board)
- Member of the Advisory Board of eterna Mode GmbH, Passau
- Managing Director of Schröder Consulting GmbH, Flensburg
- Member of the Advisory Board of Kassenhalle Restaurant GmbH & Co. KG, Hamburg
- Chairman of the Management Board of Verband der Fertigwarenimporteure e.V. (VFI), Hamburg
- Member of the Supervisory Board (Chairman) of Hansische Treuhand AG, Hamburg

Thomas Schlytter-Henrichsen
(Deputy Chairman of the Supervisory Board)
- Managing Director of ALPHA Beteiligungsberatung GmbH & Co. KG, Frankfurt am Main
- Managing Director of ALPHA Management GmbH, Frankfurt am Main
- Managing Director of ACapital Beteiligungsberatung GmbH, Frankfurt am Main
- Managing Director of Agrippina S.à.r.l., Luxembourg
- Managing Director of Bulowayo GmbH, Königstein im Taunus
- Member of the Supervisory Board of ALPHA ASSOCIES Conseil SAS, Paris, France
- Member of the Supervisory Board of Nero AG, Karlsbad

Andreas W. Bauer
- Partner, Roland Berger Strategy Consultants, Munich

Andreas Karpenstein
- Partner and Managing Director of Raupach & Wollert-Elmendorff Rechtsanwaltsgesellschaft mbH, Düsseldorf
- Member of the Supervisory Board (Deputy Chairman) of Trusted Advice AG, Wirtschaftsprüfungsgesellschaft/Steuerberatungsgesellschaft, Düsseldorf

Dr Christoph Schug
- Managing Director of Consulta Verwaltungs- und Treuhand GmbH, Mönchengladbach
- Member of the Supervisory Board of Baden-Baden Cosmetics Group AG, Baden-Baden
- Member of the Supervisory Board of Norma Group AG, Maintal

Gerhard Wöhrl
- Managing Director of Gerhard Wöhrl Beteiligungsgesellschaft mbH, Reichenschwand
- Managing Director of GOVAN Beteiligungs GmbH, Reichenschwand
- Managing Director of GOVAN Holding GmbH & Co. KG, Reichenschwand
- Managing Director of GOVAN Verwaltungs GmbH, Reichenschwand
- Managing Director of GVC Gesellschaft für Venture Capital Beteiligungen mbH, Munich
- Member of the Advisory Board of Sparkasse Nürnberg, Nuremberg
- Member of the Advisory Board (Chairman) of TETRIS Grundbesitz GmbH & Co. KG, Reichenschwand
- Member of the Advisory Board (Chairman) of TETRIS Grundbesitz Beteiligungsgesellschaft mbH, Reichenschwand

DISCLOSURES ON SHAREHOLDINGS IN TOM TAILOR HOLDING AG

On 30 January 2012, TOM TAILOR Holding AG received voting right notifications regarding the following companies, reporting the circumstances specified below:

Fidelity Funds SICAV

On 26 January 2012, in accordance with § 21 (1) Wertpapierhandelsgesetz (WpHG – German Securities Trading Act), Fidelity Funds SICAV, Luxembourg, Luxembourg, notified us that its share of the voting rights in TOM TAILOR Holding AG exceeded the threshold of 5% on 26 January 2012, reaching 5.09% on that date. This corresponds to 841,263 voting rights.

FIL Investments International

On 26 January 2012, in accordance with § 21 (1) WpHG, FIL Investments International, Hildenborough, United Kingdom, notified us that its share of the voting rights in TOM TAILOR Holding AG exceeded the threshold of 5% on 26 January 2012, reaching 5.10% on that date. This corresponds to 842,163 voting rights.

These voting rights are attributed to it in accordance with § 22 (1) sentence 1 no. 6 WpHG. The voting rights attributed to FIL Investments International are held via the following shareholders, whose share of the voting rights in TOM TAILOR Holding AG amounts to 3% or more in each case: Fidelity Funds SICAV.

FIL Limited

On 26 January 2012, in accordance with § 21 (1) WpHG, FIL Limited, Hamilton HMCX, Bermuda, notified us that its share of the voting rights in TOM TAILOR Holding AG exceeded the threshold of 5% on 26 January 2012, reaching 5.10% on that date. This corresponds to 842,163 voting rights.

These voting rights are attributed to it in accordance with § 22 (1) sentence 1 no. 6 WpHG. The voting rights attributed to FIL Limited are held via the following shareholders, whose share of the voting rights in TOM TAILOR Holding AG amounts to 3% or more in each case: Fidelity Funds SICAV.

FIL Holdings Limited

On 26 January 2012, in accordance with § 21 (1) WpHG, FIL Holdings Limited, Hildenborough, United Kingdom, notified us that its share of the voting rights in TOM TAILOR Holding AG exceeded the threshold of 5% on 26 January 2012, reaching 5.10% on that date. This corresponds to 842,163 voting rights.

These voting rights are attributed to it in accordance with § 22 (1) sentence 1 no. 6 in conjunction with § 22 (1) sentence 2 WpHG. The voting rights attributed to FIL Holdings Limited are held via the following shareholders, whose share of the voting rights in TOM TAILOR Holding AG amounts to 3% or more in each case: Fidelity Funds SICAV.

On 23 April 2012, TOM TAILOR Holding AG received voting right notifications regarding the following companies, reporting the circumstances specified below:

Fidelity Funds SICAV

On 18 April 2012, in accordance with § 21 (1) WpHG, Fidelity Funds SICAV, Luxembourg, Luxembourg, notified us that its share of the voting rights in TOM TAILOR Holding AG fell below the threshold of 5 % on 18 April 2012, reaching 4.88 % on that date. This corresponds to 806,263 voting rights.

FIL Investments International

On 18 April 2012, in accordance with § 21 (1) WpHG, FIL Investments International, Hildenborough, United Kingdom, notified us that its share of the voting rights in TOM TAILOR Holding AG fell below the threshold of 5 % on 18 April 2012, reaching 4.88 % on that date. This corresponds to 807,163 voting rights.

These voting rights are attributed to it in accordance with § 22 (1) sentence 1 no. 6 WpHG. The voting rights attributed to FIL Investments International are held via the following shareholders, whose share of the voting rights in TOM TAILOR Holding AG amounts to 3 % or more in each case: Fidelity Funds SICAV.

FIL Limited

On 18 April 2012, in accordance with § 21 (1) WpHG, FIL Limited, Hamilton HMCX, Bermuda, notified us that its share of the voting rights in TOM TAILOR Holding AG fell below the threshold of 5 % on 18 April 2012, reaching 4.88 % on that date. This corresponds to 807,163 voting rights.

These voting rights are attributed to it in accordance with § 22(1) sentence 1 no. 6 of WpHG. The voting rights attributed to FIL Limited are held via the following shareholders, whose share of the voting rights in TOM TAILOR Holding AG amounts to 3% or more in each case: Fidelity Funds SICAV.

FIL Holdings Limited

On 18 April 2012, in accordance with § 21 (1) WpHG, FIL Holdings Limited, Hildenborough, United Kingdom, notified us that its share of the voting rights in TOM TAILOR Holding AG fell below the threshold of 5 % on 18 April 2012, reaching 4.88 % on that date. This corresponds to 807,163 voting rights.

These voting rights are attributed to it in accordance with § 22 (1) sentence 1 no. 6 in conjunction with § 22 (1) sentence 2 WpHG. The voting rights attributed to FIL Holdings Limited are held via the following shareholders, whose share of the voting rights in TOM TAILOR Holding AG amounts to 3 % or more in each case: Fidelity Funds SICAV.

On 9 May 2012, TOM TAILOR Holding AG received a voting right notification regarding the following company, reporting the circumstances specified below:

Vanguard Whitehall Funds

On 4 May 2012, in accordance with § 21 (1) sentence 1 WpHG, Vanguard Whitehall Funds, Delaware, USA, notified us that its share of the voting rights in TOM TAILOR Holding AG exceeded the threshold of 3 % on 2 May 2012, reaching 3.025 % on that date. This corresponds to 500,000 voting rights.

On 27 June 2012, TOM TAILOR Holding AG received voting right notifications regarding the following companies reporting the circumstances specified below:

Schroders plc

According to § 21 (1) WpHG we have been informed that on 21 June 2012 the voting interest of Schroders plc, London, United Kingdom, in our company exceeded the threshold of 5 % of the voting rights in our company and amounted to 5.05 %. This corresponds to 833,879 voting rights. 5.05 % of the voting rights (833,879 shares) are attributable to Schroders plc in accordance with § 22 (1) sentence 1 no. 6 in conjunction with § 22 (1) sentence 2 WpHG.

Schroder Administration Limited
According to § 21 (1) WpHG we have been informed that on 21 June 2012 the voting interest of Schroder Administration Limited, London, United Kingdom, in our company exceeded the threshold of 5 % of the voting rights in our company and amounted to 5.05 % (equivalent to 833,879 shares). 5.05 % of the voting rights (equivalent to 833,879 shares) are attributable to Schroder Administration Limited in accordance with § 22 (1) sentence 1 no. 6 in conjunction with § 22 (1) sentence 2 WpHG.

Schroder Investment Management Limited
According to § 21 (1) WpHG we have been informed that on 21 June 2012 the voting interest of Schroder Investment Management Limited, London, United Kingdom, in our company exceeded the threshold of 5 % of the voting rights in our company and amounted to 5.05 %. This corresponds to 833,879 voting rights. 5.05 % of the voting rights (equivalent to 833,879 shares) are attributable to Schroder Investment Management Limited in accordance with § 22 (1) sentence 1 no. 6 WpHG.

On 29 June 2012, TOM TAILOR Holding AG received voting right notifications regarding the following companies, reporting the circumstances specified below:

Fidelity Funds SICAV
On 28 June 2012, in accordance with § 21 (1) WpHG, Fidelity Funds SICAV, Luxembourg, Luxembourg, notified us that its share of the voting rights in TOM TAILOR Holding AG fell below the threshold of 3 % on 28 June 2012, reaching 2.88 % on that date. This corresponds to 475,636 voting rights.

FIL Investments International
On 28 June 2012, in accordance with § 21 (1) WpHG, FIL Investments International, Hildenborough, United Kingdom, notified us that its share of the voting rights in TOM TAILOR Holding AG fell below the threshold of 3 % on 28 June 2012, reaching 2.89 % on that date. This corresponds to 477,827 voting rights.

These voting rights are attributed to it in accordance with § 22 (1) sentence 1 no. 6 WpHG.

FIL Limited
On 28 June 2012, in accordance with § 21 (1) WpHG, FIL Limited, Hamilton HMCX, United Kingdom, notified us that its share of the voting rights in TOM TAILOR Holding AG fell below the threshold of 3 % on 28 June 2012, reaching 2.89 % on that date. This corresponds to 477,827 voting rights.

These voting rights are attributed to it in accordance with § 22 (1) sentence 1 no. 6 WpHG.

FIL Holdings Limited
On 28 June 2012, in accordance with § 21 (1) WpHG, FIL Holdings Limited, Hildenborough, United Kingdom, notified us that its share of the voting rights in TOM TAILOR Holding AG fell below the threshold of 3 % on 28 June 2012, reaching 2.89 % on that date. This corresponds to 477,827 voting rights.

These voting rights are attributed to it in accordance with § 22 (1) sentence 1 no. 6 in conjunction with § 22 (1) sentence 2 WpHG.

On 13 August 2012, TOM TAILOR Holding AG received voting right notifications regarding the following companies, reporting the circumstances specified below:

BONITA International Verwaltungs GmbH
In accordance with § 21 (1) WpHG, BONITA International Verwaltungs GmbH, Hamminkeln, Germany, notified us that its share of the voting rights in our Company exceeded the thresholds of 3 %, 5 %, 10 %, 15 % and 20 % on 8 August 2012, reaching 24.90 % (6,028,050 voting rights) on that date.

Die VERSORGUNGS- UND FÖRDERUNGSSTIFTUNG
In accordance with § 21 (1) WpHG, VERSORGUNGS- UND FÖRDERUNGSSTIFTUNG, Vaduz, Liechtenstein, notified us that its share of the voting rights in our Company exceeded the thresholds of 3 %, 5 %, 10 %, 15 % and 20 % on 8 August 2012, reaching 24.90 % (6,028,050 voting rights) on that date. In accordance with § 22 (1) sentence 1 no. 1 WpHG, 24.90 % of this amount (6,028,050 voting rights) is attributable to it via BONITA International Verwaltungs GmbH, which it controls and whose share of the voting rights in TOM TAILOR Holding AG amounts to 3 % or more.

On 28 August 2012, TOM TAILOR Holding AG received voting right notifications regarding the following companies, reporting the circumstances specified below:

Schroders PLC
In accordance with § 21 (1) WpHG, Schroders PLC, London, United Kingdom, notified us that its share of the voting rights in our Company fell below the threshold of 5% on 23 August 2012, reaching 3.89% (941,613 voting rights) on that date. 3.89% of this amount (941,613 voting rights) is attributable to it in accordance with § 22 (1) sentence 1 no. 6 in conjunction with § 22 (1) sentence 2 WpHG.

Schroders Investment Management Ltd.
In accordance with § 21 (1) WpHG, Schroders Investment Management Ltd., London, United Kingdom, notified us that its share of the voting rights in our Company fell below the threshold of 5% on 23 August 2012, reaching 3.89% (941,613 voting rights) on that date. 3.89% of this amount (941,613 voting rights) is attributable to it in accordance with § 22 (1) sentence 1 no. 6 WpHG.

Schroders Administration Ltd.
In accordance with § 21 (1) WpHG, Schroders Administration Ltd., London, United Kingdom, notified us that its share of the voting rights in our Company fell below the threshold of 5% on 23 August 2012, reaching 3.89% (941,613 voting rights) on that date. 3.89% of this amount (941,613 voting rights) is attributable to it in accordance with § 22 (1) sentence 1 no. 6 in conjunction with section 22 (1) sentence 2 WpHG.

On 30 August 2012, TOM TAILOR Holding AG received voting right notifications regarding the following companies, reporting the circumstances specified below:

Henderson Group Plc
In accordance with § 21 (1) WpHG, Henderson Group Plc, London, United Kingdom, notified us that its share of the voting rights in our Company fell below the threshold of 3% on 23 August 2012, reaching 2.85% (690,524 voting rights) on that date. 2.85% of this amount (690,524 voting rights) is attributable to it in accordance with § 22 (1) sentence 1 no. 6 in conjunction with section 22 (1) sentence 2 WpHG.

Henderson Global Investors Limited
In accordance with § 21 (1) WpHG, Henderson Global Investors Limited, London, United Kingdom, notified us that its share of the voting rights in our Company fell below the threshold of 3% on 23 August 2012, reaching 2.85% (690,524 voting rights) on that date. 2.85% of this amount (690,524 voting rights) is attributable to it in accordance with § 22 (1) sentence 1 no. 6 WpHG.

Henderson Global Investors (holdings) Plc
In accordance with § 21 (1) WpHG, Henderson Global Investors (holdings) Plc, London, United Kingdom, notified us that its share of the voting rights in our Com-pany fell below the threshold of 3% on 23 August 2012, reaching 2.85% (690,524 voting rights) on that date. 2.85% of this amount (690,524 voting rights) is attributable to it in accordance with § 22 (1) sentence 1 no. 6 in conjunction with § 22 (1) sentence 2 WpHG.

On 24 January 2013, TOM TAILOR Holding AG received a voting right notification regarding the company listed below, reporting the following circumstances:

Allianz Global Investors Europe GmbH
On 23 January 2013, in accordance with § 21 (1) sentence 1 WpHG, Allianz Global Investors Europe GmbH, Frankfurt am Main, Germany, notified us that its share of the voting rights in TOM TAILOR Holding AG fell below the threshold of 5% on 16 January 2013, reaching 4.90% on that date. This corresponds to 1,186,266 voting rights.

0.03% of this amount (6,650 voting rights) is attributable to Allianz Global Investors Europe GmbH in accordance with § 22 (1) sentence 1 no. 6 WpHG.

DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

The Management Board and Supervisory Board of TOM TAILOR Holding AG issued the declaration required by § 161 of the Aktiengesetz (AktG – German Stock Corporation Act) and made it available to the shareholders on TOM TAILOR Holding AG's website (http://ir.tom-tailor-group.com) in February 2013.

FEES OF THE AUDITORS (DISCLOSURE IN ACCORDANCE WITH § 314 (1) NO. 9 HGB)

The fees recognised as an expense in financial year 2012 amounted to EUR 206 thousand (of which EUR 6 thousand relate to 2011; 2011: EUR 132 thousand) for the audit of the financial statements (including expenses), EUR 3 thousand (2011: EUR 5 thousand) for other assurance and valuation services, EUR 37 thousand (2011: EUR 30 thousand) for tax advisory services and EUR 8 thousand (2011: EUR 24 thousand) for other services.

EVENTS AFTER THE END OF THE REPORTING PERIOD

There were no events with a material effect on the net assets, financial position and results of operations of the Group after the reporting date.

EXEMPTING CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH § 264 (3) HGB RESPECTIVELY § 264 B HGB

The following consolidated German subsidiaries
- Tom Tailor GmbH, Hamburg
- Tom Tailor Retail GmbH, Hamburg
- TOM TAILOR E-Commerce GmbH & Co. KG, Hamburg,
- BONITA Deutschland Holding GmbH, Hamminkeln
- BONITA GmbH & Co. KG, Hamminkeln
- GEWIB GmbH, Hamminkeln
- BONITA Deutschland Holding Verwaltungs GmbH, Hamminkeln
- BONITA Verwaltungs-GmbH, Hamminkeln
- BONITA Werbeagentur Logistik & Service GmbH & Co. KG, Hamminkeln
- BONITA E-commerce GmbH, Oststeinbek
- GEWIB GmbH & Co. KG, Pullach

plan to make use of the simplification options allowed by § 264 (3) HGB and § 264 b HGB regarding the management report, as well as the publication of the documentation relating to their annual financial statements. In addition,
- TOM TAILOR E-Commerce GmbH & Co. KG, Hamburg
- BONITA Deutschland Holding Verwaltungs GmbH, Hamminkeln
- BONITA Verwaltungs-GmbH, Hamminkeln
- BONITA Werbeagentur Logistik & Service GmbH & Co. KG, Hamminkeln
- BONITA E-commerce GmbH, Oststeinbek
- GEWIB GmbH & Co. KG, Pullach

make also use of the simplification options regarding the preparation of notes (incl. compulsory elective notes).

PUBLICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Management Board approved the consolidated financial statements prepared in accordance with IFRSs for publication on 20 February 2013.

Hamburg, 20 February 2013
The Management Board

Dieter Holzer
Chief Executive Officer

Dr Axel Rebien
Chief Financial Officer

Udo Greiser
Chief Product Development and Procurement Officer

Dr Marc Schumacher
Chief Retail Officer

Confirmations

Responsibility Statement by the Management Board

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group.

Hamburg, 20 February 2013
The Management Board

Dieter Holzer
Chief Executive Officer

Dr Axel Rebien
Chief Financial Officer

Udo Greiser
Chief Product Development
and Procurement Officer

Dr Marc Schumacher
Chief Retail Officer

Auditors’ Report

We have audited the consolidated financial statements prepared by TOM TAILOR Holding AG, Hamburg, comprising the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2012. The preparation of the consolidated financial statements and Group Management Report in accordance with IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315 a (1) German Commercial Code (HGB) are the responsibility of the legal representatives of the Company. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB (Handelsgesetzbuch; “German Commercial Code”) and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer – IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in the consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the additional requirements of German Commercial Law pursuant to § 315 a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the group, in accordance with these requirements. The group management report is consistent with the consolidated financial statements, and as a whole provides a suitable view of the group’s position and suitably presents the opportunities and risks of future development.

Hamburg, 20 February 2013

Ebner Stolz Mönning Bachem GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Sgd. Thomas Götze	Sgd. Jürgen Richter
Wirtschaftsprüfer	Wirtschaftsprüfer

Corporate Governance

Corporate Governance Report

Corporate Governance Statement in Accordance with § 289 a of the Handelsgesetzbuch (HGB – German Commercial Code)

DECLARATION OF COMPLIANCE IN ACCORDANCE WITH § 161 OF THE AKTIENGESETZ (AKTG – GERMAN STOCK CORPORATION ACT)

The Management Board and the Supervisory Board of TOM TAILOR Holding AG submitted a declaration of compliance in accordance with § 161 AktG on 1 February 2013.

TEXT OF THE DECLARATION BY THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD OF TOM TAILOR HOLDING AG ON THE GERMAN CORPORATE GOVERNANCE CODE IN ACCORDANCE WITH § 161 AKTG (DECLARATION OF COMPLIANCE)

TOM TAILOR Holding AG, Hamburg, Germany
ISIN: DE000A0STST2

TOM TAILOR Holding AG has complied with the recommendations of the Government Commission of the German Corporate Governance Code in the version dated 26 May 2010 published by the Federal Ministry of Justice in the Bundesanzeiger (Federal Gazette) with the exception of section 5.1.2 (age limit for members of the Management Board), section 5.3.3 (formation of a nomination committee), section 5.4.1 sentence 2 (age limit for members of the Supervisory Board) and section 5.4.6 (1) and (2) (performance-related remuneration of the Supervisory Board) since it submitted its declaration of compliance in January 2012. The recommendations of the German Corporate Governance Code in the version dated 15 May 2012 have been complied with, and will be complied with in future, with the following exceptions:

- In a departure from the recommendation contained in section 5.1.2 of the German Corporate Governance Code ("the Code"), the Supervisory Board has not currently specified an age limit for the members of the Management Board above and beyond the universal retirement age laid down in the Management Board employment contracts because it believes that a general age limit for Management Board members would restrict the Supervisory Board's options when selecting suitable members of the Management Board. Although the Supervisory Board has not seen a reason to specify such a limit to date, it intends to deal with this question when a concrete occasion arises.
- The Supervisory Board does not currently intend to form a nomination committee within the meaning of section 5.3.3 of the Code. Because it is composed of six members, the Supervisory Board considers itself to be in a position to appoint new members based on a suggestion by the full Board, should this become necessary.
- In a departure from the recommendation contained in section 5.4.1 sentence 2, no age limit has been specified for the Supervisory Board. TOM TAILOR Holding AG does not consider restricting possible nominations by implementing an age limit to make sense, as this would restrict the choice of experienced candidates in particular.

Hamburg, 1 February 2013

This declaration of compliance and all previous declarations of compliance are published on TOM TAILOR Holding AG's website at http://ir.tom-tailor-group.com.

DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES

RESPONSIBLE CORPORATE GOVERNANCE

TOM TAILOR Holding AG is the management holding company and parent of the TOM TAILOR GROUP. The various TOM TAILOR Holding AG's subsidiaries conduct the operating business (the subsidiaries and TOM TAILOR Holding AG are also referred to jointly as "TOM TAILOR" or the "TOM TAILOR GROUP"). TOM TAILOR Holding AG and its governing bodies are committed to good, responsible corporate governance. This philosophy is shared by the entire TOM TAILOR GROUP.

In addition to compliance with these principles of good corporate governance, company-specific guidelines and standards also contribute to good, sustainable business performance at TOM TAILOR.

Additional information on the topics described above can be found in the section entitled "Sustainability and Responsibility" on page 72 of this Annual Report.

WORKING PRACTICES OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

TOM TAILOR Holding AG is a stock corporation established in accordance with German law. The legal framework for corporate governance is therefore primarily provided by German stock corporation law, and in particular by the rules governing the Management Board and the Supervisory Board.

MANAGEMENT BOARD

The Management Board conducts TOM TAILOR Holding AG's business and represents the Company in dealings with third parties. It manages the Company on its own responsibility and in the Company's best interests with the aim of ensuring sustained value creation. The Management Board develops the corporate strategy, and manages and supervises its implementation. In addition, it ensures that all statutory provisions and applicable internal corporate guidelines are observed (compliance). The Board has also implemented an internal control and risk management system. This is an integral part of its business processes and a key element in corporate decisions. The planning system, internal reporting and risk reporting are key components of this.

The Supervisory Board has adopted by-laws for the Management Board, which set out the transactions and measures for which a resolution by the full Management Board is required, as well as the principles for decision-making within the Management Board as a whole. In addition, the Supervisory Board has listed a catalogue of transactions in the by-laws that may only be performed with the approval of the Supervisory Board. These include transactions and measures that have a material effect on the net assets, financial position and results of operations of the TOM TAILOR GROUP. The full Management Board has implemented the provisions of the by-laws by adopting a schedule of responsibilities, that assigns responsibility to individual members of the Management Board for specific areas of activity, without this affecting the overall responsibility of the Management Board.

The Management Board currently consists of four members. The members cooperate in a collegial manner and inform one another on an ongoing basis about important measures and events within their areas of responsibility. Generally speaking, the Management Board passes resolutions in regular meetings. Resolutions require a simple majority.

The members of the Management Board are Dieter Holzer (Chief Executive Officer), Dr Axel Rebien, Udo Greiser and Dr Marc Schumacher.

The members of the Management Board were appointed at different times.

Appointment of Management Board Members

	First appointment	Current appointment
Dieter Holzer Born in 1964 Chief Executive Officer/CEO	Member of the management of Tom Tailor Holding GmbH (legal predecessor of TOM TAILOR Holding AG) since 2006 Chief Executive Officer of TOM TAILOR Holding AG since 21 December 2007	Until 31 January 2015
Dr Axel Rebien Born in 1971 Chief Financial Officer/CFO	Member of the Management Board of TOM TAILOR Holding AG since 1 January 2008, served as head of finance at the former Tom Tailor Holding GmbH 2005–2008 CFO of TOM TAILOR Holding AG since 2008	Until 31 January 2016
Udo Greiser Born in 1957 Chief Product Development and Procurement Officer/CPO	Member of the Management Board of TOM TAILOR Holding AG since 1 March 2012	Until 28 February 2015
Dr Marc Schumacher Born in 1977 Chief Retail Officer/CRO	Member of the Management Board of TOM TAILOR Holding AG since 1 July 2011 Head of the TOM TAILOR GROUP's retail unit from 2008 to 2010	Until 30 June 2014

The members of the Company's Management Board do not currently serve on the board of directors, management board or supervisory board, or as members of comparable German or foreign governing bodies outside the TOM TAILOR GROUP, nor have they done so in the past five years.

SUPERVISORY BOARD

The Supervisory Board of TOM TAILOR Holding AG advises and supervises the Management Board in the management of the Company. The Supervisory Board is also responsible for appointing the members of the Management Board, for approving the annual financial statements and the consolidated financial statements, and for engaging the Company's auditors.

The Management Board and the Supervisory Board of TOM TAILOR Holding AG work together closely and in an atmosphere of mutual trust for the benefit of the Company. The Management Board agrees the Company's strategic orientation with the Supervisory Board and regularly discusses the status of the strategy's implementation with it. The Management Board informs the Supervisory Board regularly, promptly and extensively on all issues related to strategy, planning, business development, the risk position, the internal control and risk management system and compliance that are relevant for the Company. The Chief Executive Officer also regularly exchanges information with the Chairman of the Supervisory Board between the Supervisory Board meetings.

The Supervisory Board has adopted by-laws for itself. These contain, among other things, detailed procedural rules for its meetings and how they are to be chaired by the Chairman of the Supervisory Board, as well as rules on committee work.

The Supervisory Board consists of six members. In principle, the Supervisory Board's period of office is five years.

The members of the Supervisory Board are:
- Uwe Schröder (Chairman of the Supervisory Board)
  Co-founder of the TOM TAILOR GROUP, Hamburg, Germany
- Thomas Schlytter-Henrichsen (Deputy Chairman of the Supervisory Board)
  Managing Director of ALPHA Beteiligungsberatung GmbH & Co. KG, Frankfurt am Main, Germany
- Andreas W. Bauer
  Partner at Roland Berger Strategy Consultants, Munich, Germany
- Andreas Karpenstein
  Partner and Managing Director of Raupach & Wollert Elmendorff Rechtsanwaltsgesellschaft mbH, Düsseldorf, Germany
- Dr Christoph Schug
  Businessman, Mönchengladbach, Germany
- Gerhard Wöhrl
  Former CEO of Rudolf Wöhrl AG, Nuremberg

Other Appointments of the Members of the Supervisory Board

Uwe Schröder (Chairman of the Supervisory Board)
- Member of the Advisory Board of eterna Mode GmbH, Passau, Germany
- Chairman of the Verband der Fertigwarenimporteure e.V. (VFI – Association of Non-Food Importers), Hamburg, Germany
- Member of the Advisory Board of Kassenhalle Restaurant GmbH & Co. KG, Hamburg, Germany
- Managing Director of Schröder Consulting GmbH, Flensburg, Germany
- Chairman of the Supervisory Board of Hansische Treuhand AG, Hamburg, Germany

Thomas Schlytter-Henrichsen (Deputy Chairman of the Supervisory Board)
– Managing Director of ALPHA Beteiligungsberatung GmbH & Co. KG, Frankfurt am Main, Germany
– Managing Director of ALPHA Management GmbH, Frankfurt am Main, Germany
– Managing Director of ACapital Beteiligungsberatung GmbH, Frankfurt am Main, Germany
– Managing Director of Agrippina S.à.r.l., Luxembourg
– Managing Director of Bulowayo GmbH, Königstein im Taunus, Germany
– Member of the Supervisory Board of ALPHA ASSOCIES Conseil SAS, Paris, France
– Member of the Supervisory Board of Nero AG, Karlsbad, Germany

Andreas Karpenstein
– Member of the Supervisory Board (Deputy Chairman) of Trusted Advice AG, Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Düsseldorf, Germany

Dr Christoph Schug
– Managing Director of Consulta Verwaltungs- und Treuhand GmbH, Mönchengladbach, Germany
– Member of the Supervisory Board of Baden-Baden Cosmetics Group AG, Baden-Baden, Germany
– Member of the Supervisory Board of Norma Group AG, Maintal, Germany

Gerhard Wöhrl
– Managing Director of Gerhard Wöhrl Beteiligungsgesellschaft mbH, Reichenschwand, Germany
– Managing Director of GOVAN Beteiligungs GmbH, Reichenschwand, Germany
– Managing Director of GOVAN Holding GmbH & Co. KG, Reichenschwand, Germany
– Managing Director of GOVAN Verwaltungs GmbH, Reichenschwand, Germany
– Managing Director of GVC Gesellschaft für Venture Capital Beteiligungen mbH, Munich, Germany
– Member of the Advisory Board of Sparkasse Nürnberg, Nuremberg
– Member of the Advisory Board (Chairman) of TETRIS Grundbesitz GmbH & Co. KG, Reichenschwand, Germany
– Member of the Advisory Board (Chairman) of TETRIS Grundbesitz Beteiligungsgesellschaft mbH, Reichenschwand, Germany

Composition of the Supervisory Board

The Supervisory Board updated the objectives for its composition in accordance with section 5.4.1 (2) of the Code on 1 February 2013. Taking into account the following objectives, the Supervisory Board is to be composed in such a way that, taken as a whole, its members have the knowledge, skills and specialist expertise to duly carry out their tasks.

International Orientation TOM TAILOR Holding AG is an international fashion company primarily active in the European market. The Supervisory Board takes this international orientation into account with respect to its composition.

For this reason, at least one member of the Supervisory Board should, if possible, be particularly qualified with respect to the Company's international activities. This means, for example, that he or she should have long-term experience, preferably gained outside Germany, of international business – in particular in TOM TAILOR's core markets (Austria, Switzerland, the Benelux countries and France).

Diversity, in Particular an Appropriate Degree of Female Representation The composition of the Supervisory Board reflects the interests of the Company and must ensure effective supervision of and advice to the Management Board. Consequently, when determining its composition, the Supervisory Board focuses particularly on the knowledge, skills and specialist expertise required to duly carry out these tasks. Additionally, the Supervisory Board believes that as a whole, its composition should comply with the principles of diversity. In line with this, the Supervisory Board strives for an appropriate degree of female representation in particular.

If possible, at least one member of the Supervisory Board should be a woman. When examining potential candidates, the Supervisory Board should include qualified women in the selection process and take them into account appropriately when proposing candidates. Where multiple candidates are considered to be equally qualified, the Supervisory Board shall examine whether a female candidate should be preferred in order to facilitate an appropriate degree of female representation. The Supervisory Board considers this level of female representation to be appropriate with regard to the composition of the Company's other managers and in view of other companies in the industry.

Potential Conflicts of Interest In selecting Supervisory Board members, the focus is on their knowledge, ability and specialist expertise; these qualities shall be given priority during the evaluation process. In addition, the Supervisory Board shall take potential conflicts of interest among its members into account when determining its composition. Therefore, no persons should be on the Supervisory Board who could probably have a material and more than temporary conflict of interest. In order to avoid from the start any potential conflicts of interest that could arise during their term of office, members of the governing bodies of the Company's major competitors should not be proposed.

Number of Independent Members of the Supervisory Board A Supervisory Board member is not considered to be independent within the meaning of the Code in particular if he or she has personal or business relations with the Company, its governing bodies, a controlling shareholder, or an enterprise associated with a controlling shareholder, that could give rise to a material and more than temporary conflict of interest. In view of this and given the size of the executive body, the Supervisory Board should have at least two independent members.

The Supervisory Board currently considers five of its members to be independent within the meaning of the Code. Consequently, the independence of the Supervisory Board is sufficiently ensured.

Implementation of the Objectives The Company's interests must always be given preference when implementing all of the objectives mentioned. In view of this, the Supervisory Board intends to implement the objectives with respect to the appropriate degree of representation of women within the next five years as the opportunity arises. The Supervisory Board considers the remaining objectives to be met at this time.

The members of the Supervisory Board include finance experts (Dr Schug) and representatives of the legal (Mr Karpenstein) and management consulting profession (Mr Bauer), as well as representatives of the fashion industry (Mr Wöhrl and Mr Schröder).

Company founder Mr Schröder is the only member of the Supervisory Board who has an indirect interest of more than 1% in the Company.

MANAGEMENT BOARD AND SUPERVISORY BOARD COMMITTEES

The Management Board has not currently established any committees.

The Supervisory Board has established an Executive Committee and an Audit and Finance Committee to efficiently perform its tasks. The two committees perform only advisory and preparatory tasks. They consist of two members each and do not currently have any decision-making powers.

The Executive Committee is responsible for preparing the Supervisory Board meetings and supervises the implementation of resolutions adopted by the Supervisory Board or its committees, as well as preparing and conducting preliminary negotiations in connection with the signature, amendment and termination of contracts of service with Management Board members.

Members: Uwe Schröder (Chairman of the Executive Committee), Thomas Schlytter-Henrichsen

The Audit and Finance Committee is responsible for the preliminary examination of the documents relating to the annual financial statements and the consolidated financial statements. It prepares the resolutions on the annual financial statements and the consolidated financial statements to be passed by the full Supervisory Board as well as the Board's decision on the Management Board's proposed resolution on the utilisation of the net retained profits. The Audit and Finance Committee also prepares the Supervisory Board's proposal to the Annual General Meeting for the election of the auditors. Should the committee have at least three members and hence decision-making powers, it negotiates the fee with the auditors, issues the audit engagement and specifies the areas of emphasis of the audit. Furthermore, it monitors the independence of the auditors. It is also responsible for supervising the financial reporting process, the audit, any additional services performed by the auditors, the effectiveness of the internal control system, the risk management system, compliance and the internal auditing system, as well as for discussing the quarterly and half-yearly reports with the Management Board.

Members: Dr Christoph Schug (Chairman of the Audit and Finance Committee), Andreas Karpenstein

At least one independent member of the Supervisory Board has expertise in accounting or auditing, in the person of the Chairman of the Audit and Finance Committee.

REMUNERATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

Designing remuneration systems for the Management Board and the Supervisory Board that provide incentives and reward performance in an appropriate manner is a key component of responsible corporate governance. The remuneration paid to the Management Board members currently comprises a fixed basic remuneration component and a variable, performance-oriented remuneration component. The variable remuneration for the Management Board members Mr Holzer, Dr Rebien, Mr Greiser and Dr Schumacher is based on the TOM TAILOR GROUP's net sales figures and recurring EBITDA. Dr Schumacher has an additional remuneration component based on the specific EBITDA performance in the retail segment.

The Management Board members Mr Holzer and Dr Rebien receive additional remuneration, which is oriented on the share price, as part of a matching stock programme (MSP). Under the MSP, the Management Board members contribute a certain number of Company shares to the MSP. After this, a tranche of phantom stocks is allocated every year for a period of five years; these can be exercised after a lock-up period of four years. The remuneration from the MSP depends on the performance of the Company's shares. Mr Rosa's previous claims to remuneration have lapsed without compensation due to the termination of his contract effective 29 February 2012.

A long-term incentive programme (LTI) was introduced in 2010 for TOM TAILOR's management. It serves to retain personnel and achieve the Company's long-term goals. The programme is also open to the members of the Management Board. The remuneration system runs for a period of eight years (starting in financial year 2010) and grants an additional, individual bonus based on a comparison of target and actual revenue and the operating result over a three-year observation period in each case. Share price performance is another component that is taken into consideration. Due to the successful acquisition of BONITA and the resulting initial consolidation, there was a non-recurring increase in the programme's inputs in 2012 compared with the previous year. Measurement of the LTI programme as at 31 December 2012 resulted in a total remuneration entitlement of EUR 1,919 thousand for Mr Holzer, EUR 595 thousand for Dr Rebien and EUR 393 thousand for Dr Schumacher. The portion from the first tranche, which was issued in 2010, will become payable in 2013 and amounts to EUR 1,356 thousand for Mr Holzer, EUR 376 thousand for Dr Rebien and EUR 248 thousand for Dr Schumacher. The remaining tranches from this remuneration system will be paid out after certain prerequisites have been met, starting in 2014 at the earliest. Mr Rosa's previous claims to remuneration have lapsed due to the termination of his contract effective 29 February 2012. Mr Greiser will not be entitled to receive any entitlements from this programme until the beginning of 2013 when the fourth tranche is issued.

TOM TAILOR has no other securities-based remuneration systems – including any for non-Management Board employees.

The Supervisory Board currently receives fixed remuneration only.

SHAREHOLDINGS OF THE MEMBERS OF THE MANAGEMENT BOARD

The CEO, Mr Dieter Holzer, directly held 266,610 shares as at the publication date of this annual report, corresponding to around 1.1% of the Company's shares.

CFO Dr Axel Rebien directly held 20,000 of the Company's shares as at the publication date of this annual report, corresponding to around 0.08% of the Company's shares.

CPO Mr Udo Greiser directly held 4,000 shares as at the publication date of this annual report, corresponding to around 0.02% of the Company's shares.

SHAREHOLDINGS OF THE MEMBERS OF THE SUPERVISORY BOARD

Two members of the Supervisory Board, Mr Uwe Schröder (Chairman) and Mr Thomas Schlytter-Henrichsen (Deputy Chairman), have indirect interests in TOM TAILOR Holding AG. Mr Schröder and close relatives had an indirect interest in the Company of around 6.12% through Morgan Finance S.A., Luxembourg, as at the publication date of this annual report. Mr Schlytter-Henrichsen indirectly held around 0.09% of the Company's shares through Bulowayo GmbH as at the publication date of this annual report.

In addition, Mr Thomas Schlytter-Henrichsen directly held 1,800 shares as at the publication date of this annual report, corresponding to around 0.01% of the Company's shares.

Dr Christoph Schug directly held 18,400 shares as at the publication date of this annual report, corresponding to around 0.08% of the Company's shares.

Mr Andreas W. Bauer directly held 4,400 of the Company's shares as at the publication date of this annual report, corresponding to around 0.02% of TOM TAILOR Holding AG shares.

DIRECTORS' DEALINGS

In accordance with § 15 a of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act), the members of the Management Board and the Supervisory Board of TOM TAILOR Holding AG as well as certain employees with managerial responsibilities and any persons closely associated with these employees must disclose the acquisition and sale of TOM TAILOR shares and any related financial instruments. This duty of disclosure exists if the value of the transactions by a person belonging to the above-mentioned group of persons amounts to or exceeds EUR 5,000; further details as well as the individual transactions disclosed can be found at http://ir.tom-tailor-group.com.

SHAREHOLDERS

TOM TAILOR Holding AG received voting right notifications in accordance with § 21 (1) of the WpHG from institutional investors in Germany, the United Kingdom, Luxembourg and the United States, among other countries.

ACCOUNTING AND TRANSPARENCY

Information is regularly provided to the shareholders and the public, in particular via the annual report containing the consolidated financial statements, and the interim reports. Our Group financial reporting is prepared in accordance with International Financial Reporting Standards (IFRSs), ensuring a high degree of transparency and international comparability.

Report of the Supervisory Board

In financial year 2012, the Supervisory Board performed its duties in accordance with the law and the Articles of Association and advised and supervised the Management Board in its management of the Company. The Management Board informed the Supervisory Board regularly, comprehensively and promptly about the economic environment, the Company's situation and development, key financial figures, major transactions and risk management both orally and in writing. The timely provision of information to the Supervisory Board was ensured at all times. The Management Board regularly participated in Supervisory Board meetings and answered all of the Supervisory Board's questions fully and in depth. The Supervisory Board, and in particular the Chairman of the Supervisory Board, were also in close written and oral contact with the Management Board outside of the regular Supervisory Board meetings and discussed questions relating to strategy, planning, business development, the risk situation, risk management and compliance.

Key focuses of the Supervisory Board's work in the past year were the acquisition of the BONITA Group and the associated non-cash and cash capital increase, as well as the restructuring of the existing bank financing concept and the extension and modification of the existing warehouse logistics agreement with DHL.

SUPERVISORY BOARD MEETINGS

The Supervisory Board addressed current business developments and approved significant individual transactions, examined the reports by the Management Board and discussed strategic corporate planning in four ordinary meetings. It also adopted resolutions and discussed topical issues in extraordinary Supervisory Board meetings and conference calls as necessary.

In its meeting on 19 March 2012, the Supervisory Board approved the annual financial statements and the consolidated financial statements for 2011, thus adopting the annual financial statements. The meeting also focused on the new corporate structure in Russia, as well as TOM TAILOR's ongoing expansion strategy. In addition, the Supervisory Board addressed the agenda for the Annual General Meeting on 18 May 2012.

The Supervisory Board discussed the figures for the first quarter of 2012 in its meeting on 18 May 2012. At the same time, the Supervisory Board addressed the planned acquisition of the BONITA Group for the first time. The meeting also served as a preparatory meeting for the Annual General Meeting held on the same day.

In its meeting on 25 September 2012, the Supervisory Board addressed the figures for the first half of the year. Another topic discussed at this Supervisory Board meeting was the integration and restructuring at a company law level of the BONITA subgroup, which had since been acquired. Furthermore, the Supervisory Board approved the extension and modification of the warehouse logistics agreement with DHL.

The Supervisory Board meeting on 17 December 2012 addressed the business situation as at the third quarter of 2012 and the monthly figures for October and November 2012, in line with its regular schedule, the approval of the budget for 2013, as well as the three-year planning for 2013 to 2015 and the acquisition of a further five franchise stores and the wholesale business in the Balkans from Sportina, the Company's long-standing sales partner. In addition, the Supervisory Board again discussed the integration of the BONITA subgroup in detail.

CORPORATE GOVERNANCE

In its meeting on 1 February 2013, the Supervisory Board resolved the 2013 declaration of conformity in accordance with § 161 of the Aktiengesetz (AktG – German Stock Corporation Act) following extensive discussion. In connection with this, the Supervisory Board addressed the future composition of the Supervisory Board in depth and updated its concrete objectives in accordance with section 5.4.1 of the German Corporate Governance Code in the version dated 15 May 2012. In doing so, particular consideration was given to the new requirement contained in the recommendation to stipulate a number of independent Supervisory Board members within the meaning of section 5.4.2 of the German Corporate Governance Code. The declaration of conformity was made permanently available to shareholders on the website http://ir.tom-tailor-group.com.

CONFLICTS OF INTEREST

Mr Andreas W. Bauer, a member of the Supervisory Board of TOM TAILOR Holding AG, is also a partner in the management consulting firm Roland Berger Strategy Consultants GmbH, Munich. TOM TAILOR and Roland Berger Strategy Consultants GmbH entered into a consulting agreement in 2012 in connection with the acquisition of BONITA and the associated integration and due diligence processes. The Supervisory Board addressed the consulting agreement and its terms in detail in its meeting on 25 September 2012 and approved the signing of the agreement. To avoid any conflicts of interest, Mr Andreas W. Bauer chose not to participate in the discussion of this topic and the resolution by the Supervisory Board. No other conflicts of interest arose in connection with Supervisory Board members in the reporting period that would have to be disclosed to the Supervisory Board and about which the Annual General Meeting would have to be informed.

SUPERVISORY BOARD COMMITTEES

The Supervisory Board has established an Executive Committee and an Audit and Finance Committee, each comprising two members.

The Supervisory Board's Audit and Finance Committee held four ordinary meetings in 2012. The Audit and Finance Committee also held extraordinary meetings and conference calls. Its meetings primarily served to discuss the financial statements and management reports of the Company and of the Group, as well as the interim reports. To the extent that this was necessary or relevant, these meetings were also attended by representatives of the Company – usually the Chief Financial Officer, the Finance Director and/or the General Counsel – the Chairman of the Supervisory Board, or the auditors.

The meeting on 24 January 2012, which took the form of a conference call, addressed the ongoing audit of the annual financial statements for 2011 and the current status of the renegotiated syndicated loan agreement.

The meeting on 31 January 2012 was devoted to the final discussions with the auditors on the audit of the annual financial statements for 2011.

In its meeting on 25 September 2012, the Committee discussed the steps already taken with regard to the implementation of a risk management system and a compliance concept for the TOM TAILOR GROUP. The focus here was on changes to and the expansion of the BONITA subgroup. Finally, commercial aspects of the integration of the BONITA Group were also discussed.

In its meeting on 17 December 2012, the Audit and Finance Committee looked at reports and additional information from PricewaterhouseCoopers AG, which audits the BONITA subgroup, and Ebner Stolz Mönning Bachem GmbH & Co. KG, the Group auditor. In the same meeting, the Audit and Finance Committee also addressed the compliance concept and the risk management system once again, as well as the deployment of employees from BONITA's Internal Audit function in the TOM TAILOR subgroup as well.

The Executive Committee met on 15 February 2012 and on 21 September 2012. Both meetings dealt with personnel, remuneration and strategy issues.

COMPOSITION OF THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD

The members of the Supervisory Board – Mr Uwe Schröder, Mr Thomas Schlytter-Henrichsen, Mr Andreas W. Bauer, Mr Andreas Karpenstein, Dr Christoph Schug and Mr Gerhard Wöhrl – exercised their Supervisory Board mandates for the entire year. Mr Uwe Schröder and Mr Thomas Schlytter-Henrichsen were re-elected by the Annual General Meeting on 18 May 2012.

There was one change to the composition of the Management Board of TOM TAILOR Holding AG in financial year 2012. Mr Udo Greiser was appointed as a member of the Management Board. He replaces Mr Christoph Rosa and is responsible for product development, procurement and licensing.

ACCOUNTING AND AUDITING

The annual financial statements and the accompanying management report of TOM TAILOR Holding AG are prepared by the Management Board in accordance with the Handelsgesetzbuch (HGB – German Commercial Code). The consolidated financial statements and the Group management report are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. The annual financial statements, consolidated financial statements and the management reports are audited by the auditor and examined by the Supervisory Board.

The annual financial statements, consolidated financial statements and management reports of TOM TAILOR Holding AG were audited by Ebner Stolz Mönning Bachem GmbH & Co. KG, Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft. The audits were conducted in accordance with German auditing regulations and the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer. Unqualified audit opinions were issued for all audits.

The annual financial statements, consolidated financial statements and the accompanying management reports of TOM TAILOR Holding AG and the audit reports by the auditors were submitted to the Supervisory Board members for examination. All documents were discussed and examined in detail by both the Audit and Finance Committee and the full Supervisory Board. The auditors reported on the key results of the audit at the meetings of the Audit and Finance Committee and the full Supervisory Board on 28 January 2013 and 18 March 2013 respectively, and were available to answer questions from the members in attendance. In its meeting on 18 March 2013, the Supervisory Board approved the auditors' findings and, based on the final results of its own examinations, found that it had no reservations to make. The Supervisory Board approved the financial statements prepared by the Management Board. The annual financial statements are thus adopted.

The Supervisory Board would like to thank the Management Board and the employees for all their hard work.

Hamburg, March 2013
The Supervisory Board

Additional Information

Glossary

Adjusted EBITDA EBITDA adjusted for non-recurring effects

Aid by Trade Foundation A foundation that supports international trade and, in particular, trade in developing countries (formerly the FSAF, or Foundation for Sustainable Agriculture and Forestry in Developing Countries)

App Application software for mobile phones

B2B Business to Business; business relationship between TOM TAILOR and wholesale customers

B2C Business to Consumer; business relationship between TOM TAILOR and the final consumers

Basic Items A TOM TAILOR product group; basic clothing items that are not subject to particular seasonal trends

Business Social Compliance Initiative (BSCI) A Europe-wide initiative of trade organisations committed to supporting fair working conditions

Controlled Selling Spaces These include retail stores, franchise stores, shop-in-shops and the e-commerce portals (own e-shop and e-shop partnerships). At franchise stores and shop-in-shops, TOM TAILOR retains control by influencing how the brand is presented as well as on the design of the selling space, with only TOM TAILOR products being sold in that space

Core Markets Germany, Austria, Switzerland, the Benelux countries and France

Cotton made in Africa (CmiA) An Aid by Trade Foundation initiative that takes a business-based approach to improving the living and working conditions of cotton farmers in Africa

E-commerce E-shop and sales cooperations with online partners

E-shop The TOM TAILOR GROUP's own online sales platform in the retail segment

Flagship Store A term for an exclusive brand store within a chain that stocks a comprehensive brand product offering and, as a rule, stands out in terms of its architecture, store design and exclusive location

Franchise Store A store operated by a franchisee

International Labour Organisation (ILO) The ILO is a United Nations specialised agency. Its work focuses on formulating and implementing international labour and social standards, and core working standards in particular

Lead Time The period of time between the concept for a collection and its delivery to the customers or point of sale

Modern Basic Items A TOM TAILOR product group containing basic fashion items that reflect established trends

Mono-label Stores Retail and franchise stores

Multi-channel Sale or marketing of one or more product groups, or through multiple sales or marketing channels

Multi-label Stores Sales of items from more than one fashion company or more than one brand in the same selling space

NOOS Items Abbreviation for never-out-of-stock items – i.e. items that are available on an ongoing basis and are not part of the monthly collection cycle. Instead, these items appear in separate collections and can be re-ordered at any time on short notice

Nordport Name of TOM TAILOR's logistics centre

Outlet Business Sales made via wholesale customers where the fashion company determines the concrete product offering in defined selling spaces and stocks these spaces with products

Outlet Store A type of store in which products are offered after a certain delay or at reduced prices

Pre-orders Orders for items that TOM TAILOR has produced by manufacturers only after the orders are placed

Push-and-Pull Logistics Used as an order picking strategy in the textile industry for example, this concept enhances optimal, daily and permanent supplies to the point of sale. Used to support sales-oriented logistics

Retail Distribution to final customers

Scouting Team The team that identifies seasonal market trends at an early stage and, together with the designers, implements them in a trendy product

Shop-in-shop Sales area in a department store or clothing chain where products from a certain fashion company/brand are presented in a separate area, distinct from products of other fashion companies/brands

Social Networks Digital networks that allow users to exchange ideas and create media content either individually or in groups

Space Productivity Average revenue per square metre of net selling space

Spot Items Products at the leading edge of fashion – short-term trends are adapted in order to cater to a corresponding short-term demand. No prototypes are produced; lead time of five weeks

System Provider Term used to describe a system that links and largely controls the individual stages of the value chain from collection design to manufacturing and distribution of products to the points of sale

Trend Manager Fashion from the market for the market – trends are identified and implemented in the current collections

Wholesale Distribution through wholesale customers who generally sell products to end consumers

Financial Calendar

Date	Current Events
8 May 2013	Publication of Q1 Report 2013
3 June 2013	Annual General Meeting, Hamburg
8 August 2013	Publication of Q2 Report 2013
7 November 2013	Publication of Q3 Report 2013

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Publication Details

Publisher
TOM TAILOR Holding AG
Garstedter Weg 14 | 22453 Hamburg | Germany

This annual report is also available in German; in addition, it can be accessed in German and English on the Internet at http://ir.tom-tailor-group.com. The German version of this annual report is legally binding.

Editorial Office
MC Services AG | Munich | Germany
www.mc-services.eu

Concept, Design and Production
KMS TEAM GmbH | Munich | Germany
www.kms-team.com

Printing
COLOR GRUPPE | Munich | Germany

Photography
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BONITA
BONITA men

As one of the leading fashion companies in Europe, BONITA caters for the little-contested yet growing target group of 40- to 60-year-olds with its BONITA and BONITA men brands. The primary focus here is on casual women's fashions. True to its slogan "BONITA gibt es nur bei BONITA" ("You can only get BONITA at BONITA"), the company's products are sold exclusively in its own retail stores in highly frequented city-centre locations and shopping centres.

The BONITA Success Story

BONITA's success story began in 1987 when the first store bearing the BONITA name opened in Kleve in Germany's Lower Rhine region. Today, the company operates almost 1,000 stores, primarily in Germany. Since 2000, BONITA has also been active outside Germany, mainly in Austria, Switzerland, the Benelux countries and Poland. With over 4,000 employees, BONITA has established itself as one of the leading European clothing brands in the area of fashion separates for men and women.

High Customer Loyalty through Personal Advice

At BONITA, a top priority is providing one-to-one advice to customers, which ties in perfectly with the greater demand for advice among customers in the 40+ age group. This – together with a product range that is tailored to the exact needs of the target group and the typical BONITA store atmosphere – helps to ensure a high degree of customer loyalty.

Logistics: a Benchmark in the Industry

The BONITA logistics centre in Hamminkeln is one of the most modern of its kind in Europe and is seen by the company's competitors as something of a benchmark. It went into operation in 2010. Every year, 13 to 15 million items of clothing arrive here; on peak days, the logistics centre handles up to 120,000 articles. Thanks to the centre's fully automated systems, many articles can be delivered to the stores within 24 hours. In addition, the warehouse allows the stores to be restocked with new goods every day.

Target Group of 40- to 60-Year-Olds Offers Major Growth Opportunities

BONITA's product range appeals to the target group of 40- to 60-year-olds. This new age segment offers the TOM TAILOR GROUP substantial growth opportunities for two reasons. Firstly, competition is less intensive on this market. Secondly, demographic developments in Germany and Europe are increasing the number of people in the 40+ age bracket and, in turn, the size of BONITA's customer base. This means that BONITA will continue to expand, with 40 BONITA stores to be opened every year and an online shop to be launched in 2013.

Expansion in Men's Fashions

In 2009, the company launched its BONITA men brand; at the end of 2012, fashions for the "men 40+" target group were available in around 60 stores in Germany, Austria and Switzerland. BONITA men offers casual men's fashion that can be mixed and matched in various ways, from sporty to relaxed. As with other BONITA products, BONITA men sets great store by optimum fits and high-quality materials. We see this concept as having excellent growth opportunities given that there is no retail concept geared specifically towards this target group on the market. As of 2013, we aim to open some 25 new BONITA men stores every year.

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TOM TAILOR GROUP

THE PERFECT FIT

BONITA