WECREATEVALUE

Annual Report 2010

TOM TAILOR

CONTENT

Page references

Internet references

Glossary

KEY FIGURES 2010

EUR million	2010	2009	Absolute changes	Relative changes
Sales	347.7	300.2	47.5	15.8 %
Retail	106.7	76.5	30.2	
Wholesale	241.0	223.7	17.3	
Percentage of sales				
Retail	30.7 %	25.5 %		
Wholesale	69.3 %	74.5 %		
Cost of materials	187.9	162.5	25.4	15.7 %
Gross profit	159.8	137.7	22.1	16.0 %
Gross profit (in %)	46.0	45.9		
Recurring EBITDA	40.1	37.8	2.3	6.1 %
Recurring EBITDA margin (in %)	11.5	12.6		
One-off items	10.0	0.8	9.2	› 200 %
thereof as a result of the IPO	8.0	0.0	8.0	
EBITDA	30.1	37.0	– 6.9	– 18.9 %
EBITDA margin (in %)	8.6	12.3		
Recurring EBIT	25.2	24.8	0.4	1.4 %
Recurring EBIT margin (in %)	7.2	8.3		
One-off items	18.1	9.0	9.1	102.1 %
thereof as a result of the IPO	8.0	0.0	8.0	
EBIT	7.1	15.9	– 8.8	– 55.4 %
EBIT margin (in %)	2.0	5.3		
Recurring net result for the period	12.4	0.6	11.8	› 200 %
Recurring earnings per share (in EUR)	0.87	0.12	0.75	› 200 %
One-off items including deferred taxes	10.0	6.3	3.7	58.7 %
thereof as a result of the IPO	6.2	0.0	6.2	
Net result for the period	2.4	– 5.6	8.1	
Earnings per share (in EUR)	0.15	– 1.13	1.28	
Cash flow from operating activities	15.0	37.4	– 22.4	
Capital expenditures	25.4	11.5	13.9	59.9 %
Employees as of Dec 31 (absolut)	1,207	838	369	44.0 %
thereof Wholesale	467	456	11	2.4 %
thereof Retail	740	382	358	93.7 %

EUR million	Dec 31, 2010	Dec 31, 2009	Absolute changes	Relative changes
Balance sheet total	295.0	250.1	44.9	17.9 %
Equity	100.2	– 68.2	168.4	
Equity ratio (in %)	34.0	– 27.3		
Return on equity (in %)	2.4	–		
Cash and cash equivalence	22.5	14.1	8.4	59.6 %
Financial liabilities	74.6	198.0	– 123.4	– 62.3 %
Net debt	52.1	183.9	– 131.8	– 71.7 %
Net debt/recurring ebitda (in years)	1.3	4.9		
Gearing (in %)	52.0	– 269.6		

WHO WE ARE

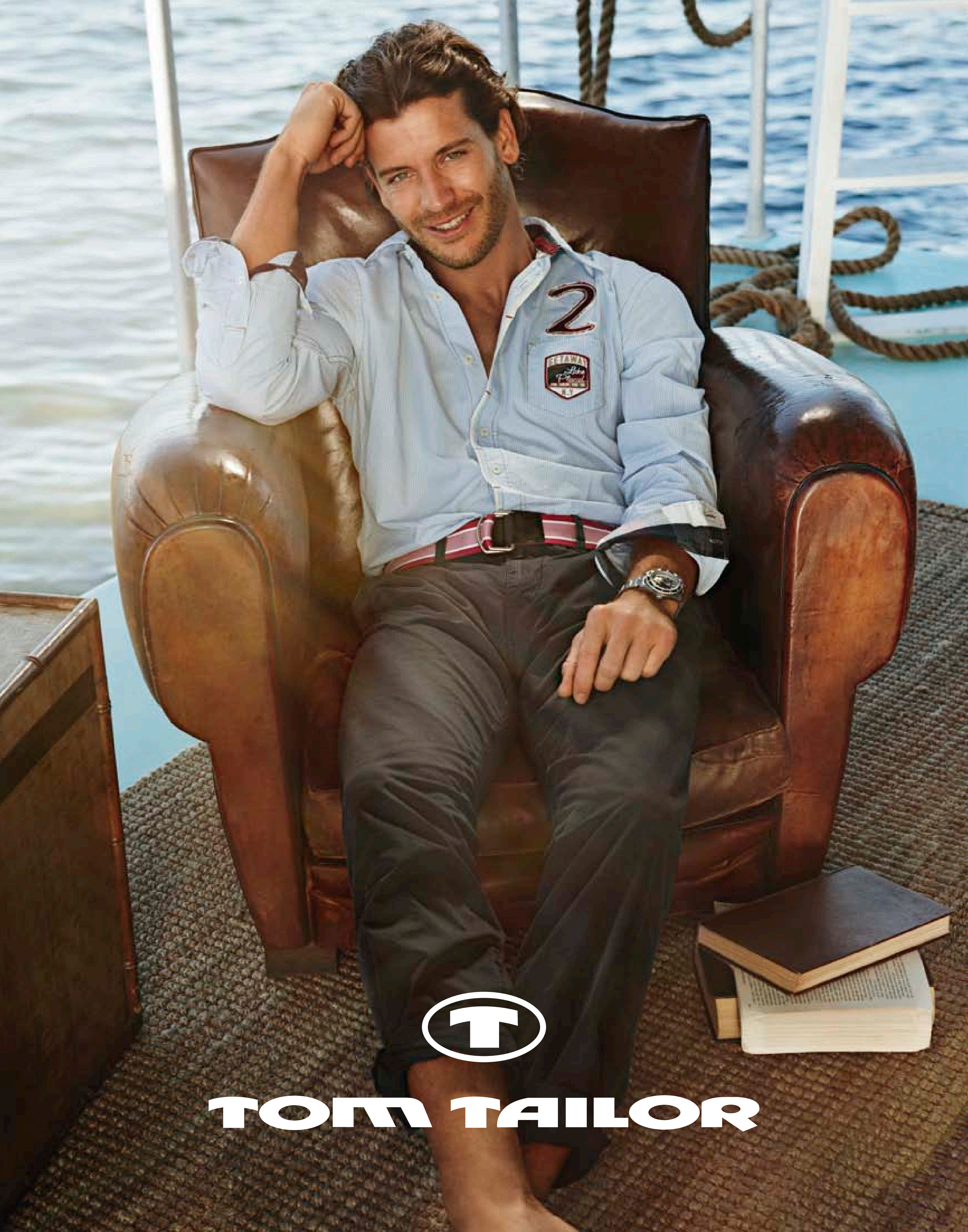
Our story began in 1962 in the historic warehouse district of Hamburg known as the Speicherstadt. Since then, what was once a shirt import business has been transformed into a highly efficient, international fashion company with great growth potential. In line with our slogan "Casual fashion for a casual life", we offer our customers a wide range of high-quality casual wear at attractive prices. We use the TOM TAILOR name to market the TOM TAILOR Casual brand – with the MEN Casual, WOMEN Casual, KIDS, MINIS and BABY labels – and the TOM TAILOR Denim brand, which consists of the Denim Male and Denim Female product lines. The Company's range of products is rounded off by an extensive collection of fashionable accessories. When it comes to marketing our products, we focus on space controlled by the Company itself and we are also making increasing use of our own retail outlets and the TOM TAILOR e-shop. We are committed to systematic further growth in the years ahead to exploit our market potential in Germany, our core markets and new markets such as Poland.

WHAT WE CREATE

We pursue a fashion follower strategy in our market, which means that we identify and adapt current global fashion trends for our own collections and distribute them to a broad public. Our business motto is "Act premium, sell volume" and to achieve this we combine the emotional added value created by our two brand worlds TOM TAILOR Casual and TOM TAILOR Denim with the strategic advantages of a system provider. Thanks to our efficient vertically integrated and divisional structure we control all the information about the entire value creation process. This enables us to develop and produce fashionable, demand-driven, lifestyle products at high speed for the mass market – with a low sales risk. At the same time our products are characterised by high quality, democratic fits, attractive prices and attention to detail.

HOW WE GENERATE VALUE

Going forward, our growth strategy will continue to focus on expanding the retail space we control, such as our own retail stores, e-commerce, shop-in-shop areas and franchise stores. This will allow us to tailor our products more closely to our customers' needs and target our sales more precisely, with the aim of achieving as much revenue per square metre of retail space as possible. What's more, we pocket the agent commission ourselves in the Retail segment, which translates into higher gross profit. Our growth will also result in positive economies of scale at EBITDA level, as we can multiply our business model without having to make any major organisational adjustments. In addition, our capital structure is more favourable now, in the post-IPO environment. The IPO has allowed us to reduce our net liabilities considerably and, as a result, also our interest expense. All in all, these effects boost our sales and earnings and put us in the comfortable position of being able to finance our future organic expansion using our operating cash flow. TOM TAILOR's exciting growth prospects and increasing profitability make the Company a valuable partner for the capital market.



TOM TAILOR

THE COMPANY

Casual fashion for a casual life

TOM TAILOR'S FIRST YEAR ON THE STOCK MARKET

MARCH 2010 On 26 March, TOM TAILOR's shares are listed on the Frankfurt Stock Exchange and on the regulated market of the Hamburg Stock Exchange at an issue price of EUR 13.00. The issue of the 11 million new shares allowed TOM TAILOR Holding AG to generate issue proceeds totalling EUR 143 million, proceeds that will be used to reduce financial liabilities and to support the further expansion of TOM TAILOR.

APRIL 2010 On 25 April 2010, TOM TAILOR fully exercises the former shareholders' greenshoe option, offered as part of the IPO, at the end of the 30-day exercise period.

MAY 2010 The TOM TAILOR e-shop welcomes its 400,000th registered online customer.

JUNE 2010 On 21 June, TOM TAILOR's shares are admitted to the small-cap index, the SDAX®, meaning that the Company ranks among the 50 largest listed companies in the segment below the MDAX®.

JULY 2010 TOM TAILOR is the main sponsor of the TOM TAILOR POLO OPEN Timmendorfer Strand event and adds a special touch of the relaxed TOM TAILOR spirit to this high-class sporting event. The TOM TAILOR polo team embodies a philosophy encompassing not only luxury and glamour, but most importantly values such as team spirit, fun and a casual approach.

AUGUST 2010 On 24 August 2010, TOM TAILOR opens its 100th retail store, in the shopping centre Alstertal-Einkaufszentrum, Hamburg.

SEPTEMBER 2010 On 30 September, TOM TAILOR assumes responsibility for the entire Russian sales activities of its sales partner F.D. Lab with effect from 1 September. In order to establish TOM TAILOR across Russia, the Company plans to set up its own representative office in Moscow in early 2011.

OCTOBER 2010 With effect from 1 October, TOM TAILOR has entered into a joint venture with the company Sportina Bled D.O.O., based in the Slovenian city of Lesce. Reason was to forge the aim further ahead with the Company's retail expansion into South-Eastern Europe. 23 franchise stores will be converted into TOM TAILOR's own retail stores as part of the joint venture. The plan is for a further 28 retail stores to follow in the period leading up to 2013.

On 14 October, TOM TAILOR opens its first TOM TAILOR Denim flagship store. Here, the Company will be using the specially designed shop, which covers some 400 square metres and is located on Frankfurt's most popular shopping street, the "Zeil", to offer its entire TOM TAILOR Denim young fashion range.

NOVEMBER 2010 The new TOM TAILOR BABY product range has been available in stores since 1 November. The lifestyle company is using this collection to pick up on new fashion trends for its very youngest customers, while at the same time focusing on the needs of parents in terms of functionality, high-quality material and an optimum fit.

DECEMBER 2010 On 1 December, the former owner Alpha Funds sells all of its remaining 2.8 million shares. This brings the free float of TOM TAILOR's shares up to more than 85%.

On 30 December, TOM TAILOR's shares close trading at an annual high of EUR 16.00.

JANUARY 2011 Since 15 January 2011, TOM TAILOR has boasted a new denim flagship store in central Berlin. The opening of the sixteenth denim store is testimony to the further expansion of the Company's TOM TAILOR Denim young fashion brand. The new store in the German capital allows TOM TAILOR to celebrate the opening of what is now its 160th retail store.

FEBRUARY 2011 TOM TAILOR adds the mobile "fashion to go!" feature to its e-shop. The two TOM TAILOR iPhone apps, TOM TAILOR Casual and TOM TAILOR Denim, mean that since 3 February, customers have been able to order items from the full TOM TAILOR lifestyle range while on the go.

On 24 February, TOM TAILOR expands its network of retail stores in Germany. A new store on Stuttgart's Königstrasse brings the current total number of German flagship stores up to five. In addition to Stuttgart, customers can find these flagship stores in Hamburg, Düsseldorf, Dortmund and Frankfurt am Main.

MARCH 2011 On 1 March 2011, TOM TAILOR unveils its results for 2010 to an interested public.

Hamburg, March 2011

Dear Shareholders and Friends of Tom Tailor

2010 was a historic year for TOM TAILOR. We were one of very few companies in Germany to pluck up the courage to go public in what was an uncertain economic environment – and our courage paid off. Our IPO in March 2010 was the logical next step in the programme of extensive restructuring and optimization measures that we have been implementing in recent years and is crucial for continued profitable growth in the future. Issue proceeds totalling EUR 143 million have allowed us to significantly strengthen our equity base and to invest in the sustainable expansion of our business model.

In 2010, we generated revenues totalling EUR 348 million, up by 15.8 % in a year-on-year comparison. This positive result is due, among other things, to the systematic expansion of our retail network: the opening of new stores and the incorporation of franchise stores into our own retail network allowed us to significantly boost the number of our retail stores by 71 to 158 last year, bringing our revenues up considerably to EUR 106.7 million. We were also successful in increasing our revenues per square metre. Like-for-like revenue growth in the Retail segment reached 16.8 %, meaning that we significantly outperformed the growth of the fashion industry as a whole. Key factors in this respect were our analytical work on our collections and the continuous improvements in terms of our shopfitting systems. These figures show two things: first, that TOM TAILOR is alive and kicking as a brand and second, that our strategy of further expanding our controlled retail space is the right approach.

Another key catalyst in the growth of our Retail segment was our TOM TAILOR e-shop, which grew by more than 31 % in 2010. This platform is an ideal sales tool for reaching out to our lifestyle-oriented young target group. At the same time, the online range allows considerable economies of scale and high margins to be achieved thanks to low fixed costs and limited risk. At the beginning of 2011, we added a mobile version – fashion to go! – to our online offering, after revamping our website entirely. Our TOM TAILOR iPhone apps allow our customers to securely order products from our entire range round the clock while on the go.

Developments in the Wholesale segment were equally encouraging for TOM TAILOR, with revenues up by 7.7 % to a total of EUR 241 million. Wholesale revenues on our core markets were up by as much as 11.6 %. This indicates that our product performance convinces our retail customers and our partners alike. We also implemented strategic expansion measures in our international wholesale business by acquiring distribution rights for Russia and Hungary. This will now allow us to systematically build upon our brand presence in these countries and to benefit from their economic recovery. With this objective in mind, we opened our own showroom in Moscow in the first quarter of 2011 to showcase our collections and sell them to wholesale customers.

Our first year on the stock market was, however, also characterised by an increasing shortage of cotton, production bottlenecks and rising wage costs in Asia. All in all, purchasing raw materials and production became more expensive, and logistics also became costlier due to supply bottlenecks on the part of our producers, as we had to compensate for delays in the production process by switching in part from sea to air freight. Start-up costs for our new retail stores also put pressure on earnings. Nevertheless, we managed to increase our earnings before interest, taxes, depreciation and amortisation (EBITDA), adjusted for special items, by EUR 2.3 million to a total of EUR 40.1 million (2009: EUR 37.8 million).

Dieter Holzer,
Chief Executive Officer (CEO)

The current increase in cotton production across the globe should mean that cotton prices start to calm down again. Nevertheless, commodity prices and the timely availability of wool and cotton will be decisive factors in 2011. This is why we intend to enter into closer long-term cooperation agreements with our suppliers on these markets, so that we can improve our geographical proximity to the procurement market and secure cotton procurement and processing in the long run. Our aim of using the expansion of the Retail segment to enjoy higher margins will ultimately also serve to allow us to react better to unexpected market fluctuations such as those witnessed on the procurement market in the second half of last year.

Today, TOM TAILOR has a diverse lifestyle world with two distinct brand profiles, TOM TAILOR Casual and TOM TAILOR Denim, and enjoys huge growth potential thanks to our newly structured business model. Over the next few years, we will be forging further ahead with our systematic expansion of controlled space so that we can achieve our objective of catching up with the big names in the market. Consequently, TOM TAILOR once again has ambitious goals for this year. Thus, we plan to open between 60 and 70 new retail stores and 200 to 250 new shop-in-shops in 2011. We want to continue to grow primarily in our core markets of Germany, Austria, Switzerland, the Benelux-countries and France. At the same time, we plan to expand our presence in South-Eastern Europe and open our first retail stores in Poland. As things stand at the moment, we expect to report revenues of at least EUR 400 million and EBITDA of between EUR 48 million and EUR 51 million in 2011. TOM TAILOR is pursuing this objective with considerable motivation on the part of its management team, but also with an equally motivated and creative team of employees, to whom I would like to extend my particular thanks for their impressive performance over the last few years.

On behalf of my Management Board colleagues, I would also like to thank you, our shareholders, most sincerely for the trust you have placed in us. We hope that you will continue to support us as we grow further and assure you that we will do everything in our power to ensure that TOM TAILOR's shares remain an attractive investment in the future, too.

Yours,
Dieter Holzer

DR AXEL REBIEN
CHIEF FINANCIAL OFFICER | CFO

DIETER HOLZER
CHIEF EXECUTIVE OFFICER | CEO

CHRISTOPH ROSA
CHIEF PRODUCT DEVELOPMENT AND PROCUREMENT OFFICER | CPO

THE TOM TAILOR MANAGEMENT BOARD

DIETER HOLZER *1964 | CHIEF EXECUTIVE OFFICER | CEO

Dieter Holzer has been managing the TOM TAILOR Group since September 2006. His responsibilities cover the individual business areas as well as strategy, retail, e-commerce, marketing and public relations.

From 1982 to 1985, Dieter Holzer received formal training as a retail merchant in textiles trading. After filling various positions in the fashion industry – including in product development – he worked for ESPRIT from 1995 to 2000 as a wholesale manager responsible for the German, UK and Eastern European markets. Between 2000 and 2006, he was CEO at Tommy Hilfiger Germany, where he was responsible for building the wholesale, retail and franchise businesses in the German and Eastern European core markets as well as for rolling out the global Tommy Hilfiger e-commerce business.

DR AXEL REBIEN *1971 | CHIEF FINANCIAL OFFICER | CFO

Dr Axel Rebien joined the TOM TAILOR Group in October 2005. In his capacity as CFO, he is responsible for finance and accounting, controlling, investor relations, IT, HR, logistics and legal affairs.

After completing his formal training in banking, Dr Axel Rebien studied economics at the Gottfried Wilhelm Leibniz University in Hanover. He began his career in 1999 with the auditing firm Arthur Andersen where he was initially active as Project Manager from 2000 to 2002 and starting in 2001 in a managerial position in the Transaction Advisory Services division. While at Arthur Andersen, Dr Axel Rebien prepared his thesis on enterprise valuation and earned his Doctor of Political Sciences (Dr. rer. pol.) from the Technical University of Chemnitz. Following the merger between Arthur Andersen and Ernst & Young, Dr Rebien was a manager in the company's Transaction Advisory Services division until 2005.

CHRISTOPH ROSA *1971 | CHIEF PRODUCT DEVELOPMENT AND PROCUREMENT OFFICER | CPO

As CPO, Christoph Rosa has been responsible for product development, procurement and licensing activities across all divisions within the TOM TAILOR Group since September 2008.

His education includes formal retail training at Sinn AG, which he completed in 1994. He then studied business administration at the University of Fulda, with a focus on marketing, HR and accounting. After receiving his degree, Christoph Rosa worked for four years as a manager in the procurement department of P & C West. From there he moved to become marketing spokesman at Street One, where he held overall responsibility for collection development and for building the NOOS and Flash Repeat system modules. He joined TOM TAILOR in 2007 as a freelancer. During this time, he was instrumental in giving the TOM TAILOR Women Casual collections a new direction.

OUR BUSINESS MODEL

"THE IPO WAS A STEP INTO A NEW ERA"

QUESTIONS FOR DIETER HOLZER (CEO)

MR HOLZER, WHAT DOES TOM TAILOR STAND FOR?

TOM TAILOR is a dynamic, creative and growth-oriented lifestyle group with a great fashion concept that changes on a monthly basis. The motto of our collections is: "Casual fashion for a casual life". Today, following extensive restructuring and optimisation measures, we are a vertically integrated system provider with a strong business model. We offer trendy, casual products of a high quality with attractive features and at attractive prices. Our clothes have a feel-good factor; they are fashionably fresh and uncomplicated. At the same time, they are well made and have been produced with an eye for detail.

YOU WENT PUBLIC IN MARCH 2010. HAS THE IPO CHANGED TOM TAILOR?

Very much so. The IPO was a step into a new era. Today, we are a publicly listed company that has to continually prove itself on the capital market, day in, day out. To find out how well we're doing in this respect, all we have to do is to look at our share price every day. We have also become more visible, meaning that we get more attention from the media, investors and also our customers. At the same time, going public has made a whole number of things much easier, for example looking for suitable locations for our retail stores. But even before the IPO, TOM TAILOR was transformed by the investment made by Alpha Funds in 2005 and the subsequent change in the management team. We can look back on a number of demanding – but exciting – years in which we focused on getting TOM TAILOR into shape for the move onto the stock market.

WHAT EXACTLY DID YOU DO TO PREPARE TOM TAILOR FOR THE IPO?

Let's just say that we completely changed the face of TOM TAILOR and in doing this have become very competitive. We have taken extensive measures to reorganise our internal processes and organisational structures in recent years. The restructuring process focused on changing our internal set-up from a functional organisational structure to one that is split into divisions. We clearly allocated responsibilities within our divisions, which proved to be a decisive move in boosting the operational efficiency of the individual divisions and of the Group as a whole. At the same time, we started to assume responsibility for equipping the selling space in the Wholesale segment, too, just as we have done in the Retail segment, allowing us to take control of our selling space. We also restructured our sales organisation, particularly in Germany. In the past, our distribution was organised via external commercial agents. In 2008, we assumed full responsibility for our own sales and distribution. This improves market penetration and the management and control of the sales process. It also forges closer links between wholesale customers and TOM TAILOR. Ultimately, all of these measures managed to turn a somewhat static clothes manufacturer into a modern, efficient and fast system provider. We have continually expanded our market position in recent years. We have considerable growth potential and a clear vision: in the medium term, we want TOM TAILOR to become one of the big fashion companies in Continental Europe.

WHAT SETS YOU APART FROM YOUR COMPETITORS?

TOM TAILOR is an established brand, and we offer a diverse range of fashionable collections for different target groups with our two brands TOM TAILOR Casual and TOM TAILOR Denim. Our WOMEN Casual and Denim Female lines, for example, are allowing us to continually improve our ability to meet the demands of the massive female fashion market. Given that the female fashion market is many times larger than its male fashion counterpart, this market offers huge potential.

Second, TOM TAILOR boasts enormous, volume-based growth potential in our core markets, particularly in Germany. Some competitors have several hundreds of stores in Germany alone – often with just one brand concept. TOM TAILOR "only" had 76 retail stores in this market at the end of 2010. We want to systematically exploit this potential. But we also want to move into new markets, like Poland, for example, where TOM TAILOR is already a very well-known and popular brand.

The third factor is our business model. We have a fast, analytical design process combined with short lead times, reliable procurement structures, a strong global distribution network and pronounced market proximity. What is more, we control the entire value chain. We have optimised our organisational structure in recent years in such a way as to ensure that we can achieve further growth without a significant increase in costs. At the same time, development and sample costs for each article will fall with further growth thanks to an increase in quantities. This means that our growth should result in an ongoing increase in relative earnings power in the future.

ISN'T YOUR MOTTO "ACT PREMIUM, SELL VOLUME" A CONTRADICTION IN TERMS?

Not at all. This slogan describes our market positioning. We are able to offer a broad target group high-quality products at affordable prices. This is a very tall order and it is one of TOM TAILOR's key competitive advantages.

"Act premium, sell volume" is a high aspiration and one of TOM TAILOR's key competitive advantages

"Act premium" describes how we act. "Premium" applies to everything that we do, be it product design, development, procurement logistics or sales intelligence and, of course, also to the places where we lend emotion to the TOM TAILOR lifestyle range: in our stores. We want our customers to feel good in our stores, which is why our store set-up is a "premium" one. This a decisive criterion in determining whether customers are prepared to buy: if they feel good at the point of sale, then they'll buy.

YOU WANT TO GROW IN THE RETAIL SEGMENT IN PARTICULAR. WHY IS THAT?

In general, a higher proportion of retail business gives us more control over the value creation process. This creates a number of advantages. It gives us direct contact with our customers, meaning that we can see first-hand how they respond to our new collections, which articles are particularly popular and sell out quickly. This means that we can tailor our offering accordingly to bring it very closely into line with the needs of our customers, the aim being to achieve as much revenue per square metre of retail space as possible. In addition, our merchandise planning and control system (EDI) means that we always know how individual products are selling. Specifically, this means that we can supply our stores with exactly the products that they need and better manage sales. The sales data is also used directly in the planning and development process for new collections.

In our own retail stores, we also achieve higher margins because we pocket the intermediate agent commission ourselves. What is more, we ensure that our collections are displayed in the typical TOM TAILOR look and feel – in the right light, so to speak. This helps to improve the perception of our TOM TAILOR brands at the same time. Our wholesale partners naturally also benefit from the better recognition of the brands. We aim to increase the proportion of total revenues that is attributable to the Retail segment from its current level of around 31 % to 60 % in the medium term.

WHAT IS YOUR STRATEGY FOR THE WHOLESALE SEGMENT?

In the past, TOM TAILOR was exclusively a wholesaler. Our expansion in the Retail segment does not contradict the fact that we continue to attach a great deal of importance to our business with commercial clients. The wholesale business allows us to sell large quantities of stock via established department stores, clothing chains and mail order companies. This is why we still generate around 70 % of our revenues with commercial customers today. This sales channel is, and will remain, very important to TOM TAILOR. We transfer the knowledge we gain in our own retail stores indirectly to our wholesale activities.

In order to better control sales in this segment, too, our focus is on franchise stores and shop-in-shop space in department stores, which can be connected to our EDI system. In 2011, we plan to open 25 new franchise stores and between 200 and 250 shop-in-shops. Multi-label points of sale, where our products are presented next to other brands, will be less important in the future.

WHAT ARE THE CHALLENGES CURRENTLY FACING TOM TAILOR?

The procurement markets in Asia are currently undergoing a major change. In 2010, we saw production bottlenecks triggered by the recovery of the global economy and rising domestic demand for textiles in Asia, as well as an increase in cotton prices and wage costs. In the future, we believe that geographical proximity to the procurement market is a key success factor in managing the supply chain efficiently for the long term. This is why we want to enter into closer, long-term cooperation projects with our suppliers on these markets. Furthermore, we are constantly assessing additional alternatives for securing the Group's supply of raw materials.

"What I find particularly exciting about TOM TAILOR is the brand potential: TOM TAILOR can become one of Europe's major fashion companies"

WHAT DO YOU LIKE MOST ABOUT YOUR JOB?

There are so many things I like! I have been working in the fashion industry for a long time now – fashion is all about momentum, change and new trends. That applies to every collection and each and every product. The industry never ceases to amaze me. What I find particularly exciting about TOM TAILOR is the brand potential: TOM TAILOR can become one of Europe's major fashion companies. I find it incredibly motivating to work with our young, creative and highly committed team to turn this vision into reality. Although a certain degree of commercial understatement has proven to be to TOM TAILOR's advantage in its Hanseatic tradition stretching back almost fifty years, you can always sense our employees' boundless enthusiasm when it comes to implementing our vision.

WHERE DO YOU SEE TOM TAILOR IN 2014?

TOM TAILOR will be a very profitable company that has moved far closer to its vision of becoming one of Europe's largest clothing retailers. We aim to have doubled our revenues to around EUR 700 million by the end of 2014. In order to achieve this, we will be exploiting our growth potential in a targeted manner and systematically rolling out our successful business model in both existing and new markets. The overarching concept will be as always "quality first".

VISION AND CORPORATE STRATEGY

TOM TAILOR has a clearly defined vision: we want to become one of Europe's major fashion companies in the medium term. In order to achieve this, we have to grow systematically and further increase our profitability. We intend to single-mindedly expand and roll out our tried and tested business model in Germany and our core foreign markets – Austria, Switzerland, the Benelux-countries and France.

The strategic objectives derived from our vision can be summarised as follows:

ACHIEVING GROWTH BY FURTHER ROLLING OUT OUR BUSINESS MODEL

The growth we have achieved over the past few years is based on our successful business model, which has been continually refined. Our positive revenue development in recent years is testimony to this success. In 2008, we generated revenues totalling EUR 283.5 million, followed by revenues of EUR 300.2 million in 2009. We closed the 2010 financial year with revenues of EUR 347.7 million, up by 15.8 % year-on-year. Today, TOM TAILOR's transformation into a vertically integrated system supplier allows us to react immediately to specific customer demand, because we have considerably reduced the time required from the development of a collection to its delivery at the point of sale. Due to the continuoues improvement of the product performance and the differentiation of our brands at the point of sale, the optimisation of the stores with regard to merchandise and the right retail space, the continuous product and price mix improvement as well as through incentives and targeted training of our sales force,

TOM TAILOR's shopfitting concepts are designed for the specific brand worlds of TOM TAILOR Casual and TOM TAILOR Denim

we have increased our revenues per unit area substantially. Daily analyses of our sales figures at the point of sale ("best-seller management") allow us to tailor our offering to bring it closer into line with the wishes and needs of our customers, enabling us to control sales proactively.

As a vertically integrated system supplier, we can react immediately to specific customer demand

We intend to remain committed to the profitable growth and expansion path we have adopted by systematically rolling out our business model in Germany and abroad. This expanded roll-out is to be achieved primarily by growing our controlled selling space in the Retail segment (direct marketing to end customers) and in the Wholesale segment (marketing to retail chains and department stores). Our existing infrastructure for the entire value chain – ranging from collection development to sales to end customers – will allow us to exploit national and international growth potential without having to make any major adjustments to our procurement and sales structure. In doing so, we can boost our revenues and earnings and gain further market share.

INCREASING OUR CONTROLLED SELLING SPACE

We believe that the expansion and profitable management of our controlled selling space will be one of the main drivers behind our long-term growth. This space includes our own stores and the e-commerce business in the Retail segment, and our franchise stores and shop-in-shops in the Wholesale segment.

As well as enhancing our market presence, the main advantage offered by this strategy lies in the economies of scale that can be achieved. We aim to achieve above-average growth in the retail spaces that we operate ourselves, for example by purchasing further sales licences from former franchise partners. Increasing the proportion of the retail space we manage ourselves, combined with our strategy as a "fashion follower", will allow us to boost revenues and improve our margins. Furthermore, our integrated planning and control processes allow us to take swift, flexible action to adjust our order picking process, our centralised warehousing and the entire flow of goods in order to reflect new trends. This means that we can build on our own competitive advantages over slower competitors with weaker sales structures.

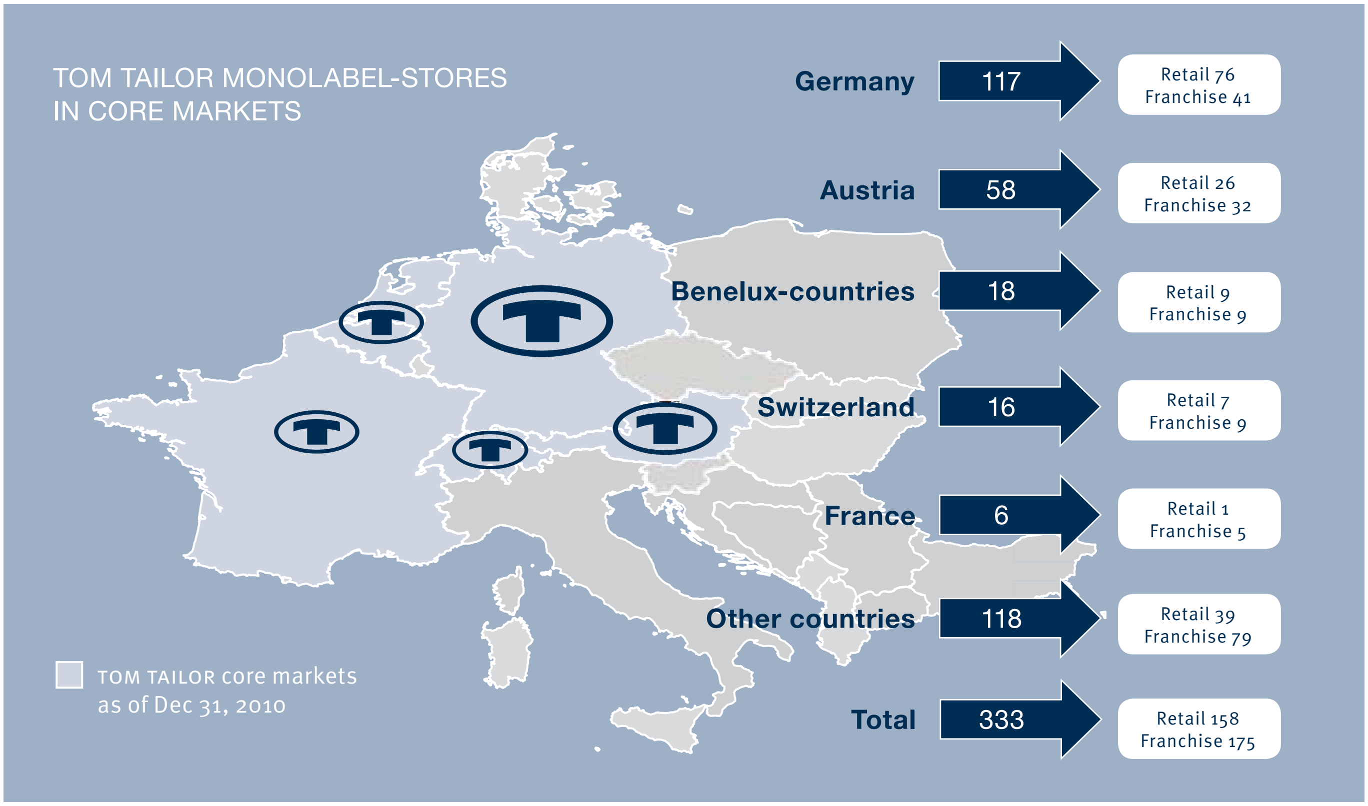
In the areas we control in the Wholesale segment, we can influence the way our brands are presented and the selling space design. Furthermore, only TOM TAILOR products can be sold in the space in question. In many cases, it is the Wholesale customers themselves who are responsible for stocking the selling space.

At the end of 2010, we were represented in 35 countries with 158 own stores, the TOM TAILOR e-commerce business, 175 franchise stores, 1,441 shop-in-shops and around 6,000 multi-label points of sale. We want to forge ahead with growth over the next few years and intend to open between 60 and 70 further retail stores per annum in 2011 and 2012. We plan to focus on presenting our TOM TAILOR Casual and TOM TAILOR Denim brands separately at the point of sale to specifically target the needs of our different customer groups. In the Wholesale segment, we want to open a further 200 to 250 shop-in-shops, as well as 20 to 25 franchise stores a year over the next two years.

We aim to achieve above-average growth in our own retail stores

We also plan to expand our TOM TAILOR e-shop. Our e-shop offers internetsavvy customers a convenient means of ordering items from the entire TOM TAILOR range online. Such orders can now also be placed using TOM TAILOR apps for mobile Internet use. In 2010, the e-shop lifted its revenues by 31.2 %, making it one of the drivers of like-for-like revenue growth in the Retail segment. Since 2008, online shopping has also been available to customers in Austria and the Netherlands. In 2011, we want to make our e-shop available to customers in other European countries (e.g. France and Belgium).

The TOM TAILOR Casual store concept is aimed at men and women aged between 20 and 45 and children from the age of 0 to 14



EXPANDING INTO SELECTED INTERNATIONAL MARKETS

Another element of our growth strategy is our foreign expansion. The next few years will see us forge ahead with the expansion of our stationary international activities so that we can exploit existing growth potential in selected foreign markets. TOM TAILOR products are already marketed in 35 countries. In the 2010 financial year, we generated 31.5 % of our revenues abroad, compared with 25.5 % in 2009.

We believe that our core foreign markets – Austria, Switzerland, the Benelux-countries and France – offer attractive growth potential. Our existing successful market presence in these markets, coupled with stable demand and geographical proximity to Germany, make these countries attractive sales markets for TOM TAILOR. In general, our international expansion will focus on the expansion of shop-in-shops and franchise concepts. At the same time, our adaptable business model allows us to react to country-specific market conditions in an individual, flexible manner.

As we expand, our adaptable business model allows us to react to country-specific market conditions in an individual, flexible manner

2010 saw us take key steps along the international growth path in Eastern and South-Eastern Europe. We bought back sales licences from our partners in Russia and Hungary and aim to expand our brand presence and our revenues in these recovering economies by way of targeted moves to open new stores and a representative office in Moscow.

We set up a joint venture, based in Austria, with the owner of our Slovenian distribution company Sportina in October 2010. The aim of this strategic collaboration is to drive our retail expansion in South-Eastern Europe, particularly in Croatia, Slovenia and Serbia. As part of the deal, the 23 existing franchise stores were transferred to the joint venture, meaning that they have been managed as our own retail stores ever since. By the end of 2010, the joint venture was already operating 28 retail stores. Together, we plan to open another 20 stores in this region by 2013. We are also looking at entering other markets other markets, such as Poland. TOM TAILOR is already a very well-known and popular brand in Poland. Other countries will follow in the years to come using a strategy tailored to suit each individual market.

TOM TAILOR'S BRAND UNIVERSE: CASUAL FASHION FOR A CASUAL LIFE

TOM TAILOR is an international and vertically integrated lifestyle company offering fashionable casual wear and accessories for men, women, young adults and children in the mid-range price segment. Ever since the Company was set up in 1962, we have been offering authentic fashion inspired by a positive and light-hearted approach to life. Every collection has its own authentic style but together, they reflect that distinctive TOM TAILOR brand image: Casual fashion for a casual life. Seasonal trends and colours, sophisticated patterns and highlights that reflect the latest trends create a relaxed, trendy and natural look – aimed at people who see fashion as part of life and as a way to express their individuality. TOM TAILOR's range of high-quality products is rounded off by an extensive collection of fashionable accessories and licensed products.

TOM TAILOR's business model specifically combines the emotional added value created by its lifestyle brands with the strategic advantages of an intelligent system provider ("Act premium, sell volume"). These advantages lie, in particular, in being able to react to the latest fashion trends very quickly and without exposing the Company to any substantial risks, as well as in being able to offer the resulting high-quality products at attractive prices. The development, design and production of TOM TAILOR's collections are based on a systematic selling space planning approach that takes the needs of the relevant customer group into account. The Company develops and markets its collections, which change on a monthly basis, in the Wholesale and Retail segments – a strategy that is allowing it to achieve steady growth in a heterogeneous market environment.

TOM TAILOR CASUAL AND TOM TAILOR DENIM

TOM TAILOR's collections are marketed under the TOM TAILOR Casual and TOM TAILOR Denim brand names. The two brands' monthly collections and individual product lines are aimed at different target groups and are managed independently of one another. In the future, we aim to do more to separate the presentation of the two brands at the point of sale, in particular in our own retail stores. Different store concepts and brand-specific product presentation will allow us to make more of a distinction between our individual brands and to be more direct in the way we target customers. One key milestone in this respect was the opening of our first TOM TAILOR Denim flagship store on Frankfurt's "Zeil" shopping precinct in October 2010.

The TOM TAILOR Casual brand includes the MEN Casual, WOMEN Casual, KIDS, MINIS and BABY product lines. TOM TAILOR Casual offers trendy, high-quality fashion for men and women with a focus on the 20-45 age group, as well as collections for children (18 months to 14 years) and babies.

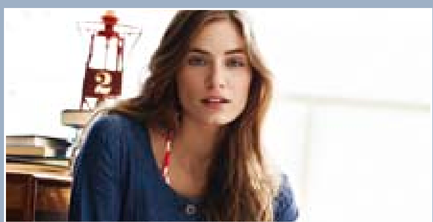
The TOM TAILOR Denim brand includes the TOM TAILOR Denim Male and TOM TAILOR Denim Female product lines. These stylish young fashion collections are aimed at young adults aged between 15 and 25.

An extensive range of coordinating accessories rounds off our collections and enables our customers to create a variety of different looks that highlight their individuality.

TOM TAILOR MEN CASUAL

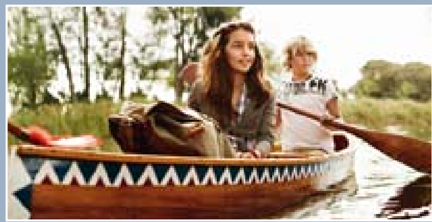
Collections designed for the smart-casual male have always been a key component of TOM TAILOR's business activities. With its MEN Casual line, TOM TAILOR offers an extensive collection of fashionable, casual menswear in the mid-range price segment. The word "casual" describes a relaxed, lively and active look featuring small and restrained details that add a touch of sophistication. The MEN Casual collection is aimed at natural, fashion-conscious men who appreciate product quality.

TOM TAILOR WOMEN CASUAL



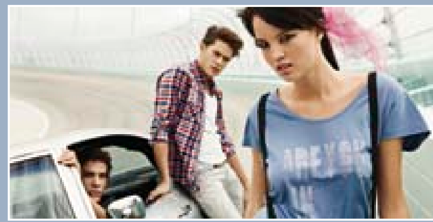
The WOMEN Casual line picks up on fashionable, feminine themes that can be incorporated into relaxed, casual products. Trendy highlights, elaborate details and high-quality fabrics are typical features of the collections, which change from month to month. The clothes are aimed at down-to-earth, lifestyle-oriented women who do not want to run after the latest trends. The TOM TAILOR WOMEN Casual line has tremendous growth potential since the women's fashion market is several times greater than men's fashion market.

TOM TAILOR KIDS, MINIS AND BABY



The KIDS product line consists of the TOM TAILOR Boys and TOM TAILOR Girls lines for boys and girls aged between eight and 14. The KIDS collection comprises casual, functional streetwear featuring a wide variety of styles. The children's collections are rounded off by TOM TAILOR MINIS, which includes the TOM TAILOR Mini Boys and TOM TAILOR Mini Girls labels for children aged between 18 months and seven years. The MINIS collection is inspired by the latest trends, combining functionality with fashionable designs. In November 2010, we expanded this product line to include a baby collection. This collection picks up on new fashion trends while at the same time focusing on the needs of little ones and their parents in terms of functionality, high-quality materials and an optimum fit. The products are available for babies up to an age of 18 months. Fashion for little ones but in terms of style – already very big!

TOM TAILOR DENIM MALE AND TOM TAILOR DENIM FEMALE



The TOM TAILOR Denim brand consists of the TOM TAILOR Denim Male and TOM TAILOR Denim Female product lines. Inspired by the latest trends from the world's fashion capitals, these collections combine hip patterns, trendy washings and carefully selected details for young adults. The cool and casual collections highlight the individuality of our young customers – TOM TAILOR Denim allows them to express an independent, authentic lifestyle.

ACCESSORIES/LICENCES

TOM TAILOR is about more than fashion – it's about lifestyle. TOM TAILOR applies its motto "Casual fashion for a casual life" to all areas of its customers' lives, offering them a growing range of accessories and homewares. We grant licences for various groups of products, including bedding, underwear, glasses, bags, shoes and watches. Granting licences and collaborating closely with the Company's licensing partners has become a key part of TOM TAILOR's system and its success. In January 2011, we enhanced our licensed product offering by the CASUAL HOME homeware collection, which features a young, lifestyle-oriented furniture range.


TOM TAILOR


TOM TAILOR

Always up to date but never overdressed

TOM TAILOR customers are natural and cosmopolitan. TOM TAILOR Casual appeals to people aged between 20 and 45 who are interested in fashion and value quality. The casual look is all about dynamic, active leisure wear highlighted with lovingly crafted details and fashionable colours. The men's collections primarily consist of T-shirts and polo shirts, sweatshirts, pullovers, jackets and coats as well as trousers and jeans. The women's collections also comprise blouses, skirts and dresses.

OUR VALUE CHAIN

"PACE IS THE KEY COMPETITIVE ADVANTAGE"

QUESTIONS FOR CHRISTOPH ROSA (CPO)

MR ROSA, MARKET PRICES FOR THE RAW MATERIAL COTTON HAVE RISEN SHARPLY IN RECENT MONTHS. WHY IS THAT?
There are a number of reasons. The fall in demand for cotton and cotton products during the global financial and economic crisis in 2008 and 2009 meant that production capacities and cotton production were scaled back substantially, particularly in Asia. Then the supply of cotton was reduced by crop losses due to the weather. Heavy rain in India, flooding in Australia and the catastrophic floods in Pakistan destroyed a large part of the local cotton harvest. Furthermore, commodity speculation also pushed up the price of cotton.

Since spring 2010 global demand for textiles as grown significantly, especially in the emerging markets, including China and India. The Indian government imposed temporary export limits for cotton in order to meet its domestic requirements. On top of that, adverse exchange rate movements and commodity speculation drove up cotton prices.

We have a well-structured supply network and are well prepared to cover our future product needs too

HOW DOES THIS AFFECT YOUR CAPACITY PLANNING?
Our supplier network is well set up. We have worked with a lot of our suppliers for many years and some of them work exclusively for TOM TAILOR. We prepare joint half-yearly capacity plans to ensure that our products are manufactured at the quality levels we want and according to our production standards. This gives us a stable and solid foundation on the purchasing side, so we believe we are well prepared to cover our future product needs too.

BUT YOUR SUPPLY CHAIN WAS STILL AFFECTED. WHAT WERE THE RESULTS OF THAT?
Part of our collection couldn't be produced in time, that's true. We imported this part by airfreight instead of by ship, in order to safeguard the supply of goods at the point of sale. This ultimately increased our freight and logistics costs. Our revenue performance in the third and fourth quarters of 2010 shows that this was the right decision. In the third quarter we grew by 26.7% in the Retail segment on a like-for-like basis and in the fourth quarter by 16.8%. Those are impressive figures. For TOM TAILOR as a system provider with collections that change monthly, it is vital to have the right product in the right place at the right time, and in the right volumes. In other words: pace is the key competitive advantage.

HOW DO YOU EXPECT THE PURCHASING SIDE TO DEVELOP?

As far as cotton prices are concerned, we expect the situation to calm down somewhat in the months ahead. In many countries, cotton production is being ramped up again substantially. In the medium term this should relieve the pressure on prices. We are monitoring this process very closely and are currently developing strategies for responding appropriately and quickly to this kind of market disruption in future. Nevertheless, commodity prices and the timely availability of cotton will have a decisive effect on the performance of the textile industry in 2011.

One thing we cannot ignore is the increase in wage costs in Asia. This is a fact that will not go away. Production in Asia costs more than a year ago for all production groups. And that change won't be reversed.

HOW DO YOU PLAN TO MAKE UP FOR THE INCREASED COSTS AND AVOID ANY SUPPLY SHORTAGES IN FUTURE?

The main aim of all our strategic thinking is to be closer to purchasing markets in future and to secure the purchase and processing of cotton for the long term. We are therefore pooling production capacities with key suppliers and establishing closer relationships with them. In some cases we pay our suppliers earlier so that they can secure cotton for the upcoming production cycles. We are also in talks with one of our large intermediaries in Asia about setting up a joint venture, in order to be physically close to the purchasing markets as well.

The events on the purchasing markets in 2010 confirm our strategic decision to expand the Retail segment

On the sales side, we have raised the average price of our products for the collections available from early 2011, while maintaining our starting and price points. We will still offer T-shirts for EUR 9.95 in future, but not to the same extent as a year ago. But we have given most of our products additional quality features and details. The added value in these products allows us to offer them for sale at the next price point. This enables us to increase the average price for our products overall.

The events on the purchasing markets in 2010 confirm our strategic decision to expand the Retail segment. We earn higher margins in our own stores, so we have greater financial room for manoeuvre and can respond more flexibly to market changes.

BANG ON TREND WITH HIGH QUALITY – A REPORT

Melanie Rohloff shuts the till and smiles: "That was the eleventh jacket we've sold today in that model. That piece is the star of the current collection," says the store manager of the TOM TAILOR retail store in Konstanz. The WOMEN Casual jacket is a bestseller, which comes as no surprise for Christine Pesch, the manager in charge of the WOMEN Casual division at TOM TAILOR. Division's performance shows she and her team have a feel for fashion trends. The revenue figures for 2010 demonstrate it too: sales in the TOM TAILOR WOMEN Casual line was up by more than 30 %.

As a fashion follower, TOM TAILOR identifies the trends currently in fashion around the world, analyses them and adapts them swiftly for its own collections

Design, sales volumes and pricing for the current collection were analysed in depth and calculated in advance. The success is visible at the point of sale, where customers make their purchase decisions every day. Thanks to the electronic merchandise planning and control system EDI, which was specially programmed for TOM TAILOR's needs, the head office in Hamburg receives the sales figures for all its controlled sales areas on a daily basis. "We can respond immediately if the goods are flying off the shelves, but also if a piece doesn't work so well," explains Pesch.

As a fashion follower, TOM TAILOR identifies current fashion trends around the world and adapts them analytically and swiftly for its own collections. Around ten designers per division work on preparing the TOM TAILOR collections. A new collection is designed every month, each with up to 80 pieces, for each of the five product lines. That requires a lot of creativity – and good planning. The designers follow a predefined collection template that they enhance and shape creatively in the course of the design process. Finally a collection is made up of three different styles, which vary slightly depending on trends and demand. There are basic articles, which are not governed by particular seasonal trends; modern basic articles that pick up on current trends; and articles produced with a greater focus on fashion, which are pitched at a very fashion-aware public. So at any given time, customers will find both basics and very up-to-date and modern articles in the shops. By sticking to the collection template the aim is to minimise the risk of mark-downs.

SHORT LEAD TIMES ARE A COMPETITIVE FACTOR

It takes around five and a half months before a product is on the shelf. That's fast. In the last three years the Company reduced its lead times – that is the period between the first draft of a standard article and its appearance in the store – by 12 weeks to the current maximum of 26 weeks. "With these lead times we are right up at the top of the league table and very close to the market," explains Christoph Rosa. Rosa is a Management Board member at TOM TAILOR Holding AG, where he is responsible for product development from creation to purchasing, production and logistics. Since he joined TOM TAILOR in 2007 a lot has changed at the Hamburg-based textile company. "We have extended our logistics platform, reduced the number of suppliers and made our processes more efficient – from the idea to the point of sale," explains the CPO. The main change was the establishment of the divisional structure. "Today we have five product lines, which all have direct revenue and P&L responsibility. Every division has to generate a defined earnings contribution. That makes us extremely efficient."

But things can go even faster: TOM TAILOR needs a maximum of five weeks to get a high-fashion product from the

Christoph Rosa and a TOM TAILOR designer fine-tuning a collection under development. The designs, sales volumes and prices for the latest collection all have to be analysed and calculated in depth before it can be launched

drawing board to the man or woman in the street. For these "spot items" as they are known, the product developers do without prototypes and the distribution channels are shortened. The choice of transport also makes a decisive time difference. Whereas TOM TAILOR transports most of its merchandise by ship, the spot articles are flown in. Customers don't seem to mind the more expensive transport this entails. "Spot items are trend articles. In this segment, the fashion aspect is the purchase criterion, not the price. The customer is willing to spend more money on these articles." Spot products are particularly good for positioning TOM TAILOR at the point of sale as a fresh, trendy company, says Christoph Rosa. The message is clear: TOM TAILOR doesn't set the trends itself, but it follows them closely and responds with high-quality merchandise.

The secret of success in the fashion business is identifying the right trends. To ensure this happens, TOM TAILOR uses a professional scouting team to monitor developments on the fashion market permanently. The scouts observe the American east coast as well as Japan or Australia, which is a good scouting market as it is half a season ahead. In conjunction with the designers, the sketches are then drawn up, which the sales and purchasing departments use to estimate sales volumes and prices. "Just identifying the trend isn't enough. We have to bring the right product to market at the right time – in the right quantities and the right price. That involves a lot of detailed work," says Christoph Rosa. "Only when everything fits together and all the key figures have been examined does the detailed design begin." If the production of samples is successful, the sales process then begins.

CONCENTRATION ON CORE COMPETENCES

The production phase is the most time-consuming link in the value chain. It takes around eight weeks and is fully outsourced. "We focus on our core competences, i.e. product development and distribution. But we still have full control over all the information relating to every one of our processes," explains Rosa. Production mainly takes place in Asia. TOM TAILOR is careful to ensure a balanced allocation of production to different countries in order to reduce any dependency on individual countries. Within each division, the responsibility for buying fabrics and other materials and selecting manufacturers lies with the purchasing team, in close collaboration with local purchasing agents. This enables TOM TAILOR to source its permanently changing collections comparatively cheaply, even though production costs in Asia have risen recently (see the interview with Christoph Rosa).

The overriding topic of discussion in the fashion business is not just the high cotton prices, but also scarce production capacities. "The main aim of all our strategic thinking is to be closer to purchasing markets in future and to secure the purchase and processing of cotton for the long term. That's why we intend to pool production capacities with fewer suppliers and would like to establish even closer and longer-term relations with them," adds Rosa. A useful addition could be to set up a joint venture with an intermediary in Asia. "We are also currently talking internally about shifting part of our production to Africa and/or Europe for instance," reveals Christoph Rosa.

For anyone who produces in Asia like TOM TAILOR, transport is not only a decisive factor in terms of cost, but also with regard to timing. The majority of goods are delivered by sea; urgent pieces are sometimes airfreighted. But however the goods get to Germany, their first destination is the TOM TAILOR logistics centre NORDPORT in Hamburg. There the merchandise is picked and packed. It spends a maximum of two weeks in the logistics centre. NORDPORT has been operated by Deutsche Post DHL since December 2008 and its large capacities make it an important hub, especially for the German market. Wholesale customers and the company's own retail stores are supplied from here using a semi-automated inventory delivery system. The WOMEN Casual jacket also swung by here before it was hung on the rack at the Konstanz store. In the meantime, a large number of new jackets in the same style have arrived at the store – to the delight of store manager Melanie Rohloff.

RESPONSIBILITY IN THE VALUE CHAIN

Like most fashion companies, the majority of our goods are manufactured in the emerging countries of Asia. This means we attach all the more importance to our role as a responsible company. TOM TAILOR is committed to ensuring that the working conditions at our suppliers are humane and fair. We therefore take very seriously their compliance with international labour standards according to the statutes of the International Labour Organization (ILO) and other international organisations.

VERIFIABLE RESPONSIBILITY ALONG THE ENTIRE VALUE CHAIN

Our code of conduct is tied to the principles of the Business Social Compliance Initiative (BSCI) and covers all the main ILO standards. They include the prohibition of child labour, a guarantee of safe and humane working conditions, fair pay, regular working hours, compliance with local legislation, no discrimination and the freedom to form unions and negotiate collective agreements freely. These principles are binding for TOM TAILOR and our suppliers. Penalties can be imposed if they are not followed.

BSCI is a Europe-wide initiative for companies that have joined forces in their commitment to fair working conditions. It has implemented a uniform monitoring and supervisory system for suppliers. As a member of the BSCI, we are not only obliged to follow its principles, but have also undertaken to allow regular inspections at our company. Of course the same also applies to our manufacturers and suppliers.

Safe and fair working conditions at supplier companies have the highest priority for TOM TAILOR

Working conditions are inspected by auditors from BSCI, which offers a standardised system for implementing socially acceptable production conditions and corresponding certification. But it is not only working conditions that are audited; the production process itself is also inspected, in order to rule out the use of fabrics or materials that damage health or the environment, for instance. Regular inspections are carried out at the production facilities to enforce applicable standards and rules. Quality control is initially and primarily the responsibility of the manufacturer, who makes and checks the goods according to precise quality benchmarks. The purchasing agents also carry out regular quality controls, however. And TOM TAILOR too can carry out inspections at its suppliers' premises, either itself or using external service providers.

PROMOTION OF SUSTAINABLE COTTON PRODUCTION

Another project in which we have been actively involved from the beginning is the "Cotton made in Africa" initiative (CmiA), set up by the "Aid by Trade" foundation. The initiative works according the principles of a social business. That means it takes an entrepreneurial approach to improving the living and working conditions of cotton farmers in Africa. The initiative

does not therefore concentrate on maximising the profit of individual farmers by means of donations. The aim is rather for them to hold their own on world markets by producing sustainably grown cotton. The CmiA initiative and the farmers it supports follow the principle of sustainability, which is based on the three pillars of profit, people and planet. As well as raising farmers' incomes, the initiative aims to improve the level of schooling and vocational training. Children especially should benefit from better school education. But adult education is also important, because many farmers' lack of knowledge about how to treat their arable land is one of the main reasons for poor and low-quality harvests. Training courses teach smallholders how to farm their cotton plantations in ways that conserve resources and protect the environment. These include the correct, moderate use of pesticides, pests and useful insects, steps to maintain the soil quality and the careful use of water. The end result should be better yields for the farmers in terms of quality and quantity, which will increase their income in the medium term by up to 15 % according to estimates by the "Aid by Trade" foundation. The projects are funded by licence fees paid to the initiative by partner companies like TOM TAILOR. The foundation monitors compliance with its criteria on the ground to ensure that the fees are invested in the interests of sustainability. Compliance is obligatory for a project's continued funding. Nevertheless, a major factor in the farmers' success is demand for sustainably grown cotton on the world market. We therefore offer an exclusive TOM TAILOR "Cotton made in Africa" collection in each of our product lines once a year and thus create a market for the sustainable cotton production.

African cotton farmers at work. The training courses provided by the CmiA initiative teach them how to farm their cotton plantations in ways that conserve resources and protect the environment. These include the correct, moderate use of pesticides, pests and useful insects, the careful use of water and measures to maintain the soil quality.

ENCOURAGEMENT AND SUPPORT FOR OUR YOUNG WORKFORCE

As a socially committed employer, our obligations are primarily towards our own staff. As a young, growing company – 70 % of our employees are younger than 30 – we attach particular importance to training, support and family-friendly working conditions. Our support projects include intensive training programmes that we offer twice a year.

The twelve-month training programmes focus on design, wholesale, retail and logistics and are run in the form of a dual system. As well as active work at our head office in Hamburg, this includes a programme of studies at the internationally established Academy for Fashion, Management and Marketing in Nagold. Our staff also have the opportunity to complete work placements and trainee programmes abroad at our subsidiaries in Austria, Switzerland, Benelux-countries and France.

Work-life balance is an everyday issue and thus active corporate policy of TOM TAILOR

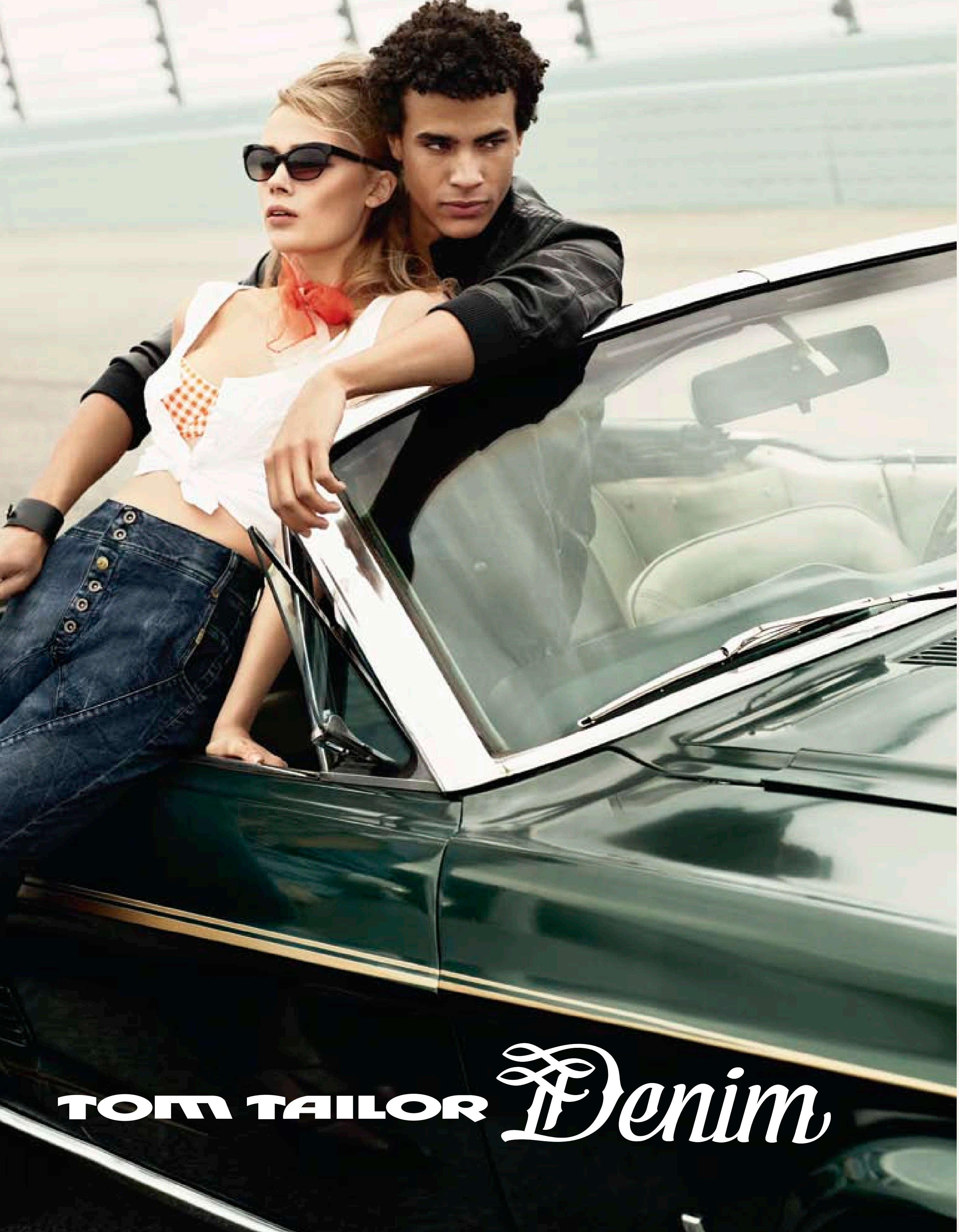
Achieving a work-life balance is not a marginal topic; because of our young employee structure, it is a common experience and very much an active part of our company policy. We have a very large proportion of young female employees. In cooperation with a nursery, we therefore offer the mothers and young families in our workforce low-cost childcare that enables parents to fulfil their professional and family responsibilities without worries. For us as a company this means we are not only meeting our social responsibilities, but also benefiting in several other respects at the same time. Firstly, parents who know their children are well taken care of make satisfied and highly motivated staff. Secondly, thanks to this everyday experience we also have a close-up view of what our smallest customers love and need. This knowledge is invaluable for developing good, practical products for our youngest target group.

HIGH PRODUCT QUALITY UNDER FAIR WORKING CONDITIONS

For us, corporate responsibility means manufacturing high-quality products. In August 2010, the consumer organisation Stiftung Warentest published a study ranking the CSR commitment and product quality of clothing brands distributed in Germany. The analysis examined and ranked women's black T-shirts from 20 manufacturers in the categories durability, fit and harmful substances. Only three T-shirts were deemed "good" overall; one of which was the TOM TAILOR T-shirt. It was given an overall mark of 2.3, taking joint first place with another competitor.

According to a study by the University of Gießen and the Institute for Brand and Communication Research (IMK) carried out in 2009, people buying clothes attach particular importance to a good fit, good design, price and a good brand image. High product quality, as confirmed for our products by the Stiftung Warentest analysis, is another essential success factor. As a responsible company, we will continue to include environmentally compatible manufacturing and fair pay as essential components of our value chain in future. We are convinced that respecting the ecological and social concerns of suppliers, customers and employees is a success factor in tough international competition and will become ever more so in the future. We are therefore continuously reviewing whether we can extend our commitment – especially in areas which add strategic value to TOM TAILOR – as well as promoting social and environmental aspects.

As a responsible company, we will continue to include 'environmentally compatible manufacturing' and 'fair pay' as essential components of our value chain in future


TOM TAILOR Denim


Fashion for young personalities
The TOM TAILOR Denim collection is aimed at young people aged between 15 and 25 who want to look good. The outfits are stylish, trendy, cool and sexy. Our products' colours, patterns and washings draw on the latest trends for young fashion. The collection focuses on denim and related lifestyle products, such as jeans, sweatshirts, jackets, T-shirts, polo shirts, shirts, trousers and knitwear in the latest colours with fashionable prints.
TOM TAILOR Denim

OUR CAPITAL MARKET STRATEGY

"WE INSPIRE INVESTORS OFFERING A REAL GROWTH STORY"

QUESTIONS FOR DR AXEL REBIEN (CFO)

DR REBIEN, WHAT MAKES TOM TAILOR ATTRACTIVE FROM AN INVESTOR'S POINT OF VIEW?

We are one of very few listed companies in Germany that offer a real growth story. TOM TAILOR has a profitable and established business model that we intend to systematically roll out in Germany and abroad over the next few years. Just look at the German market alone: TOM TAILOR had 76 stores there at the end of 2010, whereas our biggest competitor has about 600! The potential abroad is even greater. Please bear in mind that, with TOM TAILOR Casual and TOM TAILOR Denim, we have two concepts aimed at different target groups. Investors who opt to invest in TOM TAILOR at this point can accompany us as we move further along this growth path and can benefit from our future performance.

YOU MENTIONED THE FACT THAT YOUR BUSINESS MODEL IS ESTABLISHED. WHAT DOES THAT ACTUALLY MEAN?

It means that we have already proved that our growth strategy works. In 2010, we lifted our sales from around EUR 300 million to EUR 348 million, which corresponds to growth of 15.8% and saw us considerably outperform our market as a whole. This success is owed not only to the large number of new stores we opened, but also to the fact that we clearly increased our revenues on a like-for-like basis, by almost 17%. We increased our established business model significantly, and we prevailed successfully against the competition.

PRODUCING FASHION IS ASSOCIATED WITH ECONOMIC RISKS. HOW DO YOU HEDGE AGAINST THESE RISKS?

First of all, I'd like to emphasise that an investment in TOM TAILOR's shares is not a bet on the German consumer environment. Obviously, a positive macroeconomic environment is to our advantage, but we're also very well equipped to weather economic ups and downs. Even in 2009, a year marred by crisis, TOM TAILOR achieved like-for-like and absolute growth. Essential for our resilience are two factors: TOM TAILOR is a vertically integrated system supplier. For each of our product lines, we offer collections that change on a monthly basis twinned with good product quality at attractive prices. This means that our products remain in demand even in times of economic difficulty.

The highly fragmented fashion market also works to our advantage. Small manufacturers that do not have a systematic approach struggle in times of crisis. We can use this to gain market share. What is more, we are currently proving successful in opening new stores in attractive locations based on favourable conditions.

WHAT HAVE BEEN YOUR PRIORITIES FOR USING THE CAPITAL GENERATED BY THE IPO?

The IPO allowed us to collect EUR 143 million of fresh capital, which we have used primarily to do two things: we have significantly reduced our debt and strengthened our equity base. We have also made substantial investments in growth. Last year, the number of our own retail stores grew by 71 to 158. In 2011, we plan to open another 60 to 70 stores of our own, as well as around 25 franchise stores and between 200 and 250 new shop-in-shops. This will allow us to further increase our market share and our profitability.

CAN YOU GO INTO MORE DETAIL ON HOW YOU WANT TO BOOST YOUR PROFITABILITY IN THE FUTURE?

TOM TAILOR wants to grow in what is known as "controlled space" by opening new stores of its own in the Retail segment, in particular. This allows us to minimise our sales and logistics risks and to pocket the agent commission ourselves. In a nutshell, a rising proportion of retail business means higher gross profit. What is more, our growth will also generate positive economies of scale at EBITDA level. Over the past few years, TOM TAILOR has optimised its own organisational structure in such a way that we can grow without triggering a proportionate increase in costs at the same time. This means that our growth will result in an ongoing increase in future earnings.

In addition, our capital structure is more favourable following the IPO. The IPO allowed us to get rid of our old, unfavourable leveraged buyout structure. We have reduced our net liabilities considerably to EUR 52.1 million. With a factor of 1.3 of our EBITDA, our financing is rather conservative nowadays. Fewer financial liabilities translate into less interest expense.

All three effects – rising gross profit, positive economies of scale and interest rate effects – ultimately boost our earnings for the period. This will put us in the comfortable position of being able to finance our future organic expansion using our operating cash flow.

YOUR RESULTS FOR 2010 WERE HIT BY ONE-OFF EFFECTS. CAN YOU TELL US A BIT MORE ABOUT THESE?

Our earnings for 2010 were impacted primarily by one-off effects, or costs, relating to the IPO. Adjusted for these expenses, we achieved a profit of EUR 12 million. This means that TOM TAILOR is profitable. The rise in EBITDA and, in particular, our significantly higher profit for the period in a year-on-year comparison show that TOM TAILOR is on the right track. Our profitable growth strategy is bearing fruit.

Three effects – rising gross profit, positive economies of scale and lower interest expense – ultimately lead to an increase in our earnings for the period

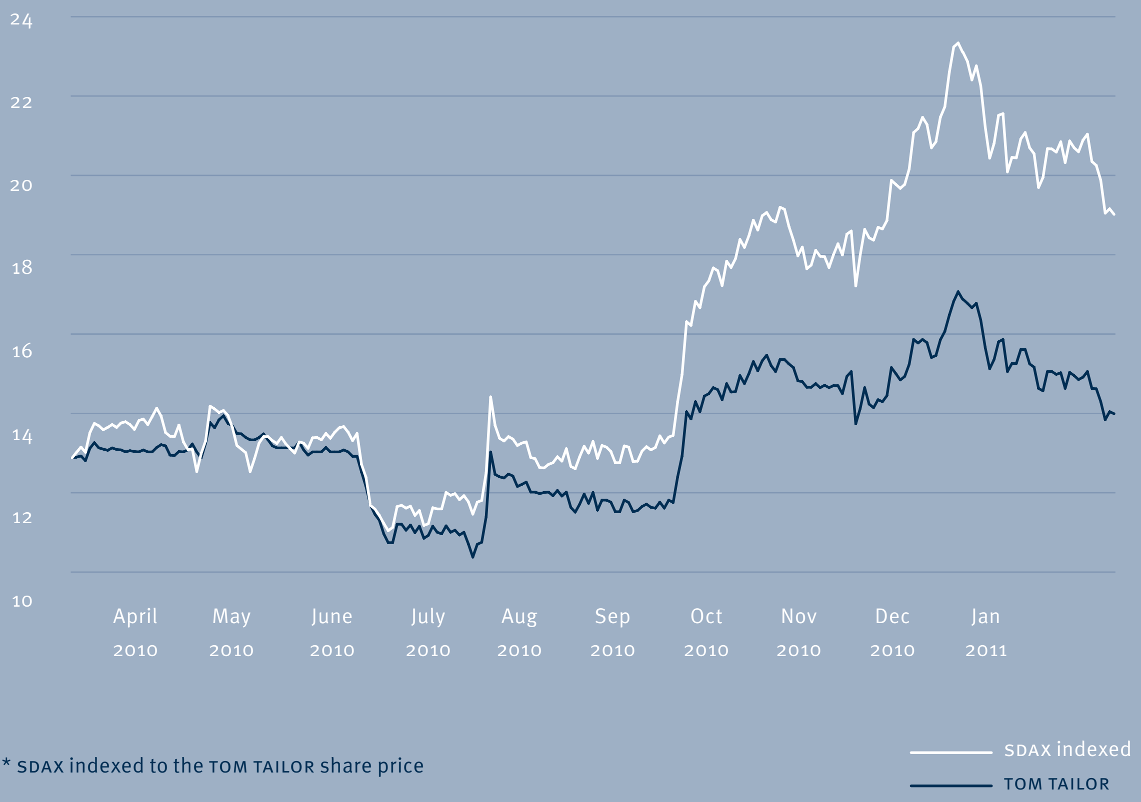
HOW WOULD YOU ASSESS YOUR COOPERATION WITH ANALYSTS IN YOUR FIRST YEAR ON THE STOCK MARKET?

We were able to convince more investment companies to include TOM TAILOR's shares in their coverage as the 2010 financial year progressed. Seven investment companies now publish regular analyses of our company's performance and issue recommendations for the stock. At present, five out of seven analysts have issued a "Buy" recommendation for our stock, while two others have published a "Hold" rating; there are no "Sell" recommendations at the moment. In other words, the majority of analysts believe the TOM TAILOR equity story and the arguments we have put forward. We see the trust placed in us as a form of praise and motivation at the same time. In 2011, we want to increase our coverage even further so as to market TOM TAILOR's shares on an even broader, more international basis.

WHAT STRATEGY ARE YOU PURSUING TO BUILD A RELATIONSHIP OF TRUST WITH CAPITAL MARKET PLAYERS IN THE LONG TERM?

We see the capital market and its players as equal partners. Our investor relations work is aimed at making TOM TAILOR better known worldwide and at strengthening and increasing the perception of our shares as an attractive growth stock. In order to achieve this, we provide ongoing transparent and open information on our company's performance and strategic focus. By doing so, we want to boost investor confidence in the stock and achieve a realistic, fair valuation on the capital market. Trust on the capital market is not something that can be achieved overnight and TOM TAILOR is still considered a newcomer to the stock market. It is absolutely crucial that we keep our promises when it comes to forecasts. We kept the promises we made in 2010 and we must continue to do so in the future. At the same time we work on increasing the liquidity in our share.

DEVELOPMENT OF TOM TAILOR SHARE COMPARED TO SDAX SINCE THE IPO*



* SDAX indexed to the TOM TAILOR share price

THE SHARE AND INVESTOR RELATIONS

Shares in TOM TAILOR Holding AG have been quoted in the Prime Standard segment of the Frankfurt Stock Exchange and in the regulated market of the Hamburg Stock Exchange since 26 March 2010. In the IPO – one of the first in Germany following a two-year pause – a total of 11 million new shares were issued from a capital increase. A further 470,356 shares were placed through partially exercising the greenshoe option on the holdings of the original shareholders.

The share offering was made at an issue price of EUR 13.00 per share, in the middle of a price spread ranging from EUR 11.00 to EUR 15.00, and was significantly oversubscribed. As a result of the IPO, TOM TAILOR raised gross proceeds totalling EUR 143 million. The proceeds have strengthened the capital base and increased financial flexibility, and allow the Group to drive forward the expansion of the profitable business model in the area of controlled retail space.

The share was included in the small-cap index (SDAX®) on 21 June 2010 for the first time. This index covers the 50 largest quoted companies outside the MDAX®.

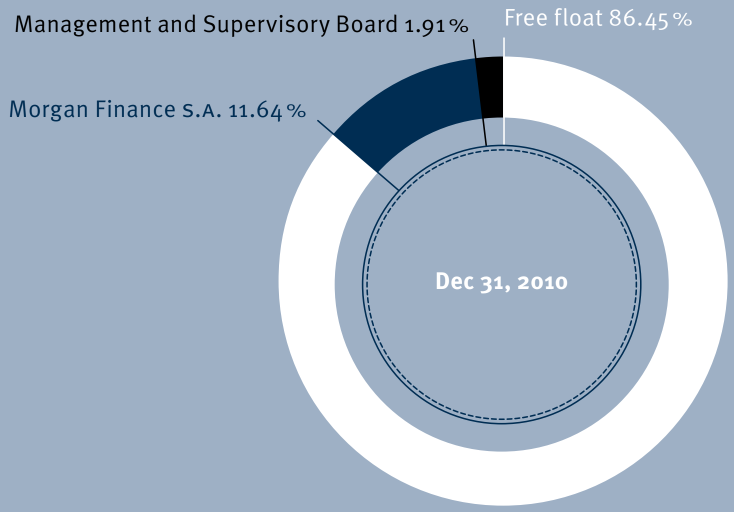
SHARE PRICE DEVELOPMENT

Despite emerging uncertainty about economic development and the high level of national debt for some countries, the international share markets showed positive development in 2010. The TOM TAILOR share price was for the most part stable during the first few months following the share's initial listing. Towards the end of the year, a combination of new and positive analyst opinions plus positive company news was well received by the capital markets and the share price was pushed upwards. On the last trading day of the year (30 December 2010) the TOM TAILOR share* price reached EUR 16.00, its highest price to date, and ended at a mark-up of around 23 %. The share price therefore did not perform as well as the SDAX® benchmark index, which grew by some 35 % in the same period.

Share markets started off positively in 2011. The TOM TAILOR share price reached an all-time high of EUR 16.99 on 5 January 2011. A series of reports on rising cotton prices and labour costs then led to a marked decline in the share prices for textiles companies. The TOM TAILOR share price stood at EUR 14.25 as at the editorial deadline (18 February 2011).

* Xetra closing prices

SHAREHOLDER STRUCTURE



SHAREHOLDER STRUCTURE: FREE FLOAT HAS RISEN TO MORE THAN 86 %

On 1 December 2010, the original shareholder Alpha Funds successfully placed all of its 2.8 million TOM TAILOR shares on the market in a single day. As a result of this, the free float, and thus the share of freely traded shares, has risen to 86.45 %. Thanks to the rise in free float, the share's liquidity has increased, as has the attraction of investing in TOM TAILOR for investors.

Some 95 % of TOM TAILOR shares were held by institutional investors at year-end 2010, and the remaining 5 % were owned by private investors. Of the institutional investors, about 50 % are based in Germany, a further 45 % in the rest of Europe – primarily the United Kingdom – and around 5 % in the USA.

TRADING VOLUME AND MARKET CAPITALISATION

Trading of TOM TAILOR shares takes place almost entirely on the Xetra electronic trading system. The volume of daily trades on the system rose perceptibly in the course of the year and the average daily volume of trades in 2010 was around 42,000 shares. On peak days, more than 400,000 shares changed hands; on its first day of trading, that figure was over 2.6 million.

At the end of 2010, TOM TAILOR had a market capitalisation of EUR 230 million in relation to the official free float of 86.81%, and had a weighting of 1.85% in the SDAX®.

INTENSIVE DIALOGUE WITH THE CAPITAL MARKET

TOM TAILOR views the capital market and its players – shareholders, institutional and private investors, banks and brokers – as equal partners. The aim of its investor relations activities is to raise awareness of TOM TAILOR around the world and to consolidate and build on the perception of the TOM TAILOR share as an attractive growth stock. We inform the market about TOM TAILOR's development and strategic direction reliably and openly, and on an ongoing basis. In this way, we aim to reinforce investors' trust in our stock and obtain a realistic and fair value for the share in the market.

The Company implemented a broad series of communication measures in 2010. The development of the business in the first three quarters of 2010 was discussed in detail in three teleconferences, each with an average of 20 participants. In addition, members of the Management Board and the Investor Relations team informed existing and potential investors about the development of the business and the strategic direction of TOM TAILOR at numerous road shows, investor conferences and individual discussions in all the major financial centres of Europe and in the USA.

The shareholders can find out about the progress TOM TAILOR is making by going on the Internet at any time. There is a comprehensive set of information available in both English and German at http://ir.tom-tailor.com/. In addition to any new announcements and the quarterly reports for 2010, there are analyst assessments, presentations and an up-to-date financial calendar. The Group's Internet presence and the information on offer will be further developed for their target audiences in 2011.

In addition to regular teleconferences to accompany publication of the quarterly results and individual discussions, a series of road shows is planned around the world in 2011. The members of the Management Board and the Investor Relations team will also attend more investor conferences for institutional and private investors. The aim is not only to take excellent care of existing investors, but also to gain new investors in the stock.

INCREASING ANALYST INTEREST

Further investment companies were moved to produce and publish regular analyses and commentaries (so-called research coverage) on TOM TAILOR in the course of 2010. Seven such companies – in the main from Germany – now regularly publish analysis on the Group's current development and make recommendations. The investment recommendations are positive almost across the board: as of the end of December 2010, five out of seven analysts were giving "buy" recommendations, and the other two "hold". There are currently no "sell" recommendations.

KEY SHARE DATA

Share classification	Registered shares (no-par value)
ISIN	DE000A0STST2
WKN (securities ID code)	A0STST
Stock exchange symbol	TTI
Index	SDAX® (Prime Standard)
Exchanges	Frankfurt and Hamburg
Main trading place	XETRA (electronic trading system)
Initial listing	26 March 2010
Issue price	EUR 13.00
Designated sponsors	Commerzbank AG, J.P. Morgan Cazenove, Close Brothers Seydler Bank AG

TOM TAILOR SHARE PERFORMANCE

Shares issued as at the balance sheet date	units	16,528,169
Share capital	EUR	16,528,169
Issue price	EUR	13.00
Share price high (Xetra closing price)	EUR	16.00
Share price low (Xetra closing price)	EUR	10.38
Share price at financial year-end (Xetra closing price)	EUR	16.00
Free float at financial year-end	%	86.81
Market capitalisation at financial year-end	EUR	approx. 230,000,000
Average volume of shares traded per day	units, approx.	42,000
Earnings per share	EUR	0.87
Adjusted earnings per share	EUR	0.15

GROUP MANAGEMENT REPORT

Casual fashion for a casual life

GROUP MANAGEMENT REPORT

COMPANY PORTRAIT

TOM TAILOR is an international, vertically integrated lifestyle company offering stylish casual wear in the medium price range. The collections for the TOM TAILOR Casual brand with its MEN Casual, WOMEN Casual, KIDS, MINIS and BABY lines and for the TOM TAILOR Denim brand with the Denim Male and Denim Female lines each have their own brand profile and are aimed at different target groups. The product portfolio is rounded off by an extensive range of fashionable accessories.

TOM TAILOR markets its products in the core markets Germany, Austria, Switzerland, the Benelux-countries and France. Over and above this, the Company has representation in around 30 other countries.

STRUCTURE AND BUSINESS MODEL OF THE TOM TAILOR GROUP

The TOM TAILOR Group is managed through TOM TAILOR Holding AG, which is headquartered in Hamburg. The holding company's primary responsibilities are for the strategic alignment and development of the Group, the Group's finances, risk management and decisions on collections. TOM TAILOR Holding AG is also responsible for internal and external communications, which includes contact with the capital markets and shareholders. Operations are managed in the respective subsidiaries.

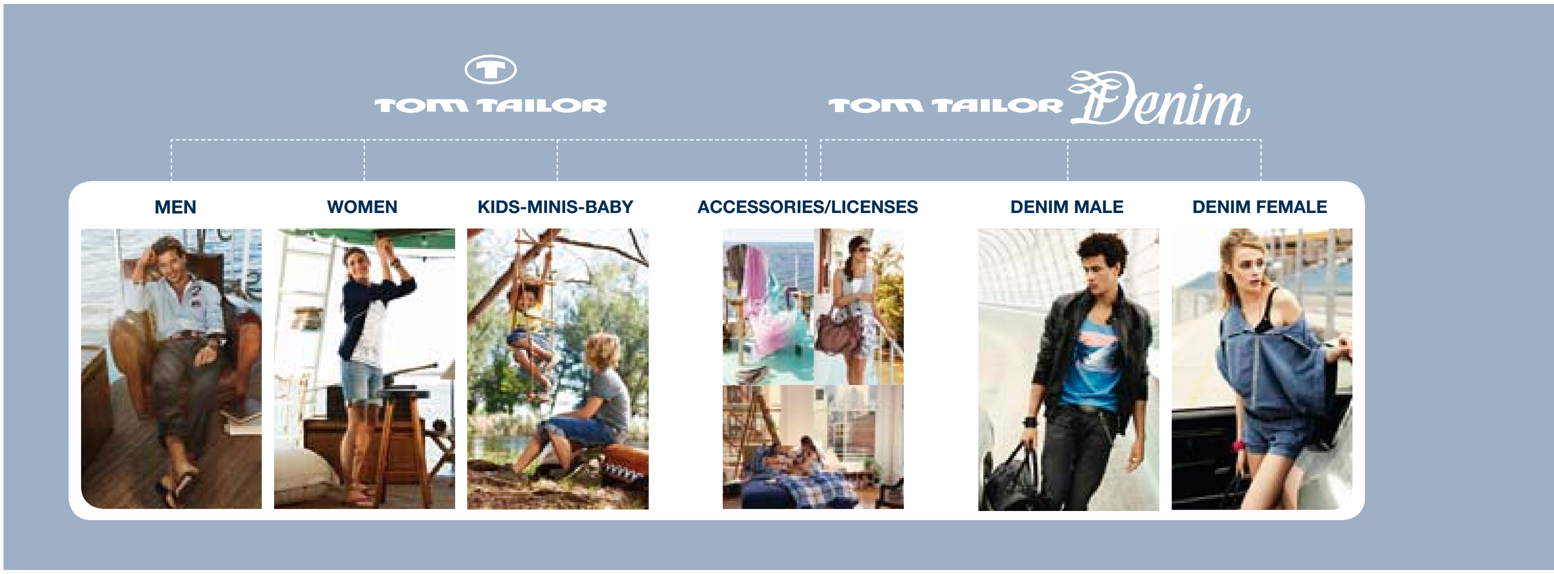
TOM TAILOR is run by a management team with many years of marketing experience in the sector, which reports to a three-member Management Board. The lean company structure, organised along divisional lines with clearly defined sales and income responsibilities, enables effective management of the business processes and ensures transparency in cost controlling and results assessment.

In addition to TOM TAILOR Holding AG, the TOM TAILOR Group's basis of consolidation comprises 21 direct and indirect subsidiaries. There are just two joint venture investments (which between them have six subsidiaries) in which not all shares are held. As a result of the significant influence it has on the business and the fact that a 51 % share is held, the Sportina joint venture is 100 % consolidated and reported under Minorities; the Northern Irish participation is equity-accounted in the consolidated financial statements. The majority of domestic and foreign subsidiaries are controlled through TOM TAILOR GmbH, whose registered office is in Hamburg and whose sole shareholder is TOM TAILOR Holding AG.

see page 82 et seq.

BUSINESS MODEL OF THE TOM TAILOR GROUP

TOM TAILOR is an international, vertically integrated company offering fashionable casual wear and accessories for men, women, teenagers and children. In recent years, TOM TAILOR has widened its product portfolio in a targeted way so as to reach new, free-spending groups of consumers.



Product lines

The TOM TAILOR organisation manages its collections, which change monthly, under the brand names of TOM TAILOR Casual and TOM TAILOR Denim.

The TOM TAILOR Casual brand covers the MEN Casual, WOMEN Casual, KIDS, MINIS and BABY product lines. These comprise trendsetting fashions for men and women – with the focus on the 20-45 age group – as well as collections for children and babies.

The core element of TOM TAILOR's business has always been its collections of sporty leisurewear for men. With its MEN Casual product line, TOM TAILOR offers a comprehensive collection of fashionable casual wear for men. Casual describes the informal, lively and sporty look for unpretentious yet fashion-conscious men who attach importance to product quality.

LICENCES

- Belts
- Umbrellas
- Bags
- Men's and women's shoes
- Children's shoes
- Leather jackets
- Hosiery
- Underwear
- Perfume
- Glasses
- Watches and jewellery
- Bedlinen
- Terry fabrics
- Home furnishings

The women's collection, which bears the TOM TAILOR WOMEN Casual label and is also in the medium price segment, is targeted at young, modern women. Fashionable highlights, stylish details and high-quality materials and manufacturing epitomise the image of the collections.

The TOM TAILOR Denim Male and TOM TAILOR Denim Female lines come under the TOM TAILOR Denim brand. These collections appeal to young people in the 15-25 age group.

The TOM TAILOR product portfolio is rounded off with an extensive range of accessories. TOM TAILOR grants licences for various product groups including bedlinen, underwear, glasses, bags, shoes, watches and – most recently – upholstered furniture. The issuing of licences and close collaboration with each of the licensees has become an integral part of the TOM TAILOR system and the Group's success in recent years.

Channels of distribution

The TOM TAILOR Group distributes its collections both through the Wholesale (selling to resellers) and Retail segments (selling direct to consumers).

a-z

Within the Wholesale segment, TOM TAILOR products are sold in department stores and clothing chains through shop-in-shops, franchises and so-called multi-label corner. TOM TAILOR products are also sold through mail order companies.

In the Retail segment, TOM TAILOR sells directly through its own stores (retail stores and outlet stores) and through its own e-shop on the Internet as well as e-commerce collaborative projects with the Neckermann and OTTO mail order organisations.

a-z

In addition to its home market, Germany, in which 68.5 % of sales were generated in both segments combined in 2010 (2009: 69.0 %), TOM TAILOR distributes its products in some 35 countries, with the emphasis being on Austria, Switzerland, the Benelux-countries and France, as well as the countries of eastern Europe.

TOM TAILOR's business model combines the added value in emotional terms of its lifestyle brands with the strategic advantages of an integrated system provider ("Act premium, sell volume"). Those advantages lie in particular in the ability to adapt the latest fashions quickly and at low risk, and to offer them at the point of sale as high-quality products at attractive prices at the right time. The basis for the development, design and manufacture of the TOM TAILOR collections is systematic retail space planning which is geared to the requirements of the respective end customer groups.

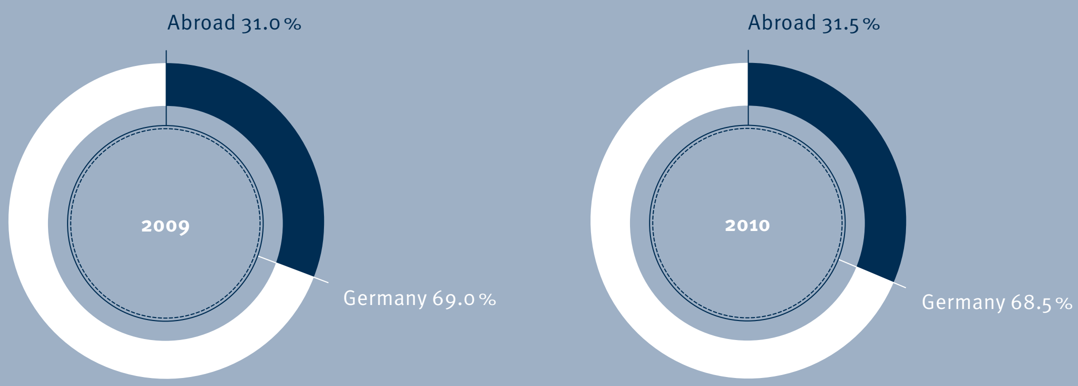
a-z

The vertical integration within each product division, which is responsible for a specific product line, makes it possible to react more efficiently to trends and demand in the product line in question. This ensures that the latest products are developed in response to market demand and are offered in appropriate quantities at the right time in the retail space, thereby increasing retail space productivity and reducing the need for markdowns on unsold goods. TOM TAILOR has demonstrated constant growth in a highly heterogeneous and competitive market environment with this strategy.

Management instruments

A range of different key figures and reporting systems are used as internal performance indicators within the TOM TAILOR Group. These are differentiated both for overall Group and segment level reporting. In addition to the permanent checking and reporting of sales and earnings figures (primarily at the EBITDA level), key figures on stock turns (duration) and liquidity are used. For the Wholesale segment, figures on pre-order levels are also used to manage the business.

REVENUE DEVELOPMENT BY REGION



IMPORTANT EVENTS DURING THE REPORTING PERIOD

IPO

TOM TAILOR Holding AG marked one of the major milestones in the Company's history with its IPO on 26 March 2010. Shares in the Company have been quoted in the Prime Standard segment of the Frankfurt Stock Exchange and in the regulated market of the Hamburg Stock Exchange since that date.

The share was included in the small-cap index (SDAX®), which covers the 50 largest quoted companies below the MDAX®, on 21 June 2010. With the IPO, TOM TAILOR Holding AG raised gross proceeds totalling EUR 143.0 million. The proceeds have strengthened the Company's capital base and they allow it to drive forward the expansion of the profitable business model in the area of controlled retail space.

Sportina joint venture

see page 83

On 1 October 2010, TOM TAILOR established a joint venture with the owner of Sportina Bled. D.O.O, in Lesce, Slovenia (Sportina for short), which has its registered office in Austria. As part of this move, the existing 23 franchise stores were transferred to the joint venture and are now being run as TOM TAILOR retail stores. At the end of 2010, the joint venture was managing 28 retail stores. The objective of this strategic union is to accelerate the retail expansion in South-Eastern Europe, including Croatia, Slovenia and Serbia. Some 20 new stores should open by the end of 2013. TOM TAILOR holds 51 % of the shares in the joint venture; the owner of Sportina holds 49 %. Sportina had held exclusive sales rights for the TOM TAILOR brand for the entire see region and it will continue to operate the wholesale business for TOM TAILOR in this region.

a-z

Organisation

In the period under review, there was the following change to the composition of the Management Board of TOM TAILOR Holding AG: COO Dietmar Axt gave notice at the end of February 2010, in accordance with the terms of his contract, to terminate his employment contract as a member of the Management Board as of 31 December 2010; in conjunction with this, the appointment of Dietmar Axt to the Management Board ceased at the end of February 2010. In September, an agreement was reached on early termination of the contractual relationship as of 31 October 2010. The responsibilities previously assigned to Dietmar Axt have been assumed by the CEO.

see page 117 et seq.

The Management Board now consists of three members: Dieter Holzer, CEO; Dr Axel Rebien, CFO; and Christoph Rosa, CPO (responsible for product development, procurement and licences).

Also in 2010, management resources were pooled in TOM TAILOR Holding AG. Following the IPO, the first level of management in the German subsidiaries now works directly in and for TOM TAILOR Holding AG. The aim of this organisational change is to refine and implement a unified strategy within the Group.

COMPANY OBJECTIVES AND STRATEGY

TOM TAILOR is pursuing a clearly formulated strategy of achieving above-average sales and earnings growth as a vertically integrated systems provider in comparison to others in the sector. The continued improvement in profitability will lead to a sustained and long-term increase in the value of TOM TAILOR. The Company's intention in particular is to expand and/or roll out its business model in its German domestic market and in the core foreign markets of Austria, Switzerland, the Benelux-countries and France. Over and above this, the Group plans to further develop its market position in the eastern European countries showing strong growth rates, and to break into new markets such as Poland.

The focus of TOM TAILOR's strategy for growth is on developing the controlled retail space in its own retail stores, franchise stores and shop-in-shops, and on managing them to ensure maximum profitability. The e-commerce business, which has shown strong growth, will continue to be developed. By pursuing the "immediate fashion follower" strategy and changing the collections in the pre-order system on a monthly basis, the merchandising risk will be minimised and at the same time sales will be higher and more stable.

A further core element of the Company's strategy is the achievement of economies of scale as the Company grows further. In recent years, TOM TAILOR has optimised the organisation of personnel, technical equipment, logistics, procurement and sales to such a degree that further growth in sales can be achieved without growth in personnel, administration and development costs of similar proportions. The business model is scaled in such a way that further growth as a result of increased volumes will cause the development and sample costs per article to sink. This model will lead to a continual increase in the relative profitability of the Group.

The basis for the implementation of the strategy outlined above is the vertical alignment of TOM TAILOR, which had been intensively driven by management since 2006 and was completed in the spring of 2010. TOM TAILOR controls the entire value chain, from development through to the sale of its collections. Through its significantly improved equity structure as a result of the IPO, TOM TAILOR has created the framework conditions to ensure a sustained increase in profitability through continued growth.

TOM TAILOR Casual and TOM TAILOR Denim are being systematically presented to the market as completely separate brands, and this strategy has already proved successful. The clear diversification of these two lines, which are targeted at different consumer groups, will be continued as the Group pursues its expansion course through store roll-outs.

INNOVATION AND DEVELOPMENT

TOM TAILOR develops the collections for its product lines in its own design departments in Hamburg. Manufacturers abroad then manufacture the garments. Warehousing and logistics are also left to external service providers, so TOM TAILOR can concentrate on its strengths and core competencies in the areas of fashion development and marketing.

see page 24 et seq.

Through the systemic, vertical integration of the value chain, TOM TAILOR can ensure that information from the points of sale (POS) about changes in demand can flow quickly into new product development and restocking of the controlled retail space. TOM TAILOR analyses the data on sales collected electronically from the points of sale on an ongoing basis. This information supports "bestseller management" and is rapidly used in an analytical and systematic way to underpin the development of new collections.

SUSTAINABILITY AND ENVIRONMENTAL PROTECTION

As a multinational group, TOM TAILOR is very conscious of its corporate social responsibility with regard to employees, society and the environment. The long-term success of an organisation depends in great part on its ability to demonstrate responsibility in its actions and dealings. TOM TAILOR not only sets great store by product quality, but also takes social and ecological factors into account in all its activities.

TOM TAILOR is an active member of the Business Social Compliance Initiative (BSCI), an initiative set up by retail organisations across Europe to bring about improvements in working conditions throughout the entire value chain. The BSCI is a fast-growing initiative for retailers, importers and manufacturers/producers of branded goods. It helps companies in their efforts to develop ethically justifiable production chains. This is done through the use of external and independent auditors for monitoring, employee training and a constructive dialogue with all the major stakeholders, both in Europe and the supplier countries.

see page 26 et seq.

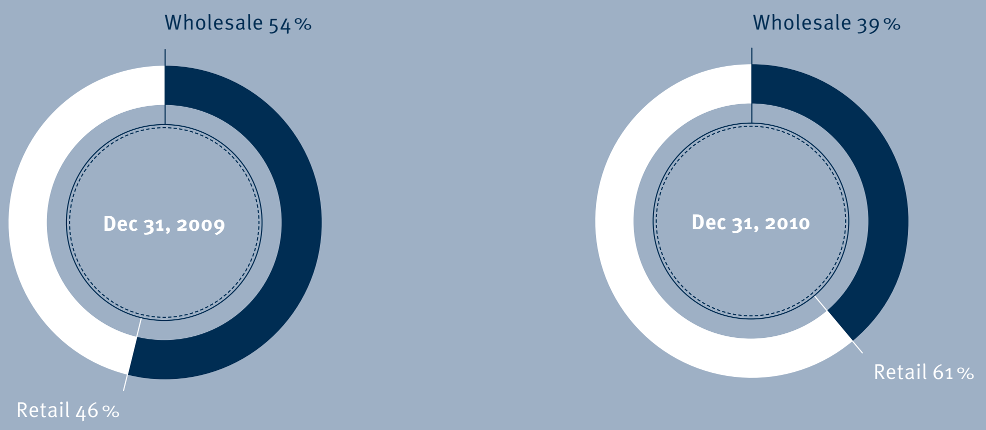
In addition to this, TOM TAILOR takes its suppliers through a qualifying process, both directly and using procurement agencies, and helps them to organise their processes.

"Cotton made in Africa" initiative

TOM TAILOR is one of the pioneers in the Aid by Trade Foundation set up jointly with the OTTO Versand mail order company in 2005 and is a member of the "Cotton made in Africa" support project. The aim of this project is to bring about social, economic and ecological improvements in cotton production. Through the creation of more advanced farming conditions, demand for African cotton is being boosted and a more efficient, transparent value chain is being created. TOM TAILOR gives additional support to this project by basing one of its own collections on it and presented the first garments made solely from "Cotton made in Africa" in the spring of 2009.

see page 27

EMPLOYEES BY SEGMENT



EMPLOYEES

As at 31 December 2010, TOM TAILOR employed 1,207 people (headcount), of which 467 are in the Wholesale and 740 in the Retail segments. TOM TAILOR's workforce is international, as it employs people from 32 different countries. There are 778 people employed in the German home market and 429 in other countries. 24 employees – including the three Management Board members – are employed in the holding company.

see page 58 et seq., 91

The most important factor in the success of TOM TAILOR is its staff. It is thanks to their commitment and motivation that TOM TAILOR has developed into one of the leading brands in the fashion and lifestyle sector. TOM TAILOR will be looking to committed, motivated and high-performing employees to help it expand further and in turn can offer them interesting opportunities to develop their skills and careers. TOM TAILOR strikes up a dialogue with potential candidates interested in helping the Company on its expansion course through collaborating with universities, making presentations at trade fairs, developing its "Employees recruiting employees" programme and numerous other initiatives.

TOM TAILOR supports its employees and helps them to achieve their own personal career goals by offering a broad selection of training and development measures. TOM TAILOR places particular emphasis on the training of young people. Traditional apprenticeship trainings, dual work/study programmes and graduate trainee programmes are all part of the Company's training concept. The average age of the workforce is 31 years; the proportion of female employees is 77 %.

There are, in total, 44 employees making up the first and second tiers of management in the TOM TAILOR Group, and of these 25 are women. This means the proportion of women in senior management is comparatively high, at 57 %.

COMPANY PERFORMANCE

OVERALL ECONOMIC AND SECTOR-SPECIFIC CONDITIONS

As an international group operating in the textiles sector, the most important factors governing profitable growth and a sustained increase in the value of TOM TAILOR are, alongside the strategic alignment of the organisation, in particular developments in and the outlook for the general economy, and also trends specific to the sector.

General economic development

In 2010, the global economy recovered more quickly from the negative effects of the financial and economic crises than expected at the beginning of the year. The quantitative easing measures taken by the central banks and the measures to support the economy taken by individual governments in industrialised countries and emerging markets all contributed to significantly faster global economic growth. According to International Monetary Fund (IMF) estimates, global output grew by 5.0 % in 2010, albeit with individual countries and regions showing very differing patterns of development.

Thanks to robust domestic demand and high growth in exports, Germany recorded strong economic growth which, at 3.6 % was twice as high as the average growth for countries in the eurozone. According to imf estimates, the German economy will grow more moderately in the coming year, but with an expected increase of 2.2 % in gross domestic product, it will continue to be one of the strongest-growing economies amongst the western industrialised nations.

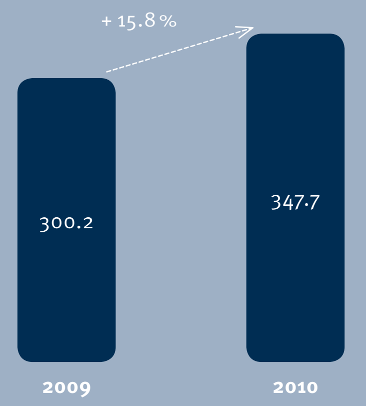
Average annual consumer prices in Germany rose by 1.1 % in comparison to 2009, with price increases accelerating in the third quarter, primarily as a result of higher energy costs. Despite a clear rise in prices which normally acts as a break on consumer spending, consumer confidence continued to grow. The GfK consumer climate index increased to 5.5 points by the end of December 2010; it had stood at 3.3 points in January. The development in the opening months of this year suggests that consumers are staying optimistic for 2011 as well.

The economies of TOM TAILOR's other core markets developed at a much slower rate than the German home market. Only Switzerland recorded growth in gross domestic product approaching that of Germany's, at 2.9 %; it was followed by the Netherlands (1.8 %), and France , Belgium and Austria, each with 1.6 % economic growth.

The majority of countries in central and eastern Europe were hit harder by the effects of the financial and economic crises than the more established economies of western Europe. In the year under review, these countries either recorded only very slight growth or indeed they moved further into recession (Romania, Croatia). However, these economies are expected to recover from the effects of the crisis in 2011 and achieve high rates of growth once more.

The outlook for the world economy in 2011 is, according to IMF forecasts, positive in the main. The IMF is expecting growth to pick up in those countries which had been struggling with the effects of the crisis up until now and anticipates that the recovery will continue in the majority of the other economies, albeit at a slightly slower pace. Overall, the IMF expects the global economy to grow by 4.5 % in both 2011 and 2012.

REVENUE DEVELOPMENT – EUR million



TOM TAILOR will benefit from the stabilisation of economic framework conditions in Europe and in Germany in particular and will drive forward growth in both the Wholesale and Retail segments through its controlled retail space.

Developments in the sector

Apart from general economic factors, developments in the textiles sector in general and in the segment for high-quality clothing in the medium price segment in particular can have a decisive influence on TOM TAILOR's operations as well as on procurement.

The textiles sector has, in the main, recovered from the dip in growth in 2008 and 2009. After a reduction of 4 % in 2008 and flat growth in 2009, sales in the German market grew by 3 % in the year under review (source: TextilWirtschaft trade magazine). This growth in sales was significantly higher than forecasts by industry experts at the beginning of the year. The retail sector benefited from the marked recovery of the German economy, which led to an easing of pressure on the employment market and to a noticeable increase in consumer spending. Nevertheless, growth in the sector was lower than in the economy as a whole.

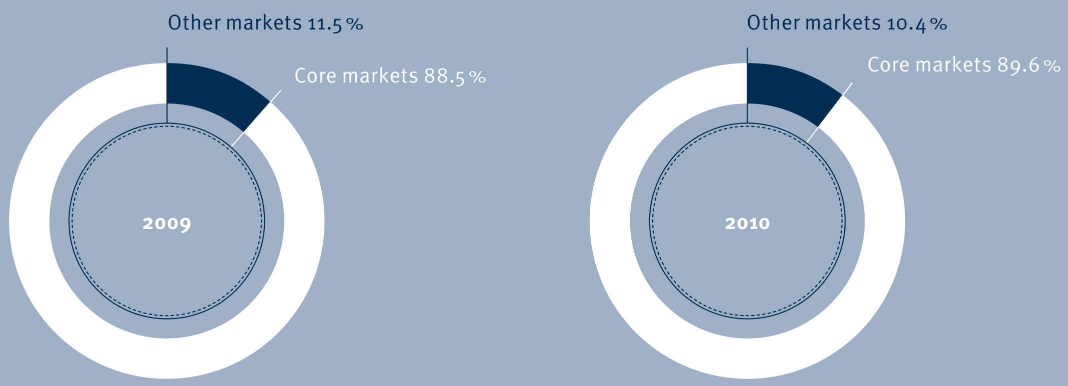
Textiles and clothing manufacturers were confronted with higher energy costs, wage rises in the production countries and, above all, sharply increased cotton prices in 2010. The reduction in demand during the global financial and economic crisis in 2008 and 2009 had led to a huge reduction in production capacity and in cotton production, in Asia in particular. On top of this, there was a decrease in supply as a result of weather-related crop damage, with a large proportion of the Indian cotton harvest being destroyed by heavy rainfall and much of the crop in Pakistan being wiped out by the catastrophic flooding.

From the spring of 2010 onwards, global demand for textiles grew noticeably, particularly in the emerging markets such as China. The government in India imposed temporary export restrictions on cotton, stating that there were insufficient quantities available to meet domestic demand.

As a result, the price for cotton rose steeply, from USD 0.80 per pound (0.45 kg) at the beginning of the year to over USD 1.60 per pound in December 2010. Prices have continued to rise at the beginning of 2011.

Taking into account that the most important cotton production countries have started to increase the area under cultivation, cotton prices are expected to return to normal in the medium term.

SALES DEVELOPMENT BY REGION



FINANCIAL POSITION AND RESULTS OF OPERATIONS

Results of operations in the 2010 financial year

Sales development

In the wake of the global economic upturn, in particular the increase in growth in the German market, TOM TAILOR was able to continue its growth course in 2010 and to outperform the sector.

see page 90

The TOM TAILOR Group recorded revenues of EUR 347.7 million in the 2010 financial year. Revenue was therefore a gratifying 15.8 % above the prior-year level (2009: EUR 300.2 million). This positive development is the result of, on the one hand, the systematic implementation of our strategy of offering high-quality casual wear at an attractive price and, on the other, of pursuing TOM TAILOR's ambitious growth strategy in the Retail segment in particular, with corresponding success.

Revenue by region

TOM TAILOR was able to increase revenues in its important home market of Germany by 15.1 % to EUR 238.3 million (2009: EUR 207.1 million). An increase in revenue of 17.4 % to EUR 109.4 million (2009: EUR 93.2 million) was recorded for all other country markets. The share of revenue from non-German markets thus comes to 31.5 % of total revenue (2009: 31.0 %).

Revenues from the core foreign markets of Austria, Switzerland, the Benelux-countries and France grew disproportionately in the period: TOM TAILOR was able to increase revenues by 25.3 % to EUR 73.3 million (2009: EUR 58.5 million).

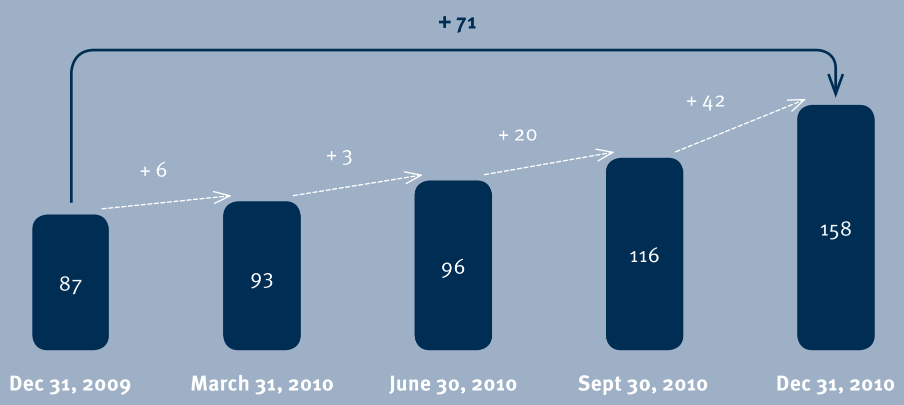
In total, TOM TAILOR thus generated 89.6 % of its revenues (2009: 88.5 %) in its core markets.

Segment reporting

see page 115 et seq.

The TOM TAILOR Group splits its segment reporting into two segments: Wholesale and Retail. In the Wholesale segment, TOM TAILOR supplies commercial customers who sell the high-quality TOM TAILOR products ("Act premium") to end customers through a variety of sales channels. These include franchise stores, shop-in-shops and multi-label sales outlets. This makes it possible to place large volumes ("Sell Volume") through well-established department stores, retail clothes chains and mail order companies both at home and abroad. In the Retail segment, TOM TAILOR products are sold through the Group's own retail and outlet stores as well as through the Internet (e-commerce). The e-commerce business area comprises the Group's own e-shop as well as collaborations with the Neckermann and OTTO Versand companies.

RETAIL-STORE DEVELOPMENT



Sales and earnings development in the Retail segment

One of the main drivers in the growth of the TOM TAILOR Group is the ongoing expansion of the business in the Retail segment. This made a significant contribution to growth in revenues in 2010. Sales in the Retail segment grew by 39.5 %, from EUR 76.5 million in the comparable period in 2009 to EUR 106.7 million. The number of own retail stores increased by 71 to its current level of 158 stores. Of these, 76 retail stores were in Germany, 26 in Austria and 56 in other countries as at the balance sheet date. The stores in other countries include 28 retail stores in South-Eastern Europe which are part of the Sportina joint venture. Following the acquisition of distribution rights in Hungary, four former franchise stores were transferred to TOM TAILOR's Retail segment in the course of 2010.

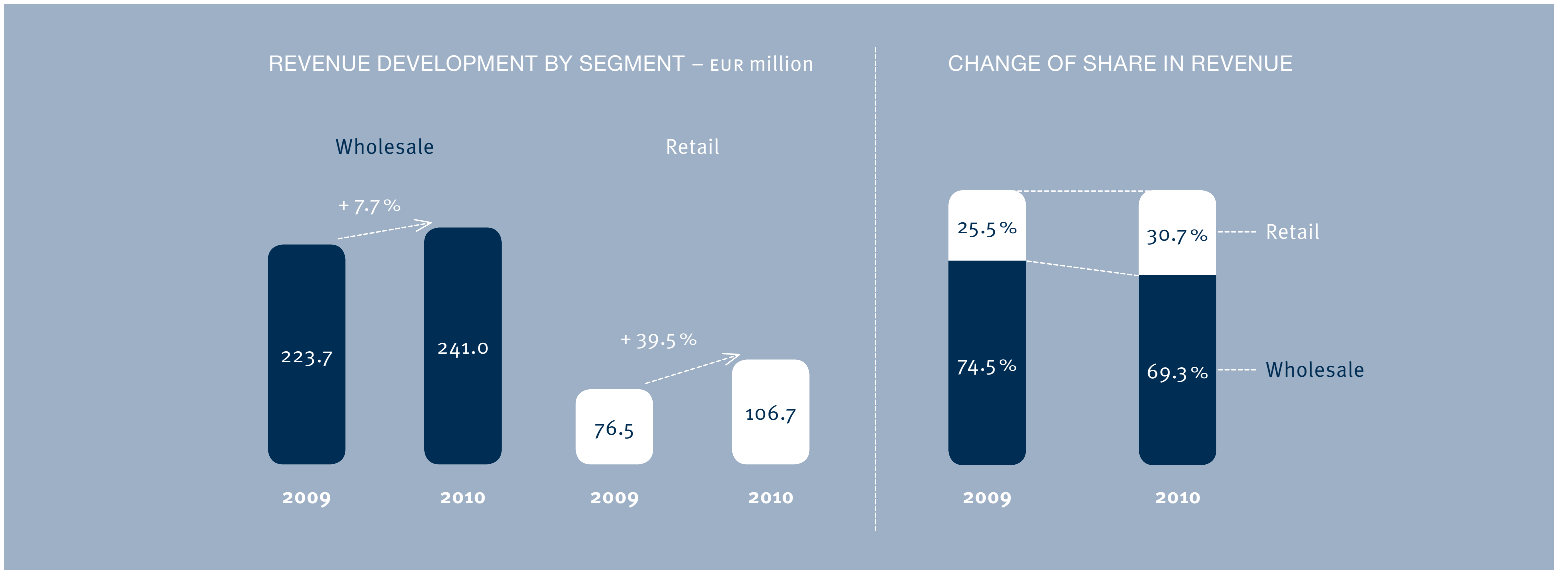
In the year under review, TOM TAILOR recorded like-for-like growth of 16.8 % in the Retail segment. The area of e-commerce showed even more dynamic growth and increased by 47.2 %. TOM TAILOR was thus able to clearly outperform average market growth in the textiles sector.

The Retail segment achieved recurring earnings before interest, taxes, depreciation and amortisation (EBITDA) of EUR 14.0 million (EUR 13.1 million reported), following on from earnings of EUR 9.2 million (EUR 9.2 million reported) in the previous financial year. Earnings growth in this area is expected to accelerate in the coming years.

Sales development in the Wholesale segment

Sales of EUR 241.0 million were recorded for the TOM TAILOR Group's Wholesale segment, some 7.7 % above the previous year's figure (2009: EUR 223.7 million). This segment thus accounted for 69.3 % (2009: 74.5 %) of total sales.

Whereas sales revenue grew by a pleasing 11.6 % in the home market of Germany and in the other core markets, they declined overall in Russia, Ukraine, Georgia, Belarus and Ireland in 2010 as a result of the economic situation in those countries. The situation in these markets has stabilised in the mean time, however, and positive growth in sales is expected there in the future. By acquiring distribution rights in Russia and Hungary, TOM TAILOR has created a sales base which will enable it to profit from the growth expected there in the future. In total, the number of shop-in-shops grew by 333 since 31 December 2009 to 1,441. As a result of the integration of the 23 Sportina franchise stores and other franchise stores in Hungary and Germany into its Retail segment, the number of franchise stores decreased to 175.



The volume of orders booked by the Wholesale segment up to the end of February 2011 showed an increase of 6.7 % compared to the order volume for the comparable period in 2010.

The Wholesale segment recorded a recurring EBITDA of EUR 26.0 million (EUR 16.9 million reported), following on from EUR 28.9 million (EUR 28.0 million reported) in the previous year. This negative development in comparison to the previous year is primarily the result of a higher cost-of-materials ratio in the Wholesale segment. The reduction in the reported EBITDA margin is mainly due to the costs of the IPO.

Costs

see page 91 et seq.

The cost-of-materials ratio for the Group remained unchanged year-on-year at 54.0 % (2009: 54.1 %). The cost of materials was negatively influenced by the increase in the price of cotton, higher wage costs in the sourcing countries and the increasing shortage in raw materials. In addition, as a consequence of the longer lead times due to supply shortages, a partial switch from shipping to air freight was necessary, which led to a marked increase in freight costs. These negative effects on margins were reduced through continuous process improvements in product development and procurement, combined with positive economies of scale in purchasing. The reduction in margins in the Wholesale segment was compensated for by growth in the higher-margin Retail segment, which grew from 25.5 % to 30.7 % of total Group revenues.

Personnel costs were impacted by special items with a total value of nearly EUR 3 million. These items included bonus payments to the Management Board members and to management as part of the successful IPO (EUR 2.3 million) and payments to release the former Management Board member Dietmar Axt from his contract (EUR 0.6 million). Adjusted for the effects of these special items, personnel costs rose by 20.5 % to EUR 49.8 million (unadjusted: EUR 52.7 million) year-on-year (2009: EUR 41.3 million). This increase corresponds to the 44 % increase in the headcount within the TOM TAILOR Group in comparison to 31 December 2009. The headcount increase is primarily due to the expansion of the business and thus to the increase in sales staff for TOM TAILOR own retail space.

Other operating expenses rose by EUR 19.6 million to EUR 91.9 million. The main reason for this is IPO expenses totalling EUR 5.7 million, which, in accordance with IFRS, may not be classed as costs incurred for raising equity and booked against the capital reserve. These expenses relate mainly to the restructuring of the syndicated bank loan. The increase in other operating expenses over and above this totalling EUR 13.9 million is principally due to the expansion of the retail business and the rental costs and other variable costs dependent on the level of sales.

EBITDA was mainly affected by one-off costs arising from the IPO. Without the extraordinary items, which had an impact of EUR 10.0 million on EBITDA, the recurring EBITDA rose by 5.9 % to EUR 40.1 million (2009: EUR 37.8 million). The recurring EBITDA margin fell to 11.5 % (2009: 12.6 %). The reduction resulted primarily from the rise in the cost-of-materials ratio in the Wholesale segment and from upfront costs incurred for the many store openings during the year under review.

At EUR 22.9 million, depreciation was EUR 1.8 million higher than in the previous year (2009: EUR 21.1 million). The figure includes depreciation of EUR 8.1 million (2009: EUR 8.1 million) on the hidden reserves that had been recognised in the course of the purchase price allocation from the acquisition of TOM TAILOR's operations by the Group's holding company in 2005. The increase in depreciation is in line with the increased investments and further growth.

Financial result

The financial result for the 2010 financial year came to EUR – 8.0 million after adjustments; prior to adjustments it was EUR – 11.4 million. This figure includes special items arising from the IPO totalling EUR 3.4 million. The financial result after adjustments was therefore significantly improved on the financial result for 2009, which was EUR – 17.7 million. The reason for this positive development is the repayment of EUR 109.8 million's worth of bank and shareholder liabilities. In addition, shareholder liabilities of EUR 25 million were converted into subscribed capital and capital reserves in order to strengthen equity ahead of the IPO.

see page 92

Taxes on income and earnings

Taxes on income and earnings amounted to a positive figure of EUR 6.7 million (2009: EUR – 3.8 million). The reason for this positive tax result was primarily special items in the area of deferred taxes totalling EUR 6.7 million, which stemmed from the future usability of past interest expense which had not been tax-deductible until that point (the so-called interest barrier). Apart from this, the high level of special items that were tax-deductible in 2010 led to negative taxable income at the level of TOM TAILOR Holding AG.

see page 93

Net result for the period and earnings per share

The recurring net result for the period came to EUR 12.4 million in 2010, which was clearly up on the 2009 result (after adjustments) of EUR 0.6 million. The reported net result for the period includes special items (including quantifiable tax effects) of EUR 10.0 million, resulting in a reported net result for the period of EUR 2.4 million in 2010 (2009: EUR – 5.6 million). The special items include the costs for the IPO and the effects of the pre-IPO capital structure. The reduced tax burden, tax effects from the future deductibility of up to now unusable interest expense and an improvement in the operating result during the rest of the year all led to the significant increase in the net result for the period.

Reported earnings per share in 2010 were consequently EUR 0.15 (2009: EUR – 1.13) and recurring earnings per share came to EUR 0.87 (2009: EUR 0.12).

see page 94

NET RESULT FOR THE PERIOD

EUR thousand	2010	2009
Net result for the period	2,406	– 5,646
Income tax	– 6,685	3,825
Earnings before taxes	**– 4,279**	**– 1,821**
Financial result	7,958	17,704
One-off items		
Interest costs for debt restructuring as a result of the IPO	3,405	0
Depreciation on the purchase price allocation (PPA) from 2005	8,064	8,064
Costs arising from the IPO		
Personnel costs	2,344	0
Debt structuring costs	5,682	0
	8,026	**0**
Severance of former management board member	620	0
Other one-off items	1,375	883
Total of one-off items not including tax effects	21,490	8,947
Recurring EBIT	**25,169**	**24,830**
as a % of sales	7.2 %	8.3 %
Depreciation (not including depreciation on PPA)	14,900	13,004
Recurring EBITDA	**40,069**	**37,834**
as a % of sales	11.5 %	12.6 %
Depreciation (not including depreciation on PPA)	– 14,900	– 13,004
Financial result	7,958	– 17,704
Recurring earnings before taxes	**17,211**	**7,126**
Income tax	6,685	– 3,825
Imputed tax effects (30 %) on total one-off items	– 4,840	– 2,684
Deferred taxes interest barrier	– 6,660	0
Recurring net result for the period	**12,396**	**617**

Financial position

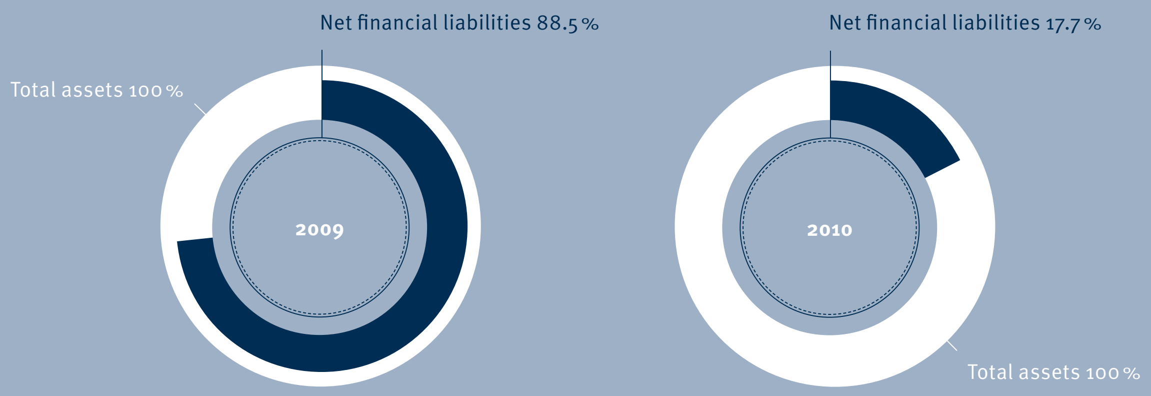
Cash flow

see page 75, 114 et seq.

The high value of the special items incurred in 2010, in part as a result of the IPO and because of expenses due to the restructuring of finances, had a negative impact on both the result and therefore liquidity. Nevertheless, at EUR 2.4 million, the net result for the period was considerably up compared to the previous year's result (2009: EUR –5.6 million). The main reasons for the lower cash inflow from operations in comparison to the previous year are the clear increase in inventories of EUR 8.4 million and the increase in accounts receivable and other assets totalling EUR 2.2 million and resulting from the expansion of the controlled retail space as well as the general increase in sales, particularly in December.

The net outflow of funds from investment activities amounted to EUR 26.7 million in the period under review (2009: EUR 11.3 million). The focus of investment was on expanding the retail space in both segments. In line with the growth strategy, EUR 14.9 million (2009: EUR 2.0 million) went to the Retail segment. The investment of EUR 12.5 million (2009: EUR 9.5 million) in the Wholesale segment was primarily as a result of the continued expansion of the controlled retail space as well as the acquisition of distribution rights for Russia and Hungary. As part of the first-time consolidation of the newly founded Sportina joint venture, which will drive expansion in South-Eastern Europe, the related cash disposals of EUR 2.1 million are reported under net outflow of funds from investment activities.

RATIO OF NET FINANCIAL LIABILITIES TO TOTAL ASSETS



The net inflow of funds from financing activities amounted to EUR 27.8 million. The gross proceeds of EUR 143.0 million from the IPO less directly connected costs of EUR 5.4 million for increasing subscribed capital were used for the repayment of shareholder loans totalling EUR 32.6 million (not including interest payments) remaining after the increase in non-financial capital (conversion of shareholder loans with a value of EUR 25.0 million). In total, other financial liabilities totalling EUR 77.2 million were repaid. This covered primarily the repayment of long-term bank loans totalling EUR 66.2 million. All short-term bank credit lines were also paid off, with the result that the Company had cash and cash equivalents of EUR 22.5 million available at the end of December 2010.

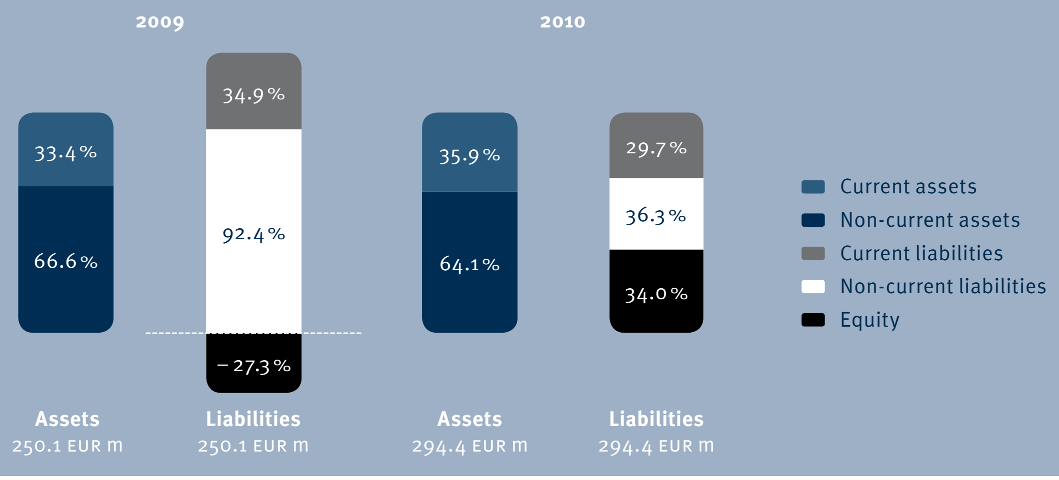
As part of the preparations for the IPO, the existing bank financing structure was restructured due to change-of-control clauses already in place. In addition to making repayments, changes to contractual conditions were made. Taking into account the scheduled repayment of around EUR 6.0 million up until the end of 2013, the existing loans amounting to EUR 59.6 million are repayable with final maturity in January 2014. The effective interest rate on the long-term loans is variable and is based on the 3-month EURIBOR rate plus a markup of between 2.5 % p.a. and 4.25 % p.a. (previous year: between 1.75 % and 3.5 %), dependent on the ratio of net debt to recurring EBITDA for. The existing financial covenants were met comfortably in 2010.

Investments

"Act premium, sell volume" – this philosophy is in evidence not only in the Company's product range, but in particular also when it comes to store construction. End customers of TOM TAILOR should feel good when they are in the Company's retail space, so as to influence their purchase decisions as positively as possible. Accordingly, TOM TAILOR invests a large amount in the fitting out of its premium retail space, thus providing the basis for further growth in sales. TOM TAILOR will continue to invest in fitting out of its controlled retail spaces in the coming years. At EUR 25.4 million in the year under review, investment in intangible and tangible assets was significantly higher than the previous year's level (EUR 11.5 million). The main elements of this were investments in controlled retail space: own retail store fit-outs totalling EUR 10.9 million (2009: EUR 1.7 million), shop-in-shop space fit-outs amounting to EUR 8.2 million (2009: EUR 6.4 million), and the acquisition of distribution rights in Russia and Hungary which came to EUR 1.6 million (2009: EUR 0.0 million).

see page 94 et seq.

CONSOLIDATED BALANCE SHEET – ASSET AND CAPITAL STRUCTURE



Balance sheet structure

see page 76 et seq., 94 et seq.

Inventories rose to EUR 39.8 million (31 December 2009: EUR 31.4 million) as a result of the increase in controlled retail space and positive growth in sales. Retail expansion in particular is coupled with a corresponding rise in inventories. The increased amount of trade receivables, at EUR 38.4 million (31 December 2009: EUR 33.4 million), results primarily from the increase of EUR 6.2 million in December sales over the same period in the previous year. Taking into account investment in fixed assets, the increase in inventories and trade receivables as well as the increase in cash and cash equivalents, the Group's total assets increased to EUR 294.9 million at year-end 2010. They were thus EUR 44.8 million or 17.9 % higher than the value of EUR 250.1 million as at 31 December 2009. The clear improvement in equity was primarily a result of the IPO in March 2010. The gross proceeds from the issue of EUR 143.0 million, the conversion of shareholder loans totalling EUR 25.0 million and the net result for the year all led to a significant increase of EUR 168.4 million in equity, to EUR 100.2 million. The equity ratio accordingly rose to 34.0 % (31 December 2009: – 27.3 %). Following the successful IPO, this has provided the basis for the continuing dynamic and profitable growth of TOM TAILOR.

The repayment of debt reduced total net financial liabilities by EUR 131.8 million. Non-current financial liabilities came to EUR 65.9 million as at 31 December 2010, having stood at EUR 187.7 million at yearend 2009.

Employees

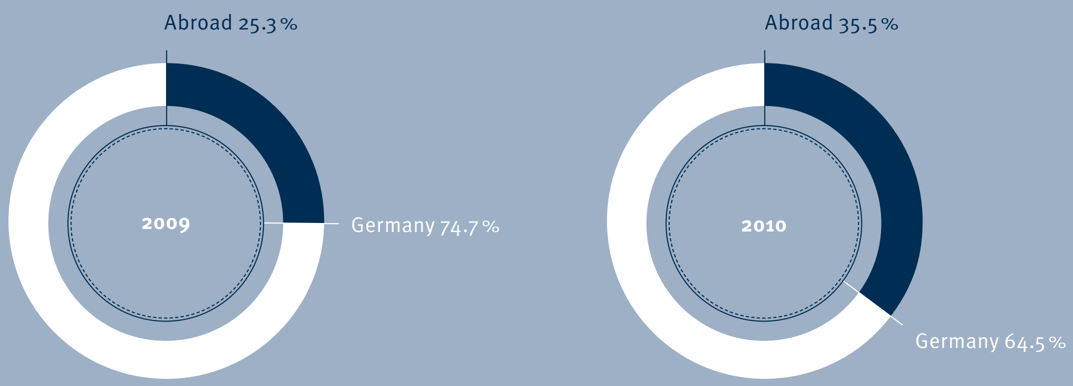
see page 49, 91

TOM TAILOR employed 1,207 people (not including the Management Board members, apprentices and temporary labour) as at 31 December 2010. In comparison to the figure for the 31 December 2009 reporting date (838 employees), this equates to an increase in the workforce of 369 employees or 44 %. This significant increase in personnel is the consequence of TOM TAILOR systematically pursuing its growth strategy and relates directly to the increase of more than 70 retail stores during the 2010 financial year, amongst other factors. Accordingly the numbers employed in the Retail segment rose steeply to 740 (31 December 2009: 382 employees). The number of employees in the Wholesale segment rose slightly to 467 (31 December 2009: 456 employees).

In regional terms, TOM TAILOR employed 778 people in Germany as at 31 December 2010 (31 December 2009: 626 employees) and 429 people in other countries (31 December 2009: 212 employees).

The average number of employees for 2010 came to 990 (not including the Management Board members and temporary labour; 2009: 804).

HEADCOUNT DEVELOPMENT IN GERMANY/ABROAD



Overall assessment of business performance and of the economic situation

The Management Board assesses the business performance of the TOM TAILOR Group in 2010 and its economic situation as positive. The issue proceeds from the IPO have strengthened the capital base and have improved financial flexibility and allowed the expansion of the profitable business model to move ahead. Financial stability has been perceptibly reinforced and financing for TOM TAILOR in the medium term has been secured.

In contrast to the forecasts for the 2010 financial year, total revenues for the TOM TAILOR Group increased by 15.8 % to EUR 347.7 million and surpassed the revenue forecasts made for 2010 in the course of preparing for the IPO. The reason behind this development was the launch of the expansion phase for the Retail segment. Taking into account the joint venture stores in South-Eastern Europe, the number of retail stores rose by 71 to 158 stores. The increase in the number of own retail stores was thus significantly above the forecast growth of 30 stores for 2010. Taking into account the joint venture in South-Eastern Europe, the forecast for recurring EBITDA as an important performance indicator was also exceeded. If the joint venture is not taken into account, the original forecast was met.

Amongst other factors, the systematic implementation of the expansion strategy for controlled retail space in both the Retail and Wholesale segments contributed to revenue growth. The e-shop also increased its sales and is thus another factor driving growth for TOM TAILOR. At the operational level, both the TOM TAILOR Denim and WOMEN Casual product lines showed an above-average increase in sales in 2010.

In addition to the growth in revenues, factors such as lower interest payments, positive tax effects and a small improvement in the result from operations have all contributed to the significant increase in the net result for the period.

The Management Board of TOM TAILOR Holding AG views the Group as being well positioned for the further expansion of the successful TOM TAILOR business model. From this base, the Management Board is expecting positive effects from economies of scale to lead to a lower growth in costs than in revenues, and thus to a further increase in profitability.

RISKS AND OPPORTUNITIES

In conducting its business, TOM TAILOR comes up against many risks and opportunities which are always inherent to its business activities. Risks are defined as events which could lead to a negative variance from the objectives planned for the future. If these risks become reality, business performance may be permanently adversely affected, earnings may be reduced and the financial position of the Company jeopardised. In contrast, opportunities are defined as factors which could have a positive influence on the future development of TOM TAILOR.

The objective of risk management is to identify risks early on, to manage them and to reduce them through appropriate countermeasures. Risk management also serves to systematically exploit any opportunities arising out of market developments without losing sight of the connected risks and to ensure that an acceptable risk profile is maintained. Risk policy aims to secure and grow TOM TAILOR's position in the market, in order to increase its corporate value in the long term.

The Management Board has installed an internal control system to cover the many organisational, technical and business processes within the Group. An important element of this is the principle of the separation of duties so that company processes are not concentrated in one position. Employees only have access to the processes and data that they need for their job. There are process specifications and instructions for various processes within the organisation, which enable judgements to be made as to whether employees are working in compliance with these specifications. There is also regular, close contact with the auditors during the year, to deal with new regulations or to discuss new or unusual transactions. The consolidated financial statements are drawn up centrally by experienced employees with expertise in the areas of consolidation and IFRS accounting, using a certified consolidation software package. Standardised reporting packages are used by the subsidiaries for reporting to the ultimate holding company, which contain all the data required for complete consolidated financial statements in line with IFRS.

Central to this risk policy is the notion that risks should only be entertained if there is a high probability that the business activities associated with the risk will lead to an increase in value for TOM TAILOR. The prerequisite is always that the risks remain reasonable and manageable.

Management of opportunities

The corporate culture of TOM TAILOR is such that entrepreneurial thinking and activity is valued. TOM TAILOR sets great store by its employees demonstrating a high degree of initiative and responsibility. All employees are therefore encouraged to seek out and take advantage of opportunities, which may also be outside or beyond their own areas of responsibility. Group companies are charged with identifying opportunities in their operations which may, for example, arise as part of their operating activities or as a result of improved market conditions and to exploit these opportunities with the aim of achieving above-budget profits. The holding company records all strategic opportunities. These are evaluated and measures are drawn up to be able to exploit them. It is also part of the Management Board's responsibility to regularly review strategic opportunities.

Risk management

TOM TAILOR deals with business risk through its risk management system, which forms an integral part of all business processes and is an important element in business decisions. The Group-wide risk management system is coordinated and managed centrally from the head office in Hamburg. It enables potential risks arising in connection with business activities to be identified at an early stage, monitored and kept within limits through appropriate control measures. Its main elements are the planning system, the internal reporting system and risk reporting. Decentralised risk management functions in the subsidiaries implement the guidelines issued by the head office and supplement these with further local operational risk management activities. The risk management system also helps management to identify and exploit opportunities to support company strategy in an optimal way. A further important element of the risk and opportunity management system is the transfer of operational risk to insurers. This allows the financial consequences of risks that can be insured against, such as property damage, interruptions to business or the loss of receivables outstanding, to be almost completely eliminated. Other risks are assumed by suppliers and purchasing agencies.

The risks which are relevant to TOM TAILOR can be divided into external risks, i.e. market and sectorspecific risks, and internal risks. The latter include strategic, financial, operational and businessrelated risks.

External risks

Sector and market-related risks

TOM TAILOR experienced above-average growth in 2010 compared to the general trend in the apparel industry. A sustained weakness in or worsening of the economy, particularly in the home market of Germany, could have a negative impact on consumer demand and thus on demand for TOM TAILOR products, with resulting reductions in sales and pressure on margins. In addition, the core clothing markets in which TOM TAILOR operates are characterised by intense competition, which could intensify even further in the future. TOM TAILOR counters these risks with a growth-oriented company strategy, which includes further expansion in the domestic and foreign markets as well as a systematic approach as a vertical system supplier.

Fluctuations in supply and demand in the supply and commodity markets could lead to supply bottlenecks, problems with the quality of raw materials and increased logistics and manufacturing costs which cannot be (completely) compensated for by higher retail prices. TOM TAILOR deals with these risks on the one hand by pursuing a targeted supplier policy that concentrates on reliable business partners and, on the other hand, with the further expansion of the retail business, which allows greater flexibility when it comes to margins and an enhanced ability to compensate for price fluctuations in the supply markets.

TOM TAILOR deals with country risks – i.e. potential economic, political or other commercial risks in other countries – by selling its products in the main in countries with a stable economic and political environment.

Internal risks

Strategic risks

One of the reasons why TOM TAILOR has grown so successfully is that trends in the market are identified quickly, acted upon and put through to the points of sale extremely swiftly. Should TOM TAILOR fail to identify current trends quickly and match the tastes of its target groups in its target markets, or fail to set prices acceptable to the market or develop and supply new products successfully, this could have a negative effect on the Group's competitive position, growth chances and profitability. However, its closeness to its customers through its own retail stores also opens up opportunities for TOM TAILOR, as customer reactions are used to identify and implement new trends swiftly.

The further establishment and reinforcement of the TOM TAILOR Casual and TOM TAILOR Denim brands could fail in spite of the careful brand strategy, which would impact on growth perspectives. For this reason, great value is placed on protecting and maintaining TOM TAILOR's brand image. In its Wholesale segment, TOM TAILOR deals with major accounts which could cease to be customers: this would lead to significant reductions in revenues. Insolvencies amongst major customers would also pose a significant risk of revenue loss in the Wholesale segment. TOM TAILOR hedges against the loss of receivables outstanding in various ways, including transferring the risk to trade credit insurers. In addition, the increasing expansion in the Retail segment reduces dependence on major accounts.

TOM TAILOR is in a position to exploit opportunities arising out of the expansion of the controlled retail space. Difficult market conditions in the recent past and the withdrawal of some competitors from the market have opened up new opportunities for growth. For example, there are now prime locations available which make it easier for TOM TAILOR to site its own retail stores. When selecting sites and opening new stores, TOM TAILOR follows a rigid qualifying process with regard to economic criteria, location and investment parameters, so as to counter the risk of opening a badly located or unprofitable store from the outset.

TOM TAILOR can exploit the increased media interest caused by the successful IPO in the Prime Standard segment and its inclusion in the SDAX® to increase brand awareness and improve its brand profile. The dynamic growth of the Group likewise contributes to heightened brand awareness. This presents TOM TAILOR with the opportunity of further increasing visibility amongst its target groups.

Financial risks

As an international company, TOM TAILOR is exposed to interest rate, liquidity, currency and counterparty risks during its ordinary business activities which could have an influence on the financial position and results of operations of the Group. In order to limit interest rate and currency risk in operations, derivative financial instruments are specifically deployed. The TOM TAILOR Group does not trade in financial instruments, but undertakes targeted hedging of the risks arising from operations. When contracts are concluded in a foreign currency, futures are transacted in order to minimise unquantifiable future currency risks. The transactions involving financial instruments are monitored and checked on an ongoing basis by the Management Board within the framework of the risk management system.

Finance and liquidity risks

The management of liquidity risks is one of the main responsibilities of the Treasury Department. Liquidity risk is the risk that payment obligations cannot be met or not met on time because of insufficient funds. In order to ensure the ability to pay and financial flexibility, a revolving liquidity plan has been drawn up, which projects the inflow and outflow of funds in the short and medium term. In addition to this, and taking into account the debt repaid as a consequence of the IPO, TOM TAILOR has sufficient lines of credit available to it to be able to compensate for the seasonal fluctuations in liquidity that are a feature of the sector.

Dividend payment risk

The payment of dividends is dependent on the financial position and results of operations of TOM TAILOR Holding AG and the distribution of profit or the profit transfer made by its subsidiary operations, and is subject to restrictions due to existing and future loan agreements.

The decision on future dividend payments is always dependent on the circumstances at the time, which includes the earnings situation, the Company's funding and investment requirements, and the availability of net profit (each as reported in the Company's financial statements prepared in accordance with HGB accounting).

Interest rate risk

The Group is exposed to interest rate risk primarily in the eurozone. To hedge against the resulting risks, TOM TAILOR uses derivative financial instruments to hedge the interest on loans with variable interest rates. Both interest rate cap and swap transactions are implemented for the period of the bank loan to limit the risks of interest rate changes. A detailed table showing the interest rate caps and swaps that have been concluded can be found in the notes to the consolidated financial statements.

see page 113 et seq.

Currency risks

As a result of the international nature of TOM TAILOR's business activities, risks may arise due to exchange rate fluctuations. The majority of TOM TAILOR's invoicing is in euros and the risk of exchange rate fluctuations is therefore of minor importance. A greater risk overall is posed by exchange rate fluctuations on the procurement side of the business. TOM TAILOR sources a large amount of its procurement volumes in US dollars. To hedge against the resulting risk, futures contracts for US dollars are concluded at the time of concluding the procurement contract in order to minimise or exclude unquantifiable future risk.

see page 112 et seq.

Credit risks

Credit risks exist in regard to financial institutions and customers. The credit risk in regard to financial institutions, which has grown in significance as a result of the global banking crisis, arises primarily in the investment of liquid funds as part of liquidity management. With financial instruments, TOM TAILOR is exposed to a risk of default which can arise from non-performance by a contractual partner. In order to minimise this risk, transactions involving financial instruments are only concluded with counterparties of good credit standing.

see page 111

The credit risk with regard to customers arises from the granting of payment periods and thus the default risks associated with this. In order to minimise default risk in operations, outstanding payments are monitored centrally on a continual basis. The Group only transacts business with creditworthy third parties. All customers wishing to do business with the Group on a credit basis are subject to a credit assessment. Over and above this, the risk is countered through credit insurance and through obtaining collateral.

Operational risks

Sales and inventory risk

As a consequence of expanding its own retail space in the Retail segment, shop-in-shop sales and the revenue sharing model in the Wholesale segment, TOM TAILOR is exposed to growing sales and inventory risk. Additionally, the opening up of new stores is linked to increased expense and uncertainty with regard to future profitability.

The Company cannot rule out incorrect assumptions when forecasting actual customer demand and expected sales. If goods delivered to the Company's own stores at the beginning of the month do not sell steadily up to the next delivery of goods, there can be a resulting inventory surplus which could lead to a reduction in revenues or to lower retail space productivity (revenues per square metre, or net selling space, i.e. retail space excluding changing rooms, till areas, lounges and shop windows).

The opening of more own stores as part of retail expansion also calls for increased investment and leads to increased personnel and rental costs. There is no guarantee that this increased expense compared with the Wholesale segment can be compensated for with higher margins, nor that new own stores can be run as profitable units. The expansion in the Retail segment therefore constitutes a higher business risk for the TOM TAILOR Group. This risk is generally a more direct and a greater risk for the TOM TAILOR Group in its Retail segment than in the Wholesale segment.

In the Wholesale segment, the sales risk is normally carried by the wholesale customers, in particular in relation to pre-orders, i.e. the ordering of items which TOM TAILOR only has manufactured once the order has been placed. TOM TAILOR may have to bear the sales risk (in whole or in part), however, depending on how a contract is worded. The TOM TAILOR Group bears the sales risk in particular in relation to shop-in-shop sales and revenue sharing models.

Quality risk

Assuring the consistent high quality of TOM TAILOR products calls for close collaboration with suppliers and other contractual partners. This engenders procurement, production and logistics risks. One risk factor is the potential loss of product quality. In order to ensure stable supply relationships resulting in consistently high product quality and attractive prices for its constantly changing collections, in the area of sourcing TOM TAILOR works with an international network of purchasing agents and manufacturers, and has required them to comply with the TOM TAILOR Code of Conduct. There are currently some 150 manufacturers in 12 different countries working for TOM TAILOR. The Code of Conduct covers all the core working standards drawn up by the International Labour Organization (ILO) and is binding for all partners. This Code of Conduct is intended to ensure that TOM TAILOR products from all production units have been manufactured in humane working conditions. Audits are carried out regularly at all the production units to ensure that high standards of quality, employment law provisions and internationally recognised standards are being upheld. Each manufacturer is responsible for quality control in the first instance, manufacturing and checking the goods according to precise quality benchmarks.

Working conditions are checked by independent accredited auditors. TOM TAILOR is an active member of the Business Social Compliance Initiative (BSCI). The BSCI is a Europe-wide initiative for retail organisations, which have joined forces to impose a uniform monitoring system on their suppliers. There are also further quality checks carried out at the central warehouse and in the Company's own laboratory in Hamburg.

Business-related risks

IT risks

It is essential that modern IT systems are available and functioning if business processes are to be managed properly and costs controlled. In particular, the IT systems for both merchandise management and the sales of tom TAILOR PRODUCTS on the Internet (e-shop) are extremely important. A failure of these systems would impact on business processes and could lead to higher costs. TOM TAILOR will continue to invest in the further development of its IT systems in order to ensure system availability and functionality at all times and to increase process efficiency. Although the IT systems are backed up and duplicated several times over, it cannot be ruled out that data might be lost in the event of damage caused by, for example, fire, a power failure, system errors, attacks by hackers, fraud or terrorism.

Legal risks

Legal risks typically arise from issues connected to industrial law, industrial property rights, product liability and warranties, or through the introduction of new laws or changes to existing laws or the interpretation thereof. The violation of an existing regulation may result from ignorance or negligence. In order to counter these risks in an appropriate and timely manner, potential risks are analysed thoroughly, calling on the expert knowledge of the Legal Department and, if necessary, external specialists. Despite these measures, the outcome of any ongoing or future proceedings cannot be predicted with certainty. Only a few companies within the Group are involved in legal proceedings at present. Legal disputes can be costly, even if the Company's case is upheld, and could damage TOM TAILOR's image.

In order to protect its trademark rights, TOM TAILOR monitors the markets globally for trademark registrations that could be mistaken for its brand names or the T logo. If a confusingly similar brand is discovered or the TOM TAILOR brand name is used without permission, the necessary legal steps, i.e. usually the registering of objections, are taken immediately.

Employee risks

TOM TAILOR is a successful medium-sized company and promotes a corporate culture which is based on and benefits from respectful treatment of all employees. TOM TAILOR is nevertheless particularly dependent on its Management Board members and on other managers. If managers were to leave, this could have a negative effect on the development of the business. TOM TAILOR counteracts this risk by creating a good working environment and by offering attractive remuneration together with long-term performance objectives.

Assessment of the overall risk position

At the time of writing, there are no individual or aggregate risks that could jeopardise the continued existence of the TOM TAILOR Group in the foreseeable future. There have been no significant changes to the risk situation of the TOM TAILOR Group since the end of the 2009 financial year. Thanks to the IPO and the subsequent repayment of financial liabilities, finance and liquidity risks in particular have been reduced.

SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

As at 11 February 2011, there were no significant events or changes in the operations or structure of the TOM TAILOR Group that changed the financial position and results of operations in comparison to 31 December 2010.

OUTLOOK

Outlook for general economic conditions and for the sector

In its most recent World Economic Outlook dated January 2011, the International Monetary Fund (IMF) views global economic development in 2011 and 2012 predominantly positive. According to the report, the global economy will grow by around 4.5 % in both years, with average growth in developing countries and emerging markets at 6.5 % for each year.

In some of the emerging country markets, there is now a threat of the economy overheating. A price bubble has formed in China's property market in recent years, which could result in a correction. In other countries such as Brazil, rapid economic growth has led to inflation accelerating. The central banks of the countries affected have set a more restrictive course with regard to monetary policy and have raised their base rates. This could lead to a slowdown of the global economy and in demand.

In the USA, the danger of a renewed economic crisis appears to have passed. A strong increase in consumer spending in the fourth quarter of 2010 suggests that the us economy is picking up. On the other hand, the high level of national debt in the United States is giving cause for increasing concern.

According to IMF estimates, economic growth in the eurozone will be considerably more modest than it was in 2010, at 1.5 % in 2011 and 1.7 % in 2012. The report expects the German economy to show the highest growth rates in this group of countries and to expand by 2.2 % and 2.0 % respectively in 2011 and 2012.

As the German economy continues to pick up in general terms, the consumer climate may be becoming brighter. The GfK consumer climate index increased to 5.7 points in February 2011, having stood at 3.4 points in January 2010.

However, the acceleration in prices observed from the third quarter of 2010 onwards has continued. The consumer price index in Germany in January 2011 recorded a rise of 1.9 % over the same month in the previous year. Prices in the eurozone rose by 2.4 %. The muted economic development of the financially weaker economies in the eurozone make a rise in base rates unlikely. However, if price increases continue to accelerate, pressure will build on the European Central Bank to raise its interest rates.

In the procurement markets, cotton production is expected to increase and cotton prices are likely to show some initial signs of calming down. The commodity prices and the on-time availability of wool and cotton will be decisive factors for the textiles industry in 2011. A large majority is assuming that sales will increase and that it will be possible to push through price increases as a consequence of higher costs. The consumer climate is expected to improve further over the next two years on the back of general economic developments, and the textiles sector could be in a position to benefit from this at an above-average rate, as was the case in the year under review.

Thanks to favourable general economic conditions and, in particular, consumer behaviour, the conditions are right for TOM TAILOR to experience further profitable growth and a sustained increase in corporate value.

Overall assessment of the Management Board regarding the expected development

The Management Board of TOM TAILOR Holding AG assesses the Group's position as still being positive and assumes the Group's financial position and results of operations will develop positively in both2011 and 2012. The Management Board see the good performance shown in 2010 as affirmation of the strategy which has been implemented and refined over the last few years. The following factors will be important for further growth in sales and profitability:

- Replication of the existing successful business model
- Accelerated organic growth through the ongoing development and profitable management of the controlled retail space, with a particular focus on the Retail segment
- An increase in retail space productivity
- International expansion in selected markets
- Below-average increase in expenses thanks to positive economies of scale
- Possible introduction of new product lines

Organic growth will continue to be the priority for TOM TAILOR in the future. Where this makes sense for the Group, it enters into strategic partnerships so as to gain entry into new markets and reach new customers, and to drive forward expansion in established markets.

Future development of the Group

TOM TAILOR Holding AG will continue with its profitable growth and expansion strategy once again in 2011. The funds from the IPO are helping to support the Group's strategic objectives, namely the development and replication of its successful business model by expanding its controlled retail space in the core markets.

The focus of further expansion will be primarily on the Retail segment and thus on the opening of further own stores. TOM TAILOR is planning to open some 60 to 70 new retail stores in each of the 2011 and 2012 financial years.

The number of controlled shop-in-shops and franchise stores in the Wholesale segment is to be increased further. The Management Board is planning to open a further 200 to 250 shop-in-shops and 20 to 25 franchise stores in each of the next two years.

Expansion will be driven not just in the German home market, but also in particular in the other core markets Austria, Switzerland, the Benelux-countries and France. As a result of this, dependencies on particular country markets should be reduced. As part of its further expansion plans, the Group is looking at market entry in further countries, such as Poland. TOM TAILOR is already a well-known and trusted brand there.

TOM TAILOR is represented by the brands TOM TAILOR Casual and TOM TAILOR Denim on the fashion markets. The collections for the TOM TAILOR Casual brand with its MEN Casual, WOMEN Casual, KIDS, MINIS and BABY lines and for the TOM TAILOR Denim brand with the Denim Male and Denim Female lines each have their own brand profile and are aimed at different target groups. TOM TAILOR Casual and TOM TAILOR Denim are systematically presented to the market as completely separate brands, and this strategy has already proved successful. The clear diversification of these two lines will be systematically developed in the coming years. The WOMEN Casual, Denim Male and Denim Female lines in particular are planned to make above-average contributions to revenue growth in the next few years.

The Asian procurement markets are undergoing a significant transformation. For this reason, TOM TAILOR sees it as imperative that it enters into closer long-term collaborations with the suppliers there, so as not only to be closer to the procurement market, but also to ensure that it can procure cotton and cotton processing in the future. TOM TAILOR analyses further opportunities for the secure sourcing of the Group's raw materials requirements on an ongoing basis.

From today's perspective, the Management Board of TOM TAILOR Holding AG is expecting sales of at least EUR 400 million for 2011. Despite high cotton prices expected for 2011 and the start-up costs of the new stores, the Management Board is expecting absolute EBITDA inbetween EUR 48 and EUR 51 million. Political and economic uncertainties on which the TOM TAILOR Group has no influence could, however, lead to the actual business performance differing from forecasts.

For 2012, the Management Board is assuming further significant growth in sales as well as an increase in relative profitability. The aim of TOM TAILOR is for its shareholders to participate proportionately in the Company's future success.

STATEMENT ON CORPORATE GOVERNANCE

The statement on corporate governance in accordance with section 289a HGB (German Commercial Code) can be found in the corporate governance section of the annual report and on the website (http://ir.tom-tailor.com) of TOM TAILOR Holding AG.

REMUNERATION OF MANAGEMENT BOARD AND SUPERVISORY BOARD MEMBERS

Remuneration of Management Board members

see page 117 et seq.

An important aspect of responsible company management is a remuneration system for the Management Board and Supervisory Board members which combines the right elements of incentive and performance recognition. The remuneration of Management Board members currently comprises a fixed basic salary and variable, performance-related remuneration. The variable remuneration for the Management Board members Mr Holzer, Dr Rebien and Mr Rosa is linked to the figures for net sales and to the recurring EBITDA for the TOM TAILOR Group. The Management Board members may, as a fringe benefit, use their company cars for private motoring. In addition, accident insurance has been taken out for Dr Rebien and Mr Rosa, and an endowment policy has been taken out for Mr Holzer. In the event of a member of the Management Board being unfit for work or dying, their salary will continue to be paid for a maximum of 6 and 12 months respectively. In the event of Mr Holzer's employment contract being terminated, he is entitled to receive the fixed portion of his salary for the remainder of the contract term.

In the 2010 financial year, variable remuneration amounted to EUR 790 thousand for Mr Holzer, EUR 264 thousand for Dr Rebien and EUR 152 thousand for Mr Rosa. The fixed portions of their remuneration amounted to EUR 900 thousand for Mr Holzer, EUR 250 thousand for Dr Rebien, EUR 350 thousand for Mr Rosa and EUR 760 thousand for Mr Axt. In addition to this remuneration, Dr Rebien, Mr Rosa and Mr Axt received bonus payments for the successful IPO amounting to EUR 1,325 thousand, EUR 530 thousand and EUR 300 thousand respectively.

The Supervisory Board passed a resolution on 20 January 2010 to implement a share-based remuneration system ("matching stock programme" or MSP for short) for members of the Management Board. The MSP will run for 14 years from the day of the initial quotation. The MSP is intended to bring about the convergence of Management Board and shareholder interests. A detailed description of this remuneration system can be found in the notes. The evaluation of this programme as at 31 December 2010 shows that Mr Holzer has an entitlement to EUR 193 thousand in remuneration, and Dr Rebien and Mr Rosa to EUR 69 thousand each. This entitlement will not be paid out before 2014.

In July 2010, a "long-term incentive programme", or LTI for short, was introduced for the management of TOM TAILOR, with the aim of achieving personnel loyalty and realising the Company's objectives in the long term. The members of the Management Board are also part of this programme. This remuneration system will run for eight years (starting with the 2010 financial year) and provides an additional individual bonus payment based on the comparison of actual figures with budgeted sales and the operating profit or loss over a period of three years. A further component to be incorporated is the development of the share price. An evaluation of the LTI programme as at 31 December 2010 shows that Mr Holzer has an entitlement to EUR 183 thousand in remuneration, Dr Rebien to EUR 51 thousand and Mr Rosa to EUR 71 thousand. Provided that certain requirements are met, this entitlement will be paid out for the first time in 2013.

Remuneration of Supervisory Board members

In accordance with the articles of association, the members of the Supervisory Board receive fixed remuneration of EUR 40 thousand in addition to the reimbursement of their expenses, with the Chairman receiving EUR 150 thousand and the Deputy Chairman EUR 75 thousand. Payment is due following the Annual General Meeting at which the consolidated financial statements for the financial year in question are submitted or a decision is made about approval.

see page 118 et seq.

INFORMATION REQUIRED UNDER TAKEOVER LAW

As at 31 December 2010, the information required under takeover law in accordance with section 315(4) HGB was as follows:

Composition of subscribed capital

As at 31 December 2010, the subscribed capital (share capital) of TOM TAILOR Holding AG amounted to EUR 16,528,169 and is composed of 16,528,169 no-par-value registered shares. Each share bestows the same rights on its holder and entitles the holder to one vote per share at the Annual General Meeting.

Shareholdings exceeding 10 % of voting rights

There is one direct shareholding in the Company which exceeds 10 % of the voting rights: Morgan Finance S.A., Luxembourg, has informed TOM TAILOR Holding AG that it held some 11.6 % of voting shares in TOM TAILOR Holding AG as at 31 December 2010.

APPOINTMENT AND REMOVAL OF MANAGEMENT BOARD MEMBERS, CHANGES TO THE ARTICLES OF ASSOCIATION

The procedure for appointing and removing members of the Management Board of TOM TAILOR Holding AG is as set out in sections 84 and 85 of the German Companies Act (AktG) in combination with section 6 of the articles of association. In accordance with section 6 of the articles of association, the Management Board is composed of at least two people. The Supervisory Board may determine the size of the Management Board. The Supervisory Board may appoint a Chairman and Deputy Chairman to the Management Board. The articles of association may be amended with the approval of at least three-quarters of the share capital represented at the passing of the resolution at a Annual General Meeting of shareholders; the provisions in sections 179 ff. AktG must be applied. In accordance with section 15 of the articles of association, the Supervisory Board is empowered to make changes to the articles of association that only affect their wording.

AUTHORITY OF THE MANAGEMENT BOARD TO ISSUE SHARES

In accordance with section 4(3) of the articles of association, with the approval of the Supervisory Board, the Management Board is empowered to raise the share capital of the Company in a single or multiple steps, in whole or part amounts, for cash payment or payment in kind, by a maximum of EUR 8,264,084 through the issue of up to 8,264,084 new no-par-value registered shares up until 24 March 2015 (authorised capital). The new shares forming part of the authorised capital must be offered to existing shareholders (including by means of indirect subscription as defined in section 186[5][1] AktG).

With the approval of the Supervisory Board, the Management Board is, however, empowered to preclude the pre-emptive right of the shareholders in law to exercise their subscription rights in the following cases:

- to remove fractional amounts from pre-emptive rights;
- in the case of capital increases against contributions in kind to maintain shares for the purposes of acquiring companies, shares in companies or equity interests in companies or other assets connected to such acquisitions;
- in the case of capital increases paid for in cash if the share issue price is not significantly lower than the price of the already publicly quoted shares and the shares, issued in accordance with section 186 (3)(4) AktG and precluding preemptive rights, do not make up more than 10 % of the share capital either at the point in time of the authorisation coming into effect or at the time of its execution. Those shares which (i) are issued or sold during the period of time for which the authorisation applies precluding preemptive rights in accordance with section 186 (3)(4) AktG or (ii) can be issued to service bonds with conversion or other options insofar as the bond may be issued once the authorisation has become effective and preemptive rights are precluded in accordance with section 186 (3)(4) AktG must form part of the 10 % limitation on share capital.

With the approval of the Supervisory Board, the Management Board is empowered to determine the additional details for the execution of capital increases from the authorised capital.

TOM TAILOR Holding AG is a party to the following agreement, which contains certain conditions in the event of a change in control of the Company following a takeover offer: The Company has entered into a syndicated loan agreement with a banking consortium. This agreement contains a change-of-control clause, which sets out an obligation to repay the loan granted in the event of a change in control of the Company, that is if one or more persons (collectively) directly or indirectly acquires more than 30 % of the voting rights in the Company. In the event of notice being given to terminate the agreement because of a change of control, the loan must be repaid by a date specified by the lender, which shall not be less than 30 days from the date of giving notice.

Hamburg, 11 February 2011
The Management Board

Dieter Holzer	Dr Axel Rebien	Christoph Rosa
Chairman of the Management Board	Chief Financial Officer	Chief Product Development and Procurement Officer

CONSOLIDATED FINANCIAL STATEMENTS

Casual fashion for a casual life


TOM TAILOR

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE FISCAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2010

EUR thousand	Note	2010	2009
Sales	1	**347,728**	**300,214**
Other operating income	2	14,884	12,838
Cost of materials	3	– 187,926	– 162,487
Personnel costs	4	– 52,733	– 41,315
Depreciation, amortization and impairments	5	– 22,964	– 21,069
Other operating expenses	6	– 91,905	– 72,298
Profit from operating activities		**7,084**	**15,883**
Financial result	7	**– 11,363**	**– 17,704**
Result bevore income tax		**– 4,279**	**– 1,821**
Income tax	8	6,685	– 3,825
Net result for the period		**2,406**	**– 5,646**
thereof			
shareholders of TOM TAILOR HOLDIG AG		2,153	– 5,646
minority shareholders		253	0
Earnings per share in EUR	9		
Basic earnings per share (in EUR)		0.15	– 1.13
Diluted earnings per share (in EUR)		0.15	– 1.13

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FISCAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2010

EUR thousand	2010	2009
Net result for the period	**2,406**	**– 5,646**
Currency effects from foreign operations	– 519	7
Change in cash flow hedging reserve	– 774	0
Deferred taxes on hedging mark-to-market changes	232	0
Other comprehensive result	**– 1,061**	**7**
Comprehensive income after tax	**1,345**	**– 5,639**
thereof		
shareholders of TOM TAILOR HOLDIG AG	1,092	– 5,639
minority shareholders	253	0

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2010

EUR thousand	2010	2009
Net result for the period	**2,406**	**– 5,646**
Depreciation and amortization	22,964	21,068
Income tax expense / income	– 6,685	3,825
Interest income and expenses	11,363	17,704
Change in non-current provisions	905	– 86
Change in current provisions	– 2,279	– 927
Loss / gain on the disposal of intangible assets and property, plant and equipment	– 455	– 156
Change in inventory	– 8,388	– 596
Change in receivables and other assets	– 2,212	– 1,667
Change in liabilities and other assets	1,839	4,208
Income taxes paid / received	– 512	– 513
Other non-cash changes	– 3,952	184
Net cash flow from (used in) operating activities	**14,994**	**37,398**
Interest paid	– 7,987	– 12,705
Interest received	51	20
Net cash flow from (used in) current activities	**7,058**	**24,713**
Capital expenditures on intangible assets and property, plant and equipment	– 25,394	– 11,497
Additions from changes in the basis of consolidation	– 2,057	0
Proceeds from disposal of intangible assets and property, plant and equipment	776	159
Net cash flow from (used in) investing activities	**– 26,675**	**– 11,338**
IPO proceeds	143,000	0
Transaction costs (IPO)	– 5,356	0
Repayment of shareholder loans	– 32,612	9,000
Repayment other financing liabilities	– 77,231	– 19,733
Net cash flow from financing activities	**27,801**	**– 10,733**
Effect of exchange rate changes	208	1
Change in cash and cash equivalents	8,392	2,643
Cash and cash equivalents at beginning of period	14,091	11,448
Cash and cash equivalents at end of period	**22,483**	**14,091**
Composition of cash and cash equivalents		
Cash balances at banks and cash in hand	22,483	14,091

CONSOLIDATED BALANCE SHEET
AS OF 31 DECEMBER 2010

ASSETS

EUR thousand	Note	Dec 31, 2010	Dec 31, 2009
Non-current assets			
Intangible assets	10	142,301	139,872
Property, plant and equipment	11	35,187	19,938
Deferred income tax	13	5,008	254
Other assets	14	842	2,011
Prepaid expenses and deferred charges	14	3,533	4,445
		186,871	**166,520**
Current assets			
Inventories	15	39,800	31,412
Trade receivables	16	38,432	33,363
Income tax receivables	13	3,219	436
Other assets	14	1,496	3,083
Cash and cash equivalents	17	22,483	14,091
Prepaid expenses and deferred charges	14	2,687	1,203
		108,117	**83,588**
		294,988	**250,108**

LIABILITIES AND SHAREHOLDERS' EQUITY

EUR thousand	Note	Dec 31, 2010	Dec 31, 2009
shareholders' equity			
Subscribed capital	18	16,528	5,000
Capital reserve	18	205,433	52,380
Accumulated deficit	18	– 123,215	– 125,368
Accumulated other comprehensive result	18	– 1,254	– 193
Shareholders of TOM TAILOR Holding AG		**97,492**	**– 68,181**
Minority shareholdings		2,749	0
		100,241	**– 68,181**
Non-current liabilities			
Pension provisions	19	255	176
Other provisions	20	961	135
Deferred income tax	21	33,583	34,285
Financial liabilities	22	65,881	187,732
Other liabilities	24	3,537	4,797
Unearned income	25	2,775	3,961
		106,992	**231,086**
Current liabilities			
Other provisions	20	12,156	13,365
Current income tax liabilities	21	5,898	5,712
Financial liabilities	22	8,728	10,275
Trade payables	23	54,335	50,920
Other liabilities	24	5,440	5,840
Unearned income	25	1,198	1,091
		87,755	**87,203**
		294,988	**250,108**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE FISCAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2010

EUR thousand	Number of shares in thousand	Subscribed capital	Capital reserve	Accumulated deficit
January 1, 2010	**5,000**	**5,000**	**52,380**	**– 125,368**
Changes in group of consolidated companies	–	–	–	–
Comprehensive income after tax	–	–	–	2,153
Equity contributions in kind	528	528	24,472	–
Capital increase (IPO proceeds)	11,000	11,000	132,000	–
Transaction costs (IPO)	–	–	– 3,750	–
Personnel costs due to share-based remuneration	–	–	331	–
December 31, 2010	**16,528**	**16,528**	**205,433**	**– 123,215**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE FISCAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2009

EUR thousand	Number of shares in thousand	Subscribed capital	Capital reserve	Accumulated deficit
Januar 1, 2009	**5,000**	**5,000**	**52,380**	**– 119,722**
Net result for the period	–	–	–	– 5,646
Other result	–	–	–	–
Dezember 31, 2009	**5,000**	**5,000**	**52,380**	**– 125,368**

Accumulated other comprehensive result					
Currency related changes	Cash flow hedging reserve (IAS 39)	Deferred taxes on hedging mark-to-market changes	Shareholders of TOM TAILOR Holding AG	Minorities	Total
– 193	**–**	**–**	**– 68,181**	**–**	**– 68,181**
–	–	–	–	2,496	2,496
– 519	– 774	232	1,092	253	1,345
–	–	–	25,000	–	25,000
–	–	–	143,000	–	143,000
–	–	–	– 3,750	–	– 3,750
–	–	–	331	–	331
– 712	**– 774**	**232**	**97,492**	**2,749**	**100,241**

Accumulated other comprehensive result					
Currency related changes	Cash flow hedging reserve (IAS 39)	Deferred taxes on hedging mark-to-market changes	Shareholders of TOM TAILOR Holding AG	Minorities	Total
– 200	**–**	**–**	**– 62,542**	**–**	**– 62,542**
–	–	–	– 5,646	–	– 5,646
7	–	–	7	–	7
– 193	**–**	**–**	**– 68,181**	**–**	**– 68,181**

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS

A. GENERAL INFORMATION

The TOM TAILOR Group is an international and vertically integrated fashion and lifestyle company that offers casual wear in the medium price range. The collections of the TOM TAILOR Casual brand – which covers the product lines MEN Casual, WOMEN Casual, KIDS, MINIS and BABY – and the TOM TAILOR Denim brand, whose lines comprise Denim Male and Denim Female, have their own brand profile and are aimed at various target groups.

The ultimate parent company of the TOM TAILOR Group is TOM TAILOR Tailor Holding AG. It is based in Hamburg, Germany, and is entered in the Commercial Register of the Hamburg District Court under HRB no. 103641. The address is entered as Garstedter Weg 14, 22453 Hamburg.

BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements of TOM TAILOR Holding AG ("the consolidated financial statements") have been prepared in accordance with the International Financial Reporting Standards (IFRS) valid on the reporting date, as applicable in the EU. All of the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) that are mandatory for the 2010 financial year have also been taken into consideration.

The consolidated statement of profit and loss has been prepared using the total cost method. The consolidated statement of financial position and the consolidated statement of profit and loss and of comprehensive income meet the requirements of IAS 1 (Presentation of Financial Statements).

The consolidated financial statements have been prepared in euro. Unless otherwise indicated, all amounts are given in thousands of euro (EUR thousand). Rounding differences may occur as a result. The consolidated financial statements have been prepared using the acquisition cost method, except for derivative financial instruments, which have been measured at fair value.

The accounting methods applied are the same as those used in the previous year with the following exceptions

A) NEW REGULATIONS APPLICABLE FOR 2010

In the 2010 financial year, the following new/amended standards and interpretations were used at the TOM TAILOR Group:

NEW REGULATIONS AND CHANGES IN ACCOUNTING

	Effective date	Date of EU endorsement
Amendments of standards:		
Amendment to IFRS 1: Additional Exemptions for First-time Adopters	01/01/2010	23/06/2010
Amendment to IFRS 2: Share-based Payment	01/01/2010	23/03/2010
IFRS 3: Business Combinations: Revised	01/07/2009	03/06/2009
Amendment to IAS 27: Consolidated and Separate Financial Statements	01/07/2009	03/06/2009
Amendment to IAS 39: Eligible Hedged Items	01/07/2009	15/09/2009
Annual improvements to various standards (2009)	01/01/2010	23/03/2010
New interpretations:		
IFRIC 12: Service Concession Arrangements	01/01/2010	25/03/2009
IFRIC 15: Agreements for the Construction of Real Estate	01/01/2010	22/07/2009
IFRIC 16: Hedges of a Net Investment in a Foreign Operation	01/07/2009	04/06/2009
IFRIC 17: Distributions of Non-cash Assets to Owners	01/11/2009	26/11/2009
IFRIC 18: Transfers of Assets from Customers	01/11/2009	27/11/2009

IFRS 3 Business Combinations/IAS 27 Consolidated and Separate Financial Statements: IFRS 3 (revised) has led to significant changes with regard to the reporting of business combinations that take place after the date of application. It affects the measurement of non-controlling interests, the recognition of transaction costs, the first-time recording and subsequent measurement of a contingent consideration, and business

combinations achieved in stages. These amendments impact on the value of goodwill, on earnings for the reporting period in which the business combination occurs, and on future earnings.

The new IAS 27 requires that a change in the investment amount that does not result in the loss of control be recognised as an equity transaction. Such a transaction may therefore not lead to goodwill or a profit or loss. In addition, amendments have been made to the regulations on the distribution of losses to the owners of the parent company, non-controlling interests and the accounting regulations for transactions that lead to a loss of control.

The new regulations arising from IFRS 3 (revised) have been taken into consideration for the acquisition of TOM TAILOR South-Eastern Europe Holding GmbH, Wörgl, Austria, which occurred in the financial year. In particular, the transaction costs were recognised as expenses for the period. IAS 27 (revised) will impact on future acquisitions or losses of control over subsidiaries and transactions with non-controlling interests.

The remaining new accounting regulations have no impact or no material impact on the presentation of the Group's net assets, financial position and results of operations.

In April 2009, the IASB published its second group of standards "Improvements to IFRSs" as part of the annual improvements process project. A total of fifteen smaller amendments have been made to ten existing standards and two interpretations as a result. Unless subject to other regulations in individual cases, the amendments are to be applied to financial years beginning on or after 1 January 2010. Application of the amendments is also permissible before this date.

For IFRS 8 (Operating Segments) it has been clarified that segment assets (as with segment liabilities) must only be disclosed if the decision maker receives regular reports on segment assets as part of internal reporting (contingent obligation). As internal reporting at TOM TAILOR does not cover segment assets, this disclosure was already irrelevant for the previous year's annual financial statements to 31 December 2009.

The application of the remaining revisions has no impact or no material impact on the presentation of the Group's net assets, financial position and results of operations.

B) NEW REGULATIONS NOT YET APPLICABLE FOR 2010

In the 2010 financial year, the following new/amended accounting principles already approved by the IASB and adopted by the EU were not taken into consideration as they were not yet mandatory:

FUTURE NEW REGULATIONS AND CHANGES IN ACCOUNTING I

	Effective date	Date of EU endorsement
Amendments of standards:		
Amendments to IAS 24: Clarifications	01/01/2011	19/07/2010
Amendments to IAS 32: Subscription Rights	01/02/2010	23/12/2009
Amendment to IFRS 1: Limited Exemption – amended in conjunction with IFRS 7	01/07/2010	24/06/2010
Amendments to IFRS 8: Operating Segments – amended in conjunction with IAS 24	01/01/2011	19/07/2010
New/amended interpretations:		
Amendment to IFRIC 14: Prepayments of a Minimum Funding Requirement	01/01/2011	20/07/2010
IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments	01/07/2010	23/07/2010

IAS 24: Related Party Disclosures: The purpose of the revised version of IAS 24 published in November 2009 is to simplify the definition of related parties – and in doing so rectify any discrepancies – and to exempt companies related to state-owned entities from making certain disclosures regarding transactions with related parties. This may result in additional disclosures for the notes to the consolidated financial statements.

The new accounting regulations are expected to have no impact or no material impact on the presentation of the Group's net assets, financial position and results of operations.

c) NEW REGULATIONS APPROVED BY THE IASB BUT NOT YET ADOPTED BY THE EU AS OF 31 DECEMBER 2010

In the 2010 financial year, the following new/amended accounting principles already approved by the IASB but not yet adopted by the EU were not taken into consideration as they were not yet mandatory:

FUTURE NEW REGULATIONS AND CHANGES IN ACCOUNTING II

	Effective date	Date of EU endorsement
Amendments to standards:		
Amendment to IFRS 1: Severe Hyperinflation	01/07/2011	t.b.a.
Amendment to IFRS 7: Disclosures	01/07/2011	t.b.a.
Annual improvements to various standards (2010)	01/01/2011	t.b.a.
Amendment to IAS 12: Recognition of the Carrying Value of a Specific Asset	01/01/2012	t.b.a.
New standards:		
IFRS 9: Financial Instruments	01/01/2013	t.b.a.

The amendments to IFRS 7 are expected to lead to changes in disclosures in the notes to the consolidated financial statements. Aside from this, the Group does not expect the amended/new standards to have an impact or a material impact on the presentation of its net assets, financial position and results of operations.

In May 2010, the IASB published its third set of "Improvements to IFRSs" as part of the annual improvements process. Smaller amendments to some standards and one interpretation were made as a result. The Group currently does not expect the application of the revisions to have a material impact on the presentation of its financial statements, assuming that they are adopted by the EU in their present form.

The new accounting regulations are expected to have no impact or no material impact on the presentation of the Group's net assets, financial position and results of operations.

GROUP OF CONSOLIDATED COMPANIES

The TOM TAILOR Group comprises TOM TAILOR Holding AG as the ultimate parent company and the following consolidated subsidiaries:

DIRECT SUBSIDIARIES:

- Tom Tailor GmbH, Hamburg, Germany
- Tom Tailor (Schweiz) AG, Baar, Switzerland
- BRS Purchase Consultants GmbH, Hamburg, Germany

INDIRECT SUBSIDIARIES:

- Tom Tailor Retail GmbH, Hamburg, Germany
- TOM TAILOR Gesellschaft m.b.H., Wörgl, Austria
- TOM TAILOR Retail Gesellschaft m.b.H., Wörgl, Austria
- Tom Tailor International Holding B.V., Oosterhout, Netherlands
- Tom Tailor Benelux B.V., Oosterhout, 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-Herzegovina
- T.TOM BG d.o.o., Belgrade, Serbia
- TT Beta EOOD, Sofia, Bulgaria
- BT Gama d.o.o., Zagreb, Croatia
- TT BETA d.o.o., Lesce, Slovenia

INDIRECT INVESTMENTS:

- TT OFF SALE (NI) LTD., Belfast, United Kingdom of Great Britain and Northern Ireland
- TT OFF SALE (Ireland) LTD., Dublin, Ireland

All of the subsidiaries are wholly owned by the parent company with the exception of TOM TAILOR South-Eastern Europe Holding GmbH and its subsidiaries.

The previous stake of 75.0 % held in TOM TAILOR Gesellschaft m.b.H., Wörgl, Austria, and its wholly owned subsidiary TOM TAILOR Retail Gesellschaft m.b.H., Wörgl, Austria, was treated as a wholly owned subsidiary until 30 September 2010 due to a combined put and call option agreement for the remaining minority interest which was entered into in November 2007 at fixed conditions as part of the successive share purchase. Due to the allocation of the remaining 25 % stake to Tom Tailor GmbH, no minority interests have been recognised in the consolidated financial statements since 2007. As of 30 September 2010, this put and call option was exercised as part of a contract of assignment and the minority interest of 25 % was also legally acquired from Tom Tailor GmbH for a purchase price of EUR 3,981 thousand. The previously stated purchase price liability was adjusted by EUR 74 thousand so that it corresponded to the actual purchase price payable. This was treated as an additional acquisition cost of goodwill in accordance with IFRS 3 (2004). The goodwill of EUR 3,361 thousand (previous year: EUR 3,287 thousand) which resulted from this is recognised under intangible assets.

OVAL-T Limited, Hong Kong, People's Republic of China, has not been included in the consolidated financial statements. OVAL-T Limited does not have any operating activities and is therefore of subordinate importance for the presentation of a true and fair view of the net assets, financial position and results of operations.

TT OFF SALE (NI) LTD., Belfast, United Kingdom of Great Britain and Northern Ireland, was established in the 2008 financial year. As a founding shareholder, Tom Tailor GmbH has a 49.0 % interest in TT OFF SALE (NI) LTD. and its wholly owned subsidiary TT OFF SALE (Ireland) LTD., Dublin, Ireland.

The investment in TT OFF SALE (NI) LTD. and its subsidiary TT OFF SALE (Ireland) LTD. is recognised in the consolidated financial statements using the equity method. The reporting date for these companies is the same as for the consolidated financial statements. For further details, please refer to section D "Financial investments".

CHANGES TO THE GROUP OF CONSOLIDATED COMPANIES

TOM TAILOR Retail Kft., Budapest, Hungary, was established on 26 August 2010 in order to build up the Group's retail business in Hungary. Tom Tailor GmbH, Hamburg, holds all of the company's share capital totalling EUR 36 thousand.

On 1 October 2010, TOM TAILOR established a joint venture with the owner of Sportina Bled. D.O.O, Lesce, Slovenia (abbreviated to: Sportina) whose ultimate parent TOM TAILOR South-Eastern Europe Holding GmbH (abbreviated to: TT SEE Holding GmbH) is based in Wörgl, Austria. The aim of the strategic partnership is the concerted expansion of retail business into South-East Europe, including Croatia, Slovenia and Serbia. Tom Tailor GmbH acquired 51 % of the voting rights in TT SEE Holding GmbH at a purchase price of EUR 5.1 million. Using a discount rate of 6.5 %, the cost of the acquisition is the present value of the purchase price agreed (EUR 4.6 million). The parent company of the Sportina Group, SIBELIUS SONIC LIMITED, Nicosia, Cyprus, retains 49 % of the interests. Due to its controlling influence, the joint venture is fully consolidated in the financial statements of the TOM TAILOR Group whilst recognising non-Group interests. The revaluation method was used as part of the first-time consolidation on 1 October 2010 and the all existing hidden reserves were disclosed, including the share relating to minority shareholders. The assets, liabilities and contingent liabilities of TT SEE Holding GmbH taken over at their carrying amount at the time of acquisition amount to EUR 2.1 million and relate exclusively to property, plant and equipment. Liabilities and contingent liabilities were not identified during the acquisition. As part of the purchase price allocation, hidden reserves were assigned to the 23 store locations that were taken over in the form of "key money" commonly used in the sector. At the time of initial consolidation, key money totalling EUR 4.3 million was recognised under intangible assets. Key money is written down over the average duration of the rental contracts for the various stores, which is around seven years. Deferred tax liabilities amounting to EUR 1.3 million were recognised for the intangible assets recorded as part of the purchase price allocation, resulting in revalued equity of EUR 5.1 million. Netting out acquisition costs (EUR 4.6 million) against the proportional revalued equity (EUR 2.6 million) results in goodwill of around EUR 2.0 million.

Since their first-time consolidation, TT SEE Holding GmbH and its subsidiaries have made a positive earnings contribution of EUR 0.5 million, which is contained in consolidated net earnings. Pro-forma disclosures regarding the effects on consolidated net earnings if TT SEE Holding GmbH and its subsidiaries had been consolidated at the beginning of the financial year cannot be made due to a pre-existing customer relationship in the Wholesale segment and the lack of comparability as regards trading terms and conditions.

Tom Tailor GmbH has a call option for acquisition of the minority interest of 49 %. The option can only be exercised three years after the contract was entered into and then has a term of two years. The purchase price payable for the remainder of the shares will be based on the respective current market value of the shares. As it was not possible to obtain a reliable measurement of the call option at the time of initial consolidation, no amount has been recognised here.

REPORTING DATE AND GROUP FINANCIAL YEAR

The consolidated financial statements were prepared with 31 December 2010 as the reporting date (previous year: 31 December 2009). The Group's financial year comprises the period from 1 January 2010 to 31 December 2010 (previous year: 1 January 2009 to 31 December 2009).

The Group's reporting date and financial year coincide with those of all consolidated subsidiaries.

B. ACCOUNTING, CONSOLIDATION AND MEASUREMENT POLICIES

GENERAL POLICIES

The financial statements for the companies included in the group of consolidated companies are prepared in accordance with IAS 27 using standardised accounting and valuation principles.

CONSOLIDATION POLICIES

Capital is consolidated in accordance with IFRS 3 using the purchase method. The pro rata assets and liabilities of subsidiaries acquired are recognised at fair value at the time of acquisition.

Any remaining excess of acquisition cost over the proportion of the net fair value is capitalised as goodwill and subject to a regular impairment test, at least once a year.

Earnings from intra-Group transactions are eliminated. Revenue, income and expenses as well as receivables, liabilities and provisions between Group companies are offset against each other. Intercompany profits relating to non-current assets and inventories are also eliminated.

Deferred taxes are recognised on temporary differences arising from consolidation transactions as required by IAS 12.

In the reporting year, TOM TAILOR Retail Kft, Budapest, Hungary, and TOM TAILOR South-Eastern Europe Holding GmbH, Wörgl, Austria, and its subsidiaries were added to the group of consolidated companies. The companies have been included in the consolidated financial statements as part of the full consolidation for the first time and, where applicable, minority interests have been recognised.

CURRENCY TRANSLATION

The TOM TAILOR Group uses the euro (EUR) as its currency.

The annual financial statements of Group companies prepared in foreign currencies are translated based on the concept of a functional currency (IAS 21: The Effects of Changes in Foreign Exchange Rates) using the modified current rate method. The functional currency of subsidiaries is determined by their primary economic environment and therefore corresponds to the respective local currency. In the consolidated financial statements, the income and expenses shown on the financial statements of subsidiaries that have been prepared in foreign currency are translated at the average rate for the year, while assets and liabilities are translated at the mean rate on the reporting date. The currency difference arising from the translation of equity at historical rates is recognised directly in other recognised gains and losses, as are the translation differences arising from the income statement.

In the separate financial statements of the companies included in the group of consolidated companies, foreign currency receivables and liabilities are measured at the spot rate on the date of the transaction. Foreign exchange gains and losses that have occurred as of the reporting date are recognised in profit and loss.

The exchange rates used for currency translation that have a material effect on the consolidated financial statements changed as follows:

FINANCIAL INVESTMENTS

	Current rate		Average rate	
EUR	Dec 31, 2010	Dec 31, 2009	2010	2009
US-Dollar	1.34	1.44	1.33	1.39
Swiss franc	1.25	1.48	1.38	1.51

RECOGNITION OF INCOME AND EXPENSES

Revenue from sales of products is recognised when ownership/risks are transferred to the customer, provided a price has been agreed or is determinable and payment can be assumed. Revenue is shown net of early-payment discounts, markdowns, customer bonuses or rebates.

Royalties and other income are recognised on an accrual basis in accordance with the terms of the underlying agreements.

Operating expenses are recognised in profit and loss when the goods or services are received or when the expenses are incurred.

Interest is recognised proportionally using the effective interest rate of the assets and liabilities.

BUSINESS COMBINATIONS

Business combinations are recognised using the acquisition method, whereby the purchase price is netted out against the revalued net assets of the company acquired (consolidation of capital). Calculations are based on the values at the time of acquisition, which corresponds to the time at which control of the acquired company was obtained. Differences are disclosed in full, which means that assets, liabilities and contingent liabilities of subsidiaries that can be measured are recognised at their fair values in the consolidated statement of financial position, irrespective of existing minority interests. The fair value of individual assets can be determined using publicly quoted stock exchange or market prices at the time of acquisition or by means of measurement assessments conducted externally.

If stock exchange or market prices cannot be obtained, the fair values are calculated using the most reliable information available based on market prices for comparable assets and transactions or on suitable measurement procedures. Intangible assets should be recognised separately if they can be clearly separated or their measurement is based on a contractual or other right. They are not included in goodwill. Provisions for restructuring measures may not be newly created as part of the purchase price allocation. If the purchase price paid is higher that the revalued pro rata net assets at the time of acquisition, the positive difference is capitalised as goodwill. Any negative difference is recognised immediately in profit and loss.

GOODWILL

Goodwill arising from the consolidation of capital is capitalised and subjected to an impairment test in accordance with IAS 36 on a regular basis, at least once a year.

OTHER INTANGIBLE ASSETS

In accordance with IAS 38 (Intangible Assets), both purchased and internally generated intangible assets are capitalised if it is probable that the use of the asset will lead to a future economic benefit and the cost of the asset can be reliably determined. They are recognised at cost and, if they have a definite useful life, are amortised on a straight-line basis over their useful lives, which range from three to seventeen years.

Intangible assets with indefinite useful lives are tested for impairment on a regular basis, at least once a year, and, if found to be impaired, are written down to their recoverable amount. If the reason for a previously recognised impairment no longer applies, the impairment loss is reversed so that the carrying amount is equal to the amortised cost.

Amortisation and impairment charges are shown under "Depreciation, amortisation and impairment" in the income statement.

Development costs are recognised as current expenses, since they do not meet the conditions for capitalisation under IAS 38. They mainly relate to the costs of developing collections and creating new product lines.

PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment is measured at cost in accordance with IAS 16, less depreciation and, where applicable, impairment losses. Depreciation of property, plant and equipment is made on a straight-line basis, reflecting the pattern of use. If depreciable items of property, plant and equipment have different useful lives they are depreciated separately.

In view of their immateriality, low-value assets with a cost of up to EUR 150.00 are depreciated with the full amount in the year of their addition.

Depreciation is based on the following useful lives throug-hout the Group:

USEFUL LIFE OF PROPERTY PLANT AND EQUIPMENT

	Useful life in years
Store interiors and leasehold improvements	5–10
IT and technical equipment	3–10
Other equipment, furniture and fixtures	1–5

Both useful lives and acquisition costs are examined periodically to determine whether they match the pattern of consumption of the assets' economic benefits. If there is evidence that the recoverable amount of an asset may have fallen below its carrying amount, the asset is tested for impairment.

IMPAIRMENT OF ASSETS

The TOM TAILOR Group tests the value of its intangible assets and property, plant and equipment as soon as there is any evidence that impairment may have occurred. The value is assessed by comparing the carrying amount with the realisable amount. The realisable amount corresponds to the higher of the fair value less costs to sell and the present value of attributable future cash flows from the continued use of the asset. If the carrying amount is higher than the realisable amount, the asset is impaired by the difference between them. If the reasons for impairing an asset in previous years cease to apply, the impairment is reversed.

The annual impairment test for goodwill arising from the first-time consolidation and from other intangible assets with an indefinite useful life is conducted at the level of the cash-generating unit relevant for the test. The value is determined by comparing the carrying amount of the cash-generating unit including goodwill attributable or the carrying amount of other intangible assets with an indefinite useful life to their realisable value. If the carrying amount exceeds the realisable value of the unit, an impairment equal to the difference is said to have occurred and should be recognised in profit and loss. Impairments on goodwill are not reversed in subsequent years.

FINANCE LEASES

Under IAS 17, the economic ownership of leased assets is attributed to the lessee if the lease agreement transfers all of the significant risks and rewards associated with ownership to the lessee (finance lease). Assets classified as being held under finance leases are capitalised at the lower of their fair value and the present value of the minimum lease payments.

Depreciation is made on a straight-line basis over the shorter of the expected useful life and the lease term. Obligations to make lease payments in the future are recognised as financial liabilities at their present value.

The interest portion of the lease liabilities is recognised in expenses over the lease term.

FINANCIAL INVESTMENTS

Shares in non-consolidated affiliated companies are measured at the lower of cost or fair value. Their value is less than EUR 1 thousand.

The 49 % interest in the ordinary capital of TT OFF SALE (NI) LTD. is recognised in the consolidated financial statements using the equity method.

FINANCIAL INSTRUMENTS

(a) General

Financial instruments are reported in accordance with IAS 39 and – where relevant for the TOM TAILOR Group – divided into the following categories:

- financial instruments measured at fair value through profit or loss,
- financial assets held to maturity,
- financial assets available for sale, and
- loans and receivables.

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

Financial instruments comprise both derivative and non-derivative claims or obligations. Derivative financial instruments are used to hedge the fair value of items on the statement of financial position or future payment flows.

All purchases and sales of financial assets are accounted for as of the trade date. A financial asset is recognised for the first time when the Group has become a contractual party.

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 rights to cash flows from the investment have expired or have been transferred and the Group has essentially transferred all risks and rewards associated with ownership, or, in the case of loans and receivables, upon settlement.

The fair value generally corresponds to the market value or price quoted on the stock exchange. If there is no active market, the fair value is calculated using recognised accrual accounting methods on the basis of the market parameters as of the relevant reporting date as well as confirmations from banks.

On each reporting date, an assessment is made as to whether there is objective evidence that a financial asset or portfolio of financial assets has been impaired.

Financial assets are initially measured at fair value. For financial assets not measured at fair value through profit or loss, transaction costs are included.

Loans and receivables not held for trading, financial investments held to maturity and all financial assets that do not have a quoted market price on an active market and whose fair value cannot be reliably determined are measured at their amortised cost using the effective interest method if they have a fixed term to maturity. If these financial assets do not have a fixed term, they are measured at their acquisition cost.

In accordance with IAS 39 (Financial Instruments: Recognition and Measurement), the Company regularly assesses whether objective substantial evidence indicates that a financial asset or portfolio of assets has been impaired. After an impairment test is performed, any impairment loss is recognised in profit and loss.

(b) Derivative financial instruments

In the reporting year, the Group used derivative financial instruments to hedge interest and foreign exchange risks from its operating activities, in particular to hedge forecast purchases in foreign currency.

Under IAS 39, all derivative financial instruments are recognised at their market value on the trade date. Any changes in the market value of derivative financial instruments not qualifying for hedge accounting under IAS 39 are recognised immediately in profit and loss.

TOM TAILOR Holding AG hedges payment flows based on specified minimum hedging rates. At the level of individual companies, exchange rate risks are hedged against for future transactions that are very likely to occur within a twelve-month period. Rolling budget planning is used for this purpose. These hedges were recognised for the first time as cash flow hedges in the 2010 financial year in accordance with IAS 39 Financial Instruments: Recognition and Measurement. The effective portion of the profit or loss from the hedging instruments is shown directly in other comprehensive result of the consolidated comprehensive income statement, with deferred taxes taken into consideration, and then recognised in the consolidated statement of profit and loss as soon as the hedged payment flows hit the income statement or if a future hedged transaction does not occur.

DEFERRED TAXES

In accordance with IAS 12 (Income Taxes), deferred tax assets and liabilities are recognised on all temporary differences between amounts recognised in the tax balance sheet and the IFRS statement of financial position (balance sheet liability method) as well as for certain consolidation entries. The only exceptions are deferred taxes on initial recognition of goodwill or on initial recognition of an asset or a liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting earnings nor taxable earnings.

Deferred tax assets also include tax benefits arising from the expected use of existing loss carryforwards, especially from interest losses which can be carried forward due to the previously applicable interest barrier. Deferred taxes are calculated using currently enacted tax rates that apply or are expected to apply at the time of realisation in the individual countries.

Deferred taxes for domestic companies are calculated using a total tax rate of 30 % (2009: 30 %). In addition to the corporation tax rate of 15 % (2009: 15 %), the Group uses the solidarity surcharge of 5.5 % on the corporation tax and the average trade tax rate of 14 % (2009: 14 %). For foreign companies, the respective national tax rates are used.

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

RECEIVABLES AND OTHER ASSETS

Receivables and other assets are recognised at cost. All identifiable risks are accounted for by means of appropriate allowances for impairment. Receivables bearing no or low interest with a term of more than one year are discounted by TOM TAILOR using the effective interest method. The recoverability of receivables is assessed according to their probability of default. Specific allowances are created for overdue receivables.

INVENTORIES

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

If necessary, inventories have been written down to lower realisable selling prices less any selling costs still to be incurred.

In order to account for inventory risks, individual write-downs are made for certain inventories based on analyses of inventory levels and turnover.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are measured at their nominal value.

COST OF RAISING EQUITY

Directly attributable costs relating to an equity transaction are taken directly to equity and offset against capital reserves less associated income tax benefits in accordance with IAS 32. As long as these are not additional costs that would otherwise have been avoided, they are recognised in expenses. Costs which cannot clearly be attributed to a transaction are distributed to costs that can be offset directly with equity and recognised as expenses for the reporting period. This is done by means of a suitable distribution method.

EMPLOYEE BENEFITS

Pension obligations

Pension provisions are created using the projected unit credit method as per IAS 19, based on conservative estimates of the relevant parameters. Calculations are based on actuarial reports using biometric data. The defined benefit obligation is shown net of the fair value of the assets under qualifying reimbursement insurance policies (plan assets).

Actuarial gains and losses are recognised in full in profit and loss each year. Expenses from compounding the pension obligations and the expected return on the reimbursement insurance assets are recognised in the net financial result. All other expenses related to the recognition of pension obligations are allocated to personnel expenses.

Other long-term employee benefits

Other long-term employee benefits have been offered to executives in the Group in the form of a long-term incentive programme, which is measured as a defined benefit obligation in accordance with IAS 19. 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 scheme is calculated based on how the participants in the scheme perform their duties in exchange for the payments expected to be made by TOM TAILOR in subsequent reporting periods. The expenses are recognised in personnel expenses with the exception of interest expenses, which are allocated to the net financial result.

SHARE-BASED PAYMENT

Payments due to Management Board members from the matching stock programme (MSP) are calculated as per IFRS 2 using accrual accounting methods on the basis of option price models (Monte Carlo simulation). Share-based payment transactions which are equity-settled are measured at the fair value of the equity interests at the time the benefit is offered. Further information on how the fair value of equity-settled share-based payments is calculated is provided in section H, “Other disclosures”.

The fair value of the equity instruments is recognised incrementally over the earning period as a personnel expense with a corresponding increase in the equity capital. It is based on various measurement parameters. On each reporting date, the Group reviews its estimates regarding the number of equity instruments and parameters. Deviations from the initial recognition of the options are adjusted and shown in the income statement. A corresponding adjustment is subsequently made in equity.

OTHER PROVISIONS

Other provisions are created if a present legal or de facto obligation exists towards a third party that will probably lead to a future outflow of resources and the amount of the provision can be estimated reliably. Their carrying amount includes both direct and indirect costs. Non-current provisions due in more than one year are recognised at the present value of their settlement amount as of the reporting date.

If an outflow of cash is neither highly likely nor highly unlikely, these contingent liabilities are described in the notes to the consolidated financial statements.

FINANCIAL AND OTHER LIABILITIES

Financial liabilities are initially recognised at cost, which is the fair value of the consideration received. Transaction costs are also included. Except for derivative financial instruments, liabilities are subsequently measured at amortised cost using the effective interest method. Other liabilities are recognised at their settlement amount.

SIGNIFICANT JUDGEMENTS, ASSUMPTIONS AND ESTIMATES

The preparation of the consolidated financial statements requires the use of assumptions, discretionary decisions and estimates that affect the amount and recognition of assets and liabilities, income and expenses, as well as contingent liabilities. In particular, assumptions and estimates are required when determining hidden reserves as part of the allocation of excess amounts when capital is consolidated, when testing intangible assets and property, plant and equipment for impairment, when determining Group-wide uniform useful lives, when estimating the collectibility of receivables, when measuring and recognising provisions, and when assessing the realisability of future tax benefits. Although these estimates reflect management’s current knowledge, actual results may differ from these estimates. Changes are recognised in profit and loss when new information becomes available.

BORROWING COSTS

Borrowing costs that can be directly attributed to the acquisition, construction, or production of an asset which takes a considerable period of time to prepare for its intended use are capitalised as part of the acquisition or production cost of the asset. All other borrowing costs are recognised as expenses in the period in which they are incurred.

EVENTS AFTER THE REPORTING PERIOD

Events after the reporting period that provide additional information on the position of the Group as of the reporting date (adjusting events) are reflected in the financial statements.

If they are material, events after the reporting date that do not qualify for recognition in the financial statements (non-adjusting events) are disclosed in the notes.

C. NOTES TO THE CONSOLIDATED STATEMENT OF PROFIT AND LOSS

1. REVENUE

Revenue includes amounts charged to customers for goods and services, net of discounts.

The section on segment reporting provides a breakdown of revenue by operating segment and by geographical area.

2. OTHER OPERATING INCOME

Other operating income consists of the following:

OTHER OPERATING INCOME

EUR thousand	2010	2009
Shopfitting commissions/bonuses	3,510	1,259
Royalties	2,521	2,576
Foreign exchange gains	2,124	3,564
Recharged freight and other costs	1,834	1,592
Income from recharged marketing expenses	1,614	1,290
Insurance proceeds	204	219
Income from the reversal of provisions	50	0
Income from the reversal of allowances for impairment	3	89
Other operating income	3,024	2,249
	14,884	**12,838**

Due to the concerted expansion and the associated opening of further retail and outlet stores as well as other controlled distribution areas by the Company, shopfitting commissions/bonuses increased significantly compared with the previous year.

The fall in foreign exchange gains is attributable to the development of the USD.

3. COST OF MATERIALS

Cost of materials mainly consists of expenditure for purchased merchandise.

4. PERSONNEL EXPENSES

Personnel expenses are made up as follows:

PERSONNEL EXPENSES

EUR thousand	2010	2009
Wages and salaries	42,468	35,371
Non-recurring remuneration for IPO/ discharge of Management Board members	2,964	0
Social security, pension and other benefit expenses	7,301	5,944
	52,733	**41,315**

Wages and salaries include expenses of EUR 331 thousand for the share-based payment programme MSP as well as EUR 753 thousand for the LTI programme offered to executives.

Personnel expenses adjusted for special remuneration from the IPO (EUR 2,344 thousand) and the discharge of former Management Board member Dietmar Axt (EUR 620 thousand) correspond to the rise in the number of employees. The year-on-year increase in the number of employees is mainly due to the expansion in the Retail segment.

The average number of employees (excluding members of the Management Board and temporary help) is:

NUMBER OF EMPLOYEES

EUR thousand	2010	2009
Blue-collar staff	15	15
White-collar staff	975	789
	990	**804**

Wages and salaries include redundancy payments of EUR 295 thousand (2009: EUR 385 thousand. In addition to allocations to the defined benefit pension plans of EUR 93 thousand (2009: EUR −18 thousand) personnel expenses also include defined contribution obligations in the form of employer contributions to statutory pensions totalling around EUR 2.5 million (2009: EUR 2.3 million).

5. DEPRECIATION, AMORTISATION AND IMPAIRMENTS

The composition of depreciation, amortisation and impairments can be seen in the notes on intangible assets (D.10) and property, plant and equipment (D.11).

The increase in depreciation, amortisation and impairments is primarily due to the capital expenditures made in connection with TOM TAILOR's expansion in previous years as well as in the current year.

6. OTHER OPERATING EXPENSES

Other operating expenses consist of the following:

OTHER OPERATING EXPENSES

EUR thousand	2010	2009
Distribution expenses		
Advertising and trade fairs	10,120	6,869
Freight out	5,527	6,181
Travel expenses	2,367	2,062
Sales commissions	2,068	2,874
Other distribution expenses	935	832
	21,017	**18,818**
Administrative expenses		
Legal and consultancy fees	5,615	3,754
Bank charges	4,272	662
IT expenses	2,532	2,414
Memberships and fees	1,183	825
Insurance	1,159	851
Telephone, fax, postage	1,065	918
Ancillary personnel expenses and voluntary employee benefits	631	456
Foreign exchange losses	70	104
Other administrative expenses	1,778	1,329
	18,305	**11,313**
Operating and other expenses		
Rent expense	23,011	18,140
Expenses for commissioned merchandise	14,197	8,184
Online shop service provider	5,055	3,796
Bad debt expense	3,479	4,768
Vehicle fleet	2,405	2,181
Repairs and maintenance	2,143	1,643
Temporary staff and freelancers	493	1,656
Other operating expenses	1,800	1,799
	52,583	**42,167**
	91,905	**72,298**

The rise in advertising and trade fair expenses is the result of an increase in marketing activities in connection with the IPO and a higher marketing budget in the 2010 financial year. In particular, the marketing expenses related to store openings and marketing expenditure for the Company-owned online shop led to an increase compared with the previous year. However, this was in line with revenue.

Legal and consultancy fees were up, primarily as a result of the consultancy and other services obtained as part of the IPO as well as the resulting subsequent obligations in the Investor Relations and Corporate Communications divisions.

The rise in bank charges is due to fees incurred in connection with the reorganisation of the financing structure as a result of the IPO of TOM TAILOR Holding AG.

The increase in rent expense results from further expansion in the Retail segment. In addition, rent expense for the stores opened during the previous year reduced other operating expenses across an entire reporting period for the first time.

The rise in expenses for commissioned goods is due to revenue growth and the fact that logistics is now completely managed by DHL. The fall in expenses for temporary staff and freelancers is directly related to the outsourcing of logistics to DHL and should be seen in the context of changes with regard to expenses for commissioned goods.

The increase in online shop service provider expenses is attributable to expenses for the logistics partner who is in charge of managing the online shop. Following disproportionate growth in revenue, expenses have also risen. The costs incurred by the online shop for operating the online platform are recognised under IT expenses.

7. NET FINANCIAL RESULT

NET FINANCIAL RESULT

EUR thousand	2010	2009
Interest income	50	20
Interest expense	– 11,413	– 17,724
	– 11,363	**– 17,704**

Interest expense is essentially due to bank debt.

The reduction in interest expense is due in part to favourable interest rate movements, but mainly a decrease in financial liabilities following the successful IPO. Financial liabilities totalling EUR 109.8 million were paid back as part of the IPO.

The reorganisation of the financing structure meant that the structuring costs of around EUR 3,379 thousand, which had been allocated across the terms of the restructured loans and paid in the previous years, were recognised as an expense for the last time in 2010.

Interest expense includes interest paid to mezzanine investors of EUR 912 thousand (2009: EUR 3,950 thousand) and to shareholders of EUR 801 thousand (2009: EUR 2,204 thousand) from the period prior to the IPO.

In addition to the reasons outlined above, interest expense includes expenditure of EUR 81 thousand (2009: EUR 75 thousand) from compounding pension provisions. Interest expense of EUR 141 thousand (2009: EUR 173 thousand) was also incurred from compounding financial liabilities related to the acquisition of minority interests.

8. INCOME TAX EXPENSE

The main components of income tax expense are as follows:

TAX EXPENSE

EUR thousand	2010	2009
Current taxes		
Current income taxes for the financial year	– 535	– 5,324
Adjustments to previous year's figures	237	– 420
	– 298	**– 5,744**
Deferred taxes		
Loss carryforwards	7,080	245
Creation and reversal of temporary differences	1,510	1,674
Tax effect on the cost of raising equity with no effect on profit and loss	– 1,607	0
	6,983	**1,919**
	6,685	**– 3,825**

The option of offsetting against future taxable income meant that deferred tax assets totalling EUR 6,660 thousand were recognised on interest carryforwards of EUR 24,189 thousand in the 2010 financial year. The interest carryforwards result from the fact that the deductibility of interest expenses is limited to a maximum of 30 % of taxable EBITDA (interest barrier). A small amount of deferred tax assets were also recognised for corporation tax loss carryforwards.

Deferred taxes from the creation or reversal of temporary differences result from various amounts for assets and liabilities in the consolidated statement of financial position and tax balance sheets as well as from consolidation measures.

No deferred tax assets were recognised on the non-forfeitable tax loss carryforwards of TOM TAILOR FRANCE SARL amounting to EUR 4.5 million. As the company is in the start-up phase, it is not currently expected that the losses can be utilised in the medium term.

As of the reporting date, the Group had tax loss carryforwards and interest carryforwards totalling EUR 34.1 million (2009: EUR 26.9 million). Due to the absence of offsetting opportunities, no deferred tax assets were recognised on loss carryforwards of EUR 7.3 million (2009: EUR 6.2 million).

Expected tax expense can be reconciled to actual tax expense as follows:

STATEMENT OF RECONCILIATION FOR TAXES

EUR thousand	2010	2009
Earnings before taxes	– 4,279	– 1,821
Average total tax rate	30%	30%
Expected income tax expense	1,284	546
Reconciliation:		
Interest loss carryforward	6,660	– 2,590
Interest loss 2010 (included inexpected tax expense)	– 1,523	0
Utilisability of other loss carryforwards	138	0
Difference in tax rates	137	223
Other non-deductible expenses and non-taxable income	– 582	– 1,274
Previous period adjustments	237	– 420
Other	334	– 310
Tax income/expense recognised	**6,685**	**– 3,825**
Income tax burden	**156%**	**– 210%**

A uniform tax rate of 30.0 % (2009: 30.0 %) was used to calculate deferred taxes for simplification purposes. For information on how the tax rate is derived, please refer to the notes in section B, “Accounting, consolidation and measurement policies”.

Differences in tax rates arise as a result of the difference between the trade tax rate used to calculate deferred taxes and the actual mixed trade tax rate.

Other non-deductible expenses and non-taxable income represent mainly expenses that are not tax-deductible and items which are added back for trade tax purposes.

Previous period adjustments represent payments and refunds of income taxes related to previous years.

9. EARNINGS PER SHARE

Earnings per share are calculated in accordance with IAS 33 by dividing the consolidated earnings attributable to the owners of TOM TAILOR Holding AG by the weighted average number of shares outstanding during the current year.

As there were no dilutive shares outstanding as of either 31 December 2010 or 31 December 2009, diluted earnings per share are the same as basic earnings per share.

The following table shows the earnings and the weighted average number of ordinary shares used to calculate earnings per share.

	Dec 31, 2010	Dec 31, 2009
Total shares as of reporting date	16,528,169	5,000,000

	2010	2009
Share of consolidated earnings attributable to owners of the parent company (in EUR thousand)	2,153	– 5,646
Weighted average number of ordinary shares (in thousands of shares)	13,905	5,000
Basic earnings per share (in EUR)	0.15	– 1.13
Diluted earnings per share (in EUR)	0.15	– 1.13

D. NOTES TO THE STATEMENT OF FINANCIAL POSITION

10. INTANGIBLE ASSETS

Intangible assets consist of the following:

INTANGIBLE ASSETS

EUR thousand	Dec 31, 2010	Dec 31, 2009
Hidden reserves disclosed as part of first-time consolidations		
Brand	62,221	62,221
Customer basis	31,350	37,475
Licence agreements and similar rights	19,959	17,771
	113,530	**117,467**
Other		
Shopfitting contributions	18,480	14,052
Other usage rights	1,795	1,964
Software	737	693
	21,012	**16,709**
Software leased under finance leases	0	118
	134,542	**134,294**
Goodwill		
from the acquisition of the minority interest in Tom Tailor Gesellschaft m.b.H., Wörgl	3,361	3,287
from the first-time consolidation of Tom Tailor GmbH by Tom Tailor Holding GmbH	2,291	2,291
from the first-time consolidation of TOM TAILOR South-Eastern Europe Holding GmbH	2,025	0
	7,677	**5,578**
Advance payments made		
Licences	82	0
	142,301	**139,872**

There are no impaired intangible assets.

As a significant intangible asset with an indefinite useful life, the brand was tested for impairment using the relief from royalty method.

The valuation of the brand in the impairment test was based on the Group's forecast revenue, since the TOM TAILOR brand is used by and further developed for the Group as a whole and the value of the brand is dependent on all revenue that will be earned under the TOM TAILOR brand in the future. Corporate budgets with a detailed budget period of three years and a subsequent perpetuity formed the basis for the impairment test.

A royalty of 2.5 % was used to value the brand as per the relief from royalty method. Calculation of the tax amortisation benefit was based on the effective tax rate and a taxable useful life of 15 years.

A base discount rate of 3.2 % (2009: 4.3 %), a market risk premium of 5.0 % (2009: 5.0 %), a beta factor of 0.64 (2009: 1.13) and a growth discount for the perpetuity of 0.5 % (2009: 1.0 %) were used to discount future cash flows. A risk premium of 2.0 % (2009: 0.0 %) was also included. The tax amortisation benefit was discounted based on a suitable discount rate of 15 years (6.7 %) and a risk premium of 2.0 %.

Goodwill is also not amortised. The goodwill resulting from Tom Tailor Holding GmbH's first-time consolidation of Tom Tailor GmbH was tested for impairment as of the reporting date by means of a DCF-based value in use method. A detailed budget period of three years was again used, as were the aforementioned values for the base discount rate, the market risk premium, the beta factor and the growth discount. Goodwill was allocated proportionally to the Retail and Wholesale segments. The impairment test showed no indication of impairment losses. The remaining goodwill recognised, which was allocated to the Retail segment (acquisition of TT SEE Holding GmbH) or proportionally to both segments (acquisition of minority interests in TOM TAILOR Gesellschaft m.b.H., Wörgl, Austria), is based on transactions that were only made recently and therefore showed no sign of impairment either.

The customer basis, which relate to returning customers (total useful life: 17 years), franchise partners, shop-in-shop customers and multi-label customers (total useful life of each: six years) as well as the licence agreements (total useful life: 14 years) are amortised over their respective useful lives. As of the reporting date, there were no indications (triggering events) that these intangible assets had been impaired.

Intangible assets changed as follows in 2010:

INTANGIBLE ASSETS 2010

EUR thousand		Brand	Goodwill	Customer basis	Licence agreements and similar rights	Other	Advance payments made	Total
Acquisition cost	January 1, 2010	62,221	5,578	67,074	27,141	32,488	0	194,502
Foreign exchange differences		0	0	0	0	231	0	231
Changes in group of consolidated companies		0	2,025	0	4,280	6	0	6,311
Additions		0	74	0	0	10,824	82	10,980
Disposals		0	0	0	0	– 702	0	– 702
Acquisition cost	December 31, 2010	62,221	7,677	67,074	31,421	42,847	82	211,322
Amortisation and impairments	January 1, 2010	0	0	29,599	9,371	15,660	0	54,630
Foreign exchange differences		0	0	0	0	101	0	101
Additions		0	0	6,125	2,091	6,763	0	14,979
Disposals		0	0	0	0	– 689	0	– 689
Amortisation and impairments	December 31, 2010	0	0	35,724	11,462	21,835	0	69,021
Net carrying amounts	January 1, 2010	62,221	5,578	37,475	17,770	16,828	0	139,872
Net carrying amounts	December 31, 2010	62,221	7,677	31,350	19,959	21,012	82	142,301
including leased assets of								0

Impairment losses of EUR 0.2 million (2009: EUR 0.6 million) were recognised on licences and similar rights in the reporting year.

Additions to the group of consolidated companies resulted from the acquisition of TOM TAILOR South-Eastern Europe Holding GmbH as of 1 October 2010. Please refer to the notes on the change in the group of consolidated companies in section B.

Customer basis changed as follows in 2010:

DEVELOPMENT OF ACTIVATED CUSTOMER BASIS

EUR thousand		Regular customers	Franchise partners	SIS customers	Multi-label customers	Total customer basis
Acquisition cost	January 1, 2010	46,873	1,705	8,498	9,998	67,074
Additions		0	0	0	0	0
Disposals		0	0	0	0	0
Acquisition cost	December 31, 2010	46,873	1,705	8,498	9,998	67,074
Amortisation and impairments	January 1, 2010	13,326	1,373	6,846	8,054	29,599
Additions		2,758	285	1,416	1,666	6,125
Disposals		0	0	0	0	0
Amortisation and impairments	December 31, 2010	16,084	1,658	8,262	9,720	35,724
Net carrying amounts	January 1, 2010	33,547	332	1,652	1,944	37,475
Net carrying amounts	December 31, 2010	30,789	47	236	278	31,350

Intangible assets changed as follows in the 2009 financial year:

INTANGIBLE ASSETS 2009

EUR thousand		Brand	Goodwill	Customer basis	Licence agreements and similar rights	Other	Advance payments made	Total
Acquisition cost	January 1, 2009	62,221	5,446	67,074	27,141	27,893	0	189,775
Foreign exchange differences		0	0	0	0	1	0	1
Additions		0	132	0	0	7,127	0	7,259
Reclassifications		0	0	0	0	– 77	0	– 77
Disposals		0	0	0	0	– 2,456	0	– 2,456
Acquisition cost	December 31, 2009	62,221	5,578	67,074	27,141	32,488	0	194,502
Amortisation and impairments	January 1, 2009	0	0	23,475	7,432	11,804	0	42,711
Foreign exchange differences		0	0	0	0	4	0	4
Additions		0	0	6,124	1,939	6,357	0	14,420
Reclassifications		0	0	0	0	– 50	0	– 50
Disposals		0	0	0	0	– 2,455	0	– 2,455
Amortisation and impairments	December 31, 2009	0	0	29,599	9,371	15,660	0	54,630
Net carrying amounts	January 1, 2009	62,221	5,446	43,599	19,709	16,089	0	147,064
Net carrying amounts	December 31, 2009	62,221	5,578	37,475	17,770	16,828	0	139,872
including leased assets of								118

Customer basis changed as follows in 2009:

DEVELOPMENT OF ACTIVATED CUSTOMER BASIS

EUR thousand		Regular customers	Franchise partners	SIS customers	Multi-label customers	Total customer basis
Acquisition cost	January 1, 2009	46,873	1,705	8,498	9,998	67,074
Additions		0	0	0	0	0
Disposals		0	0	0	0	0
Acquisition cost	December 31, 2009	46,873	1,705	8,498	9,998	67,074
Amortisation and impairments	January 1, 2009	10,569	1,088	5,430	6,388	23,475
Additions		2,757	285	1,416	1,666	6,124
Disposals		0	0	0	0	0
Amortisation and impairments	December 31, 2009	13,326	1,373	6,846	8,054	29,599
Net carrying amounts	January 1, 2009	36,304	617	3,068	3,610	43,599
Net carrying amounts	December 31, 2009	33,547	332	1,652	1,944	37,475

11. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists primarily of store interiors, furniture and fixtures.

Property, plant and equipment developed as follows:

PROPERTY, PLANT AND EQUIPMENT 2010

EUR thousand		Land and buildings including buildings on third-party land	Other equipment, furniture and fixtures	Advance payments made	Total
Acquisition cost	January 1, 2010	727	46,294	85	47,106
Foreign exchange differences		– 8	433	0	425
Change in group of consolidated companies		896	1,162	0	2,058
Additions		504	19,725	1,094	21,323
Reclassifications		218	74	– 292	0
Disposals		– 4	– 3,558	0	– 3,562
Acquisition cost	December 31, 2010	2,333	64,130	887	67,350
Depreciation and impairments	January 1, 2010	247	26,920	1	27,168
Foreign exchange differences		0	264	0	264
Additions		61	7,914	10	7,985
Disposals		– 4	– 3,250	0	– 3,254
Depreciation and impairments	December 31, 2010	304	31,848	11	32,163
Net carrying amounts	January 1, 2010	480	19,374	84	19,938
Net carrying amounts	December 31, 2010	2,029	32,282	876	35,187
including leased assets of					9,875

PROPERTY, PLANT AND EQUIPMENT 2009

EUR thousand		Land and buildings including buildings on third-party land	Other equipment, furniture and fixtures	Advance payments made	Total
Acquisition cost	January 1, 2009	727	40,073	58	40,858
Foreign exchange differences		0	12	0	12
Additions		0	5,797	1,122	6,919
Reclassifications		0	1,172	– 1,095	77
Disposals		0	– 760	0	– 760
Acquisition cost	December 31, 2009	727	46,294	85	47,106
Depreciation and impairments	January 1, 2009	213	21,001	0	21,214
Foreign exchange differences		0	13	0	13
Additions		34	6,614	1	6,649
Reclassifications		0	50	0	50
Disposals		0	– 758	0	– 758
Depreciation and impairments	December 31, 2009	247	26,920	1	27,168
Net carrying amounts	January 1, 2009	514	19,072	58	19,644
Net carrying amounts	December 31, 2009	480	19,374	84	19,938
including leased assets of					7,578

Additions relate primarily to store interiors and furniture for the retail and outlet stores that were opened in the reporting year.

Property, plant and equipment also includes leased furniture and fixtures. Most of these contracts have remaining terms of between one and five years.

There were no impairments or impairment reversals made on property, plant and equipment in either the reporting year or the previous year.

Please refer to 22. (c) "Disclosures on assets pledged as security for liabilities" for details of the chattel mortgage on property, plant and equipment.

Details of minimum lease payments under lease agreements classified as finance leases (including leases of non-current intangible assets) are as follows:

FUTURE MINIMUM LEASE PAYMENTS UNDER FINANCE LEASES

EUR thousand	2010	2009
Minimum lease payments		
up to 1 year	3,708	3,825
1 to 5 years	7,089	5,944
more than 5 years	152	65
	10,949	**9,834**
Interest component		
up to 1 year	708	650
1 to 5 years	836	671
more than 5 years	1	1
	1,545	**1,322**
Present value of minimum lease payments		
up to 1 year	3,000	3,175
1 to 5 years	6,253	5,273
more than 5 years	151	64
	9,404	**8,512**

None of the leases agreements may be cancelled prematurely.

Operating leases

In addition to finance leases, the Company also enters into lease agreements and rental agreements classified as operating leases under IAS 17 in accordance with their economic content. The assets leased under these agreements are therefore attributed to the lessor. The leases mainly relate to property rental agreements for the Group's retail activities, offices used by Group companies and parts of the vehicle fleet.

12. FINANCIAL INVESTMENTS

TT OFF SALE (NI) LTD. was established in the 2008 financial year. As a founding shareholder, Tom Tailor GmbH has a 49.0 % interest in TT OFF SALE (NI) LTD. The investment is recognised in the consolidated financial statements using the equity method.

The subscribed capital contribution was paid in cash and amounted to GBP 100 (equivalent to EUR 104). The company generated revenue of GBP 959 thousand (equivalent to EUR 1,118 thousand) in the reporting year and recorded a net loss of GBP 748 thousand (equivalent to EUR 872 thousand). As the share of the loss attributable to the Group of EUR 427 thousand exceeds the carrying amount of the investment, the loss was recognised only up to the carrying amount of the investment (EUR 0 thousand). The Group's share of cumulative losses of EUR 951 thousand was therefore not recognised in the consolidated financial statements.

TT OFF SALE (NI) LTD. reported non-current assets of GBP 606 thousand (equivalent to EUR 704 thousand), current assets of GBP 1,001 thousand (equivalent to EUR 1,161 thousand), current liabilities of GBP 3,557 thousand (equivalent to EUR 4,128 thousand) and shareholders' equity of GBP −1,950 thousand (equivalent to EUR −2,263 thousand) in its annual financial statements to 31 December 2010.

Tom Tailor GmbH supplied merchandise worth EUR 1,052 thousand to TT OFF SALE (NI) LTD. The gross profit generated by this merchandise was eliminated in the consolidated financial statements of TOM TAILOR Holding AG insofar as TT OFF SALE (NI) LTD. had not yet sold this merchandise to third parties as of the reporting date. As the carrying amount of this investment was not sufficient to absorb the elimination of these intercompany earnings, they were eliminated against trade receivables. Revenue was reduced accordingly. Deferred tax assets have been recognised for the consolidation entry.

TT OFF SALE (Ireland) LTD., Dublin, Ireland, was established in 2009. Tom Tailor GmbH has an indirect interest of 49 % in the company via TT OFF SALE (NI) LTD.

The company's financial statements show revenue of EUR 874 thousand for the reporting year and a net loss for the year of EUR 343 thousand. TT OFF SALE (Ireland) LTD. has non-current assets EUR 283 thousand, current assets of EUR 368 thousand and current liabilities of EUR 1,032 thousand. The net loss for the year led to negative equity of EUR 381 thousand.

A market value for this investment does not exist.

13. INCOME TAX ASSETS

Income tax assets consist of the following:

INCOME TAX ASSETS

EUR thousand	December 31, 2010 Due in up to 1 year	more than 1 year	Total
Current income taxes	1,140	0	1,140
Deferred income taxes	2,079	5,008	7,087
	3,219	5,008	8,227

EUR thousand	December 31, 2009 Due in up to 1 year	more than 1 year	Total
Current income taxes	436	0	436
Deferred income taxes	0	254	254
	436	254	690

Current income tax assets result mainly from tax refunds following excess tax prepayments as well as from a corporation tax loss carryback due to negative taxable income in 2010.

As a result of earnings developments in previous years and a reduction in the interest burden following the restructuring of bank debt and shareholder loans, the Company assumes that it will be able to use some of the interest carryforwards for tax purposes in 2011.

Deferred tax assets relate to the following items:

CALCULATION OF DEFERRED TAXES 2010

EUR thousand	December 31, 2010 Gross difference	Deferred tax assets
Tax loss carryforwards and interest carryforward	26,845	7,080
Measurement of interest rate hedges	3,536	1,061
Leases	1,743	523
Measurement of forward exchange contracts	774	232
Other	743	223
	33,641	**9,119**
Set off against deferred tax liabilities	– 6,772	– 2,032
	26,869	**7,087**

Deferred tax assets result primarily from future benefit of cumulative interest carryforwards from the period prior to the IPO. This gives rise to deferred tax assets of EUR 6,660 thousand.

In addition to deferred tax assets on loss carryforwards, deferred tax assets were also recognised for measurement differences relating to interest hedging and forward exchange contracts and to existing finance lease agreements. The deferred taxes on forward exchange contracts were recognised directly in equity.

As of 31 December 2009, deferred tax assets arose from the following differences in recognition and measurement:

CALCULATION OF DEFERRED TAXES 2009

EUR thousand	December 31, 2009 Gross difference	Deferred tax assets
Measurement of interest rate hedges	4,797	1,439
Leases	3,288	986
Measurement of forward exchange contracts	1,254	376
Tax loss carryforwards	1,531	245
Other	814	243
	11,684	**3,289**
Set off against deferred tax liabilities	– 10,122	– 3,035
	1,562	**254**

14. OTHER ASSETS/PREPAID ASSETS

Other assets consist of:

OTHER ASSETS

EUR thousand	Dec 31, 2010	Dec 31, 2009
Security deposits	829	1,905
VAT (value added tax) receivables	532	445
Creditors with debit balances	514	1,330
Receivables from Management Board members	146	391
Market value of interest cap	13	106
Other assets	304	917
	2,338	**5,094**
of which non-current	842	2,011
of which current	1,496	3,083

Prepaid assets in the reporting year totalling EUR 6,220 thousand (2009: EUR 5,648 thousand) consist primarily of commissions paid to an Asian purchasing agency. They are recognised at their present value and amortised over the term of the agreement using the effective interest method.

15. INVENTORIES

Inventories consist of the following:

INVENTORIES

EUR thousand	Dec 31, 2010	Dec 31, 2009
Raw materials and supplies	223	97
Merchandise	39,577	31,315
	39,800	**31,412**

Allowances for write-downs to the lower net realisable value increased by EUR 36 thousand compared with the previous year (2009: decrease of EUR 300 thousand). The change was recognised in profit and loss. Expected future selling costs are reflected in this amount. Sales of inventories resulted in the reversal of previously recognised write-downs. These reversals were immaterial in amount and were recognised in profit and loss.

The carrying amount of inventories recognised at net realisable value was EUR 39,577 thousand (2009: EUR 31,315 thousand) as of the reporting date. Inventories include merchandise at sea of EUR 10,408 thousand (2009: EUR 8,976 thousand). The increase in inventories is essentially due the larger number of shops and stores managed by the Company and positive revenue developments. The retail expansion in particular brought about an increase in inventories.

Please refer to 22. (c) "Disclosures on assets pledged as security for liabilities" for details regarding the chattel mortgage on inventories.

16. TRADE RECEIVABLES

TRADE RECEIVABLES

EUR thousand	Dec 31, 2010	Dec 31, 2009
Trade receivables	35,320	30,344
Receivables from an associated company	3,112	3,019
	38,432	**33,363**

As in the previous year, trade receivables are due in less than one year. Their carrying value corresponds to their fair value. Please refer to 22. (c) "Disclosures on assets pledged as security for liabilities" for details on the global assignment of receivables.

The following table shows the changes in the allowance for the impairment of current receivables included in financial assets measured at (amortised) cost:

IMPAIRMENTS OF SHORT TERMS RECEIVABLES

EUR thousand	Dec 31, 2010	Dec 31, 2009
Balance at beginning of year	5,675	2,777
Additions recognised in profit and loss	1,123	3,414
Utilisation	– 3,343	– 427
Reversal	– 3	– 89
Balance at end of year	**3,452**	**5,675**

The receivables shown above include amounts overdue as of the reporting date (see analysis of ageing structure below) for which the Group has not recognised any impairments. This is because the customers' credit standing has not changed significantly and the outstanding receivables are still considered collectible. The Group basis this assessment largely on collateral, instalment payment agreements, documentation of the economic situation and the ability to settle net with the counterparty.

As of 31 December, the ageing structure of trade receivables was as follows:

AGEING STRUCTURE OF TRADE RECEIVABLES

EUR thousand	Total	Not overdue and not impaired	Carrying value of impaired receivables	Overdue but not impaired		
				< 30 days	30-90 days	> 90 days
2010	38,432	24,769	4,673	3,643	4,401	946
2009	33,363	20,296	5,884	2,691	2,610	1,882

The assessment of trade receivables for impairment takes into account all changes in credit standing from the time credit is granted up to the reporting date. Due to the well-diversified customer base, there was no significant concentration of credit risk as of the reporting date.

Bad debt expense amounts to EUR 3,479 thousand (2009: EUR 4,768 thousand). The decrease in bad debt expense was due to the fact that in the previous year allowances had to be recognised for the bankruptcy of two major customers and a former licence partner.

17. CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS

EUR thousand	Dec 31, 2010	Dec 31, 2009
Overnight money and other cash at banks	21,579	13,809
Cash on hand	904	282
	22,483	**14,091**

Please refer to 22. (c) “Disclosures on assets pledged as security for liabilities” for details on pledged bank allowances.

18. SHAREHOLDERS’ EQUITY

Movements in shareholders’ equity are shown in the statement of changes in equity (Appendix IV).

In March 2010, shareholder loans totalling EUR 25,000 thousand were converted into shareholders’ equity in order to strengthen the equity base. Subscribed capital increased as a result of the contribution-in-kind capital increase by EUR 528 thousand to EUR 5,528 thousand. This corresponds to 528,169 no-par-value bearer shares at a nominal value of EUR 1.00 each. The amount exceeding the nominal value of EUR 24,472 thousand was transferred to the capital reserve.

As part of the IPO, a total of 11,000,000 new shares were issued at a nominal value of EUR 1.00 each. At an issuing price of EUR 13.00 per share, a total of EUR 143,000 thousand was raised as part of the IPO.

The Company’s subscribed capital following the IPO amounts to a total of EUR 16,528,169 and is divided into 16,528,169 no-par-value bearer shares.

The capital reserve contains payments received from shareholders as well as amounts exceeding the nominal amount following the issue of the shares as part of the IPO (EUR 132,000 thousand). Including the issuing costs incurred by TOM TAILOR Holding AG (adjusted for income tax benefits), which were recognised directly in equity, amounting to EUR 3,750 thousand and the obligation arising from the share-based payment scheme (matching stock programme, or MSP), which was measured at fair value, amounting to EUR 331 thousand, the capital reserve increased by a total of EUR 153,053 thousand to EUR 205,433 thousand.

At the Extraordinary General Meeting on 24 March 2010, the Management Board was authorised to increase the Company’s share capital until 24 March 2015 with the approval of the Supervisory Board. This can be done by issuing new no-par-value bearer shares in exchange for cash and/or contributions in kind in full or partial amounts, on one or several occasions, by a total of up to EUR 8,264,084 (Authorised Capital I).

Other recognised gains and losses include a currency translation reserve as well as the reserve for hedging transactions, accounting for tax effects.

In 2010, the foreign exchange derivative was recognised for the first time in equity at its fair value. An amount totalling EUR 774 thousand was transferred to the reserve for hedging transactions as a result. There were no reversals in favour of net earnings for the year. Deferred taxes recognised for the measurement of derivative financial instruments amounted to EUR 232 thousand. The reserve for hedging transactions including deferred taxes was EUR 542 thousand as of 31 December 2010. This amount is contained in other earnings.

The accumulated deficit changed as follows:

ACCUMULATED PROFIT (CHANGES)

EUR thousand	2010	2009
January 1	– 125,368	– 119,722
Consolidated net earnings before minority interests	2,406	– 5,646
less minority interests	– 253	0
after minority interests	2,153	– 5,646
December 31	**– 123,215**	**– 125,368**

A leveraged buyout transaction completed in 2006 led to a capital dividend and resulted in a reduction of EUR 93,806 thousand in the accumulated deficit carried forward.

The reserve for currency translation contains exchange rate differences from the translation of the Swiss subsidiaries included in the group of consolidated companies, the Hungarian subsidiary and the subsidiaries of TOM TAILOR South-Eastern Europe Holding GmbH, Wörgl, Austria.

19. PENSION PROVISIONS

Pension provisions are recognised for obligations under pension entitlements granted to former senior personnel and former members of the Management Board as well as their surviving dependants.

Pension provisions relate only to defined benefit plans. The pension plans are financed by provisions and not via pension funds. The Company has reimbursement insurance for the pension commitments granted.

The amount of the pension obligation (defined benefit obligation) is based on an actuarial calculation which necessarily involves estimates. The calculation is based on the following premises:

PENSION PROVISIONS: PREMISES

%	2010	2009
Discount rate	5.40	5.90

As the Company has only granted pensions with fixed amounts, future salary and pension changes do not affect the amount of future pension benefits and were therefore set to 0.0 %.

The calculation of the pension obligations reflects the biometric calculation basis according to Prof. Dr Heubeck's guideline ("Richttafeln") 2005G.

Increases or decreases in either the present value of the defined benefit obligation or the fair value of the reimbursement insurance can lead to actuarial gains and losses resulting from, amongst other things, changes in calculation parameters, changes in estimates regarding the outcome of risks related to the pension obligations and differences between the expected and actual return on the insurance policy.

Based on the calculation requirements set out in IAS 19, the funded status of the pension commitments is as follows:

PENSION PROVISIONS

EUR thousand	Dec 31, 2010	Dec 31, 2009
Defined benefit obligation entirely unfunded	1,550	1,376
less reimbursement insurance	– 1,295	– 1,200
Net obligations	255	176
Recognised pension provisions	**255**	**176**

The defined benefit obligation changed as follows:

PENSIONS PROVISIONS: CHANGES IN THE DEFINED BENEFIT OBLIGATION

EUR thousand	2010	2009
Defined benefit obligation as of 1 January	1,376	1,320
Service cost	18	18
Interest cost	81	75
Actuarial gains and losses	75	– 37
Defined benefit obligation as of December 31	**1,550**	**1,376**

The reimbursement insurance assets, which have been netted against the defined benefit obligation, changed as follows:

PENSION PROVISIONS: CHANGES IN REIMBURSEMENT INSURANCE

EUR thousand	2010	2009
Reimbursement insurance assets as of 1 January	1,200	1,146
Contributions to reimbursement insurance assets	45	62
Return on reimbursement insurance assets	36	18
Other changes	14	– 26
Reimbursement insurance assets as of December 31	**1,295**	**1,200**

The fair value of the reimbursement insurance, which was provided by the insurer, amounted to EUR 1,708 thousand (2009: EUR 1,627 thousand) as of the reporting date. As a result of the limit on the deduction of the reimbursement insurance assets, equal to the present value of the pension commitments, an amount of EUR 413 thousand (2009: EUR 427 thousand) was not deducted as of the reporting date.

Interest expense arising from compounding the pension obligation is recognised in the net financial result. All other components of pension cost are recognised in personnel expenses.

The overall forecast return is calculated using the weighted average of the forecast income from the plan assets held. Management's assessment of the forecast income is based on historical income trends and market predictions by analysts for the assets for the duration of the respective obligation.

20. OTHER PROVISIONS

Other provisions changed as follows:

OTHER PROVISIONS (FINANCIAL YEAR)

EUR thousand	Jan 1, 2010	Use	Reversal	Addition	Dec 31, 2010
Personnel-related provisions	3,105	2,877	0	4,130	4,358
Customer bonuses	2,846	2,846	0	3,081	3,081
Returns	2,647	2,647	0	2,982	2,982
Accrued expenses	3,687	3,687	0	1,069	1,069
Other	1,215	449	50	911	1,627
	13,500	12,506	50	12,173	13,117
of which non-current	135				961
of which current	13,365				12,156

Personnel-related provisions relate primarily to provisions for management and other bonuses and outstanding holiday and overtime pay.

With the exception of provisions for the long-term remuneration of management (long-term incentive programme, or LTI) and for phased retirement, it is assumed that provisions will be settled within twelve months. The measurement parameters for the LTI programme are explained in section H, "Other disclosures", under remuneration of members of the Management Board.

In the previous year, provisions changed as follows:

OTHER PROVISIONS (PREVIOUS YEAR)

EUR thousand	Jan 1, 2009	Use	Reversal	Addition	Dec 31, 2009
Accrued expenses	5,267	5,267	0	3,687	3,687
Personnel-related provisions	3,164	2,903	0	2,844	3,105
Customer bonuses	1,849	1,849	0	2,846	2,846
Returns	2,550	213	0	310	2,647
Other	1,685	1,127	0	657	1,215
	14,515	11,359	0	10,344	13,500
of which non-current	223				135
of which current	14,292				13,365

21. INCOME TAX LIABILITIES

Income tax liabilities consist of the following:

INCOME TAX LIABILITIES

	December 31, 2010		
	Due in		
EUR thousand	up to 1 year	more than 1 year	Total
Deferred income taxes	1,577	32,006	33,583
Current income taxes	5,898	0	5,898
	7,475	**32,006**	**39,481**

	December 31, 2009		
	Due in		
EUR thousand	up to 1 year	more than 1 year	Total
Deferred income taxes	2,419	31,866	34,285
Current income taxes	5,712	0	5,712
	8,131	**31,866**	**39,997**

In line with the write-downs on the hidden reserves from the purchase price allocation in 2005, the deferred tax liabilities recognised have been reversed. The remaining term is therefore divided into the categories of up to one year and over one year. The previous year's figure has also been restated.

Deferred tax liabilities relate to the following items:

DEFERRED TAX LIABILITIES 2010

	December 31, 2010	
EUR thousand	Gross difference	Deferred tax liabilities
Non-current intangible assets	113,529	34,059
Consolidation measures (consolidation of liabilities, elimination of intercompany earnings)	4,552	1,366
Measurement of receivables	510	153
Pension provisions	29	9
Other	94	28
	118,714	35,615
Set off against deferred tax assets	– 6,772	– 2,032
	111,942	**33,583**

Following the recognition of intangible assets as part of the first-time consolidation of TOM TAILOR South-Eastern Europe GmbH, deferred tax liabilities were recognised under the item non-current intangible assets amounting to EUR 1,284 thousand. These had a residual carrying amount of EUR 1,239 thousand as of the reporting date.

As of 31 December 2009, deferred tax liabilities arose from the following differences in recognition and measurement:

DEFERRED TAX LIABILITIES 2009

EUR thousand	December 31, 2009 Gross difference	Deferred tax liabilities
Non-current intangible assets	117,466	35,239
Consolidation measures (consolidation of liabilities, elimination of intercompany earnings)	6,133	1,840
Measurement of receivables	522	156
Treatment of structuring costs	263	79
Pension provisions	21	6
	124,405	37,320
Set off against deferred tax assets	– 10,122	– 3,035
	114,283	**34,285**

22. FINANCIAL LIABILITIES

(a) Analysis

Current and non-current financial liabilities can be analysed as follows:

FINANCIAL LIABILITIES IN THE REPORTING YEAR

	December 31, 2010			
EUR thousand	up to 1 year	1 to 5 years	more than 5 years	Total
Liabilities to banks	2,232	57,380	0	59,612
Lease liabilities	3,000	6,253	151	9,404
Liabilities to third parties	3,496	2,097	0	5,593
	8,728	**65,730**	**151**	**74,609**

In the previous year, current and non-current financial liabilities consisted of the following:

FINANCIAL LIABILITIES IN THE PREVIOUS YEAR

	December 31, 2009			
EUR thousand	up to 1 year	1 to 5 years	more than 5 years	Total
Liabilities to banks	7,099	59,333	61,686	128,118
Lease liabilities	3,176	5,272	64	8,512
Liabilities to shareholders	0	29,790	27,822	57,612
Liabilities to third parties	0	3,765	0	3,765
	10,275	**98,160**	**89,572**	**198,007**

(b) Explanation

Liabilities to banks

The majority of the proceeds from issuing shares as part of the IPO were used to significantly reduce bank liabilities by means of unscheduled repayments. The terms of the agreements were adjusted as a result. The new conditions meant that the entire transaction was classified as a restructuring of existing financing alongside the drawing down of a new loan.

The effective interest rate used for the non-current loans is variable and is linked to the three-month EURIBOR rate plus a margin of between 2.50 % p.a. and 4.25 % p.a. (2009: between 1.75 % and 3.50 %). The margin depends on the ratio of net debt to EBITDA, adjusted for non-recurring items.

The loans fall due at the end of January 2014 including the repayment of EUR 53.7 million.

The loans were granted on the condition that the Company continues to comply with certain financial covenants (recurring EBITDA/net cash interest, net debt/recurring EBITDA), which are calculated based on the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS).

Structuring costs were netted out against bank liabilities in previous years using the effective interest method. The structuring costs still deferred as of the previous year's reporting date amounting to EUR 3,379 thousand were recognised in interest expenses in 2010 following the restructuring of the loans.

The Company had no domestic current account overdrafts as of the reporting date (2009: EUR 8,899 thousand).

Liabilities to shareholders

The shareholder loans recognised as of 31 December 2009 – including accrued interest – totalling EUR 57,612 thousand were converted into shareholders' equity in order to strengthen the equity base and in preparation for the IPO in March 2010. This was done in two tranches of EUR 10,000 thousand and EUR 15,000 thousand. Please refer to the explanations in D.18 ("Shareholders' equity"). The remaining amount of EUR 32,612 thousand was paid out in full to the shareholders at the end of March 2010.

(c) Disclosures on assets pledged as securities for liabilities

Liabilities to banks are secured by pledges of all bank balances held by TOM TAILOR Holding AG, Tom Tailor GmbH and Tom Tailor Retail GmbH, totalling EUR 15.8 million (2009: EUR 10.6 million), the assignment of the shares in the subsidiaries Tom Tailor GmbH and Tom Tailor Retail GmbH, the global assignment of all receivables of TOM TAILOR Holding AG, Tom Tailor GmbH and Tom Tailor Retail GmbH, totalling EUR 30.2 million (2009: EUR 25.6 million), the chattel mortgage on inventories totalling EUR 33.1 million (2009: EUR 27.9 million) and on property, plant and equipment totalling EUR 13.4 million (2009: EUR 8.3 million) of Tom Tailor GmbH and Tom Tailor Retail GmbH and the assignment as security of brands and brand rights belonging to Tom Tailor GmbH. The right to realise the security is triggered by the occurrence of any of the events of default set out in the loan agreements.

(d) Liabilities to third parties

Liabilities to third parties consist of the present value of a purchase price liability arising from the acquisition of the 51 % interest in TOM TAILOR South-Eastern Europe Holding GmbH, Wörgl, Austria, totalling EUR 2,566 thousand. The liability has been discounted using an interest rate of 6.5 %. EUR 469 thousand of it is payable within one year and the remaining EUR 2,097 thousand is due in the long term.

There is also a purchase price liability (incl. interest) of EUR 3,027 thousand recognised under non-current financial liabilities from the acquisition of a minority interest in TOM TAILOR Gesellschaft m.b.H., Wörgl, Austria, by c&c Schreder GmbH.

23. TRADE PAYABLES

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

The usual retentions of title exist.

24. OTHER LIABILITIES

Other liabilities consist of the following:

OTHER LIABILITIES IN THE REPORTING YEAR

EUR thousand	Dec 31, 2010	Dec 31, 2009
Market value of interest rate hedges	3,537	4,797
Other taxes (primarily value added tax)	2,595	2,799
Market value of forward exchange contracts	774	1,254
Debtors with credit balances	842	576
Personnel liabilities	428	315
Miscellaneous liabilities	801	896
	8,977	**10,637**
of which non-current	3,537	4,797
of which current	5,440	5,840

25. PREPAID INCOME

PREPAID INCOME

EUR thousand	Dec 31, 2010	Dec 31, 2009
Prepaid income	3,973	5,052
of which non-current	2,775	3,961
of which current	1,198	1,091

The Company received an upfront payment of EUR 5.9 million for the outsourcing of logistics to DHL in 2008. This payment will be allocated across the term of the agreement in profit and loss using the effective interest method.

E. MANAGEMENT OF FINANCIAL RISKS AND FINANCIAL DERIVATIVES

CAPITAL MANAGEMENT

Capital management at the TOM TAILOR Group serves to preserve the Company as a going concern, to guarantee an adequate return on equity and to optimise the capital structure.

The Group manages its capital structure in accordance with the relevant economic and legal parameters by borrowing and redeeming debt, by carrying out equity operations as decided by the shareholders and by using financial instruments to hedge future cash flows.

Bank lending depends on compliance with financial covenants, which are calculated by reference to the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS).

The capital structure is monitored primarily using cash flow ratios (recurring EBITDA/cash net interest, net debt/recurring EBITDA).

The Group's ability to service its interest and capital repayment obligations is a key instrument of capital management.

Shareholders' equity amounts to EUR 100,241 thousand (previous year: EUR –68,181 thousand) and was affected in prior years by a merger that took place in 2006 and led to the redistribution of EUR 93,806 thousand in balance sheet equity to shareholders.

In the reporting year equity was affected both by the successful stock market flotation, which yielded TOM TAILOR gross issue proceeds of EUR 143 million, and by the conversion of EUR 25.0 million in shareholder loans to equity.

The financial strategy of the TOM TAILOR Group consists of using operating cash flow to keep repaying debt and to durably strengthen the equity base.

USE AND MANAGEMENT OF FINANCIAL INSTRUMENTS

Financial liabilities include in particular bank loans, finance leases and trade payables. The main purpose of these financial liabilities is to fund the Group's business. The Group has various financial assets, such as trade receivables and cash balances, which stem directly from its business operations.

In addition, the Group holds derivative financial instruments. These consist mainly of interest rate hedges (interest rate caps and swaps) and currency futures. The purpose of these derivative financial instruments is to hedge against interest rate and exchange rate risks resulting from the Group's business and its sources of funding. 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	IAS 39 category	Carrying amount 2010	Carrying amount 2009	Fair value 2010	Fair value 2009
Financial assets					
Trade receivables and other assets and other assets	lar	46,260	44,000	46,260	44,000
Cash and cash equivalents	lar	22,483	14,091	22,483	14,091
Derivatives used to hedge interest risk	fvtpl	13	106	13	106
Financial liabilities					
Liabilities to banks					
Acquisition loan	flac	59,612	104,817	59,612	104,817
Other bank liabilities	flac	0	23,301	0	23,301
Obligations under finance leases	flac	9,404	8,512	9,404	8,512
Liabilities to shareholders	flac	0	57,612	0	57,612
Liabilities to third parties	flac	5,593	3,765	5,593	3,765
Derivatives used to hedge interest and foreign exchange risk excluding hedging transactions	fvtpl	3,537	6,051	3,537	6,051
Derivatives used to hedge interest and foreign exchange risk including hedging transactions	n.a.	774	0	774	0
Trade payables and other liabilities	flac	59,803	60,558	59,803	60,558

flac = financial liabilities measured at amortised cost
fvtpl = fair value through profit and loss
lar = loans and receivables

The market values of derivative financial instruments are based on their notional value and do not take any opposing changes in the value of hedged items into account. They do not necessarily correspond to the amounts that the Group will receive or will have to pay in future under current market conditions.

With the exception of the currency futures used to hedge future transactions, the hedges in place as of the reporting date do not meet the requirements of IAS 39 for hedge accounting. All changes in market value, with the exception of the change in fair value of the currency futures totalling EUR 774 thousand, are therefore recognised straight away in profit and loss.

The market values of cash and cash equivalents, trade receivables and other receivables, of trade payables, other non-current financial liabilities and revolving credit facilities correspond to their carrying amounts. This is essentially due to the short duration of these kinds of instruments.

Trade receivables in particular are largely measured by the Group based on the credit rating of individual customers. Write-downs to reflect expected defaults are recognised following this measurement. As of 31 December 2010 the carrying amounts of these receivables, less write-downs, did not differ significantly from their estimated fair value.

At TOM TAILOR the market value of liabilities to banks and other financial debt, liabilities under finance leases and other non-current financial liabilities are measured by discounting expected future cash flows at the interest rate applicable to similar financial debt with a comparable term to maturity. As its terms were renegotiated during the reporting year, the syndicated bank loan pays interest at current market rates, so that its carrying amount and fair value as of the reporting date are largely the same.

The Group only trades derivative financial instruments with financial institutions that have good credit ratings. The interest rate hedges (interest rate swap/cap) and the currency futures are measured using a valuation method based on input parameters observed on the market. The most commonly used valuation methods are the forward price and swap models, which make use of present value calculations. The models incorporate a number of variables such as counterparty ratings, spot and forward exchange rates and yield curves.

The Group applies the following hierarchy to determine and recognise fair values of financial instruments depending on the valuation method:

- **Level 1:** quoted (unadjusted) prices on active markets for identical assets or liabilities.
- **Level 2:** methods in which all input parameters with a significant effect on the fair value to be measured are observable either directly or indirectly.
- **Level 3:** methods using input parameters with a significant effect on the fair value to be measured that are not based on observable market data.

FAIR VALUE OF FINANCIAL INSTRUMENTS

EUR thousand	2010	Stufe 1	Stufe 2	Stufe 3
Financial assets measured at fair value through profit and loss				
Derivatives used to hedge interest risk (interest cap)	13	0	13	0
	13	**0**	**13**	**0**
Financial liabilities measured at fair value through profit and loss				
Derivatives used to hedge interest risk (interest swap)	3,537	0	3,537	0
Hedging instruments designated as cash flow hedges (forward exchange contracts)	774	0	774	0
	4,311	**0**	**4,311**	**0**

Net gains and net losses from financial instruments:

FAIR VALUE OF FINANCIAL INSTRUMENTS

EUR thousand	2010	2009
Loans and receivables	– 2,976	– 4,701
of which net cash interest	221	62
Financial liabilities measured at amortised cost	– 8,660	– 11,364
of which net cash interest	– 9,460	– 13,389
Financial assets/liabilities measured at fair value through profit and loss	– 1,696	– 115
of which net cash interest	– 3,150	– 3,612

Net gains and net losses on financial instruments comprise the results of fair value measurement, amortised premiums and discounts, recognised and reversed impairment losses, the results of currency translation, interest and all other effects on earnings from financial instruments. The item financial instruments at fair value through profit and loss only includes those instruments that have not been designated as hedging instruments in an effective hedging relationship in line with IAS 39.

The main risks for the Group from the financial instruments consist of interest-related cash flow risks as well as liquidity, exchange rate and credit risks. Company management has defined strategies and procedures for managing individual types of risk, which are described below.

MARKET RISK

Market risk is the risk of fluctuations in the fair value or the future cash flows from a financial instrument due to changes in market prices.

Given the nature of its business, the Group is mainly exposed to financial risk from changes in exchange rates (see "Exchange rate risks" below) and interest rates (see "Interest rate risks" below). Furthermore, credit risks (see "Credit risk" below) and liquidity risks (see "Liquidity risk" below) also affect the Group's operating activities.

Derivative financial instruments are used to manage existing interest rate and exchange rate risks. They include:

- Futures transactions to hedge exchange rate risk, which results from importing casual wear collections mostly produced in Asia.
- Interest rate swaps/caps to reduce the risk of rising interest rates in the case of liabilities at floating rates of interest.

The sensitivity analyses in the following sections relate to the situation as of 31 December 2010 and 2009 respectively.

The sensitivity analyses were prepared on the basis of the hedging relationships in place as of 31 December 2010 and on the assumption that net debt, the proportion of fixed and floating-rate liabilities and derivatives and the proportion of financial instruments in foreign currencies remain constant.

a) Credit risk

The Company is exposed to a default risk from its operating business and from certain financing activities.

Receivables are monitored centrally and permanently to minimise the risk of default in the operating business. The Group only carries on business with creditworthy third parties. A credit assessment is performed for all customers wishing to do business on credit. In addition, risks are addressed by taking out credit insurance and holding collateral. Identified default risks are written down on an individual basis.

The risk of counterparty default in financing transactions is limited by choosing banks with good and very good credit ratings.

The maximum default risk is shown by the carrying amounts of trade receivables and cash and cash equivalents in the balance sheet.

b) Liquidity risk

In order to secure the Group's solvency and financial flexibility at all times, a revolving liquidity budget is drawn up, mapping cash inflows and outflows from a short-term and medium-term perspective. If necessary a liquidity reserve is held in the form of credit lines and cash balances.

The following tables show the term structure of financial liabilities with contractual terms to maturity as well as the forecast interest payments.

ANALYSIS OF MATURITY 2010

EUR thousand	Non-derivative financial liabilities: Liabilities to banks	Finance leases	Other liabilities	Derivative liabilities: Interest hedges	Foreign exchange hedges
Carrying amount Dec 31, 2010	59,612	9,404	65,396	3,537	774
Cash flow 2011					
Interest	2,952	708	166	1,499	0
Principal	2,232	3,000	60,524	0	774
Cash flow 2012–2015					
Interest	6,274	836	267	2,498	0
Principal	57,380	6,253	4,872	0	0
Cash flow 2016 ff.					
Interest	0	1	0	0	0
Principal	0	151	0	0	0

ANALYSIS OF MATURITY 2009

EUR thousand	Non-derivative financial liabilities: Liabilities to banks	Finance leases	Liabilities to shareholders	Other liabilities	Derivative liabilities: Interest hedges	Foreign exchange hedges
Carrying amount Dec 31, 2009	128,118	8,512	57,612	64,323	4,691	1,254
Cash flow 2010						
Interest	5,573	650	0	0	2,771	0
Principal	7,099	3,175	0	56,597	0	1,254
Cash flow 2011–2014						
Interest	29,857	671	3,795	594	2,507	0
Principal	59,333	5,273	9,230	7,726	0	0
Cash flow 2015 ff.						
Interest	25,478	2	16,301	0	0	0
Principal	61,686	63	48,382	0	0	0

For simplicity's sake, a constant yield curve was assumed for the cash flows relating to expected interest payments.

c) Exchange rate risks

The Group's exchange rate risks stem from its operating activities. The Group purchases some of its merchandise in US dollars. Futures transactions were used in the reporting year to hedge against the risk of exchange rate movements.

Cash inflows from these futures contracts were assigned to concrete forecast cash outflows for the purchase of merchandise for the first time in the reporting year, enabling the futures contracts to be designated as cash flow hedges. The futures contracts were measured at fair value as of the reporting date. Fair value was measured by the banks using the exchange rates for hedging transactions with equivalent maturities as of the reporting date. For the first time, the fair value of EUR 774 thousand for hedges in place as of the reporting date was taken directly to equity and reported in the hedging reserve and in the statement of other comprehensive income, after accounting for deferred taxes of EUR 232 thousand. Nothing was recognised in the result for the period. The hedged future purchases of merchandise and therefore the cash flows are all expected to take place in January 2011.

Futures transactions not designated as part of a hedging relationship accounted for an earnings contribution of EUR 1,254 thousand in the reporting year (2009: EUR 1,435 thousand).

In addition, the Swiss companies in the Group are exposed to an exchange rate risk due from the fact that their transactions with the TOM TAILOR Group are invoiced in euro.

The following table shows the main trade receivables and payables for the Group denominated in a foreign currency.

CURRENCY RISK

	December 31, 2010			
	Amount in local currency CHF thousand	Current rate CHF/EUR 1.25 EUR thousand	Amount in local currency USD thousand	Current rate USD/EUR 1.34 EUR thousand
Trade receivables	1,549	1,237		
Trade payables			14,479	10,836
	1,549	**1,237**	**14,479**	**10,836**

The following table shows the main trade receivables and payables for the Group denominated in a foreign currency for the previous year.

	December 31, 2009			
	Amount in local currency CHF thousand	Current rate CHF/EUR 1.48 EUR thousand	Amount in local currency USD thousand	Current rate USD/EUR 1.44 EUR thousand
Trade receivables	926	624		
Trade payables			9,678	6,718
	926	**624**	**9,678**	**6,718**

The balance of foreign exchange gains and losses (without derivatives) came to EUR 800 thousand in the reporting year (previous year: EUR 2,025 thousand).

In line with IFRS 7, the Group carries out sensitivity analyses for exchange rate risks, which enable the effects of hypothetical changes in relevant risk variables on earnings and equity to be measured. The effects for the period are determined by applying the hypothetical changes in risk variables to the volume of financial instruments held on the reporting date. It is assumed that the volume held on the reporting date is representative of the whole year. The sensitivity analyses are based on the following further assumptions:

- The vast majority of primary financial instruments (securities, receivables, cash, and liabilities) are denominated directly in the functional currency, which is the euro. Financial instruments which are not denominated in euro are included in the sensitivity analyses.
- Changes in the market value of currency derivatives due to exchange rate movements are recognised in equity (hedging reserve). Only changes in the exchange rate for the US dollar and the Swiss franc against the euro had significant effects. The effects of movements in other currencies (e.g. Czech crown, Hungarian forint, etc.) were negligible and are therefore not examined individually.

If the euro had been 10 % stronger or weaker against the US dollar on the reporting date, the result of translating liabilities denominated in US dollars would have been EUR 978 thousand higher or EUR 1,196 thousand lower respectively (previous year: EUR 1,579 thousand lower or EUR 1,930 thousand higher), whereas the hedging reserve for futures contracts in USD shown in equity would have been EUR 3,911 thousand lower or EUR 3,407 thousand higher respectively.

An increase or decrease of 10 % in the value of the euro against the Swiss franc would have resulted in a EUR 493 thousand higher or EUR 602 thousand lower reserve for translation differences for financial statements not prepared in the functional currency (previous year: EUR 463 thousand higher or EUR 566 thousand lower).

d) Interest rate risks

The Group is principally exposed to interest rate risks in the eurozone. TOM TAILOR uses derivative financial instruments to hedge floating-rate loans.

An interest rate cap is in place from 30 June 2006 to 31 December 2012 to limit interest rate risks. The interest rate cap is used to hedge bank loans and enables the interest rate, which is linked to the three-month EURIBOR rate, to be capped at 3.75 %.

In addition, there is an interest rate swap in place until 31 December 2013. The duration and the nominal amount are the same as for the underlying bank loan. The Company receives a floating interest rate based on the three-month EURIBOR rate and pays a fixed rate of 3.7875 %.

The following table summarises the nominal amounts, carrying amounts and market values of the interest rate hedges:

INTEREST RATE HEDGES

EUR thousand	2010	2009
Nominal amount	94,612	111,500
Carrying amount	– 3,523	– 4,691
Fair value	– 3,523	– 4,691

The financial result for the reporting year includes net interest income of EUR 1,454 thousand (previous year: net interest expense of EUR 115 thousand) from interest rate hedges held at fair value through profit and loss.

In line with IFRS 7, interest rate risks are presented using sensitivity analyses. These depict the effects of changes in market interest rates on interest payments, interest income and expenses, other earnings components and – if applicable – on equity. The interest rate sensitivity analyses are based on the following assumptions.

- Changes in market interest rates for fixed-rate primary financial instruments only affect profit and loss when the latter are held at fair value. Accordingly, all fixed-rate financial instruments measured at amortised cost are not subject to interest rate risks within the meaning of IFRS 7.
- Changes in market interest rates affect net interest for floating-rate primary financial instruments and are therefore included in the sensitivity analyses relating to net interest.
- Changes in market interest rates for interest rate derivatives affect net interest (the balance of fair value adjustments to financial assets and net interest on interest cash flows in the reporting period) and are therefore included in the sensitivity analyses relating to net interest.

If market interest rates on the reporting date had been 100 basis points higher or lower, net interest would have been EUR 1,530 thousand higher or EUR 1,524 thousand lower (previous year: EUR 945 thousand higher or EUR 860 thousand lower).

e) Other price risks

In the reporting year and the previous year, the Group was not exposed to any other significant price risks.

F. NOTES ON THE CASH FLOW STATEMENT

The cash flow statement shows changes in the Group's cash balances over the course of the reporting year from cash inflows and outflows. In accordance with IAS 7 Cash Flow Statements, a distinction is made between cash flows from operating activities, investing activities and financing activities.

In 2010, the indirect method of calculating cash flow from operating activities was altered so that income tax payments and interest received and paid were presented directly in the cash flow from operating activities. The figure for the previous year was changed accordingly.

The cash and cash equivalents shown in the cash flow statement comprise all liquid funds recognised in the balance sheet, i.e. cash in hand, cheques and bank balances, insofar as they are available within three months without any significant change in value.

Cash outflows from investing activities came to EUR 26.7 million in the reporting year, compared with EUR 11.3 million the previous year. The increase was due largely to payments for intangible assets and items of property, plant and equipment, in turn resulting mainly from opening new retail and outlet stores as part of aggressive expansion in the Retail segment. In addition to these cash outflows, EUR 2.1 million was spent to acquire 51 % of the shares in TT SEE Holding GmbH, which was fully consolidated in the reporting period.

Additions to leased intangible non-current assets and items of property, plant and equipment classified as finance leases were offset against changes in the financial liabilities to which the liabilities from finance leases have been assigned, as both constitute non-cash expenses.

Cash inflows from financing activities amounted to EUR 27.8 million in the reporting period, compared with a cash outflow of EUR 10.7 million the previous year. The cash inflow stems from the successful stock market flotation of TOM TAILOR Holding AG and the resulting gross issue proceeds of EUR 143.0 million. Cash payments for the transaction costs of raising capital came to EUR 5.4 million and were offset directly against equity. The proceeds of the share issue were used partly to make additional repayments on bank loans and partly for the full repayment of the shareholder loans remaining following the equity conversion.

As of 31 December 2010, financing activities also included unused credit lines of EUR 26.3 million (2009: EUR 26.1 million).

The effects of changes in cash and cash equivalents due to exchange rates mainly relate to the Swiss subsidiaries and have been disclosed separately as “changes in cash and cash equivalents due to exchange rates”.

G. SEGMENT REPORTING

SEGMENT RESULTS 2010

EUR thousand	Wholesale	Retail	Consoli-dation	Group
Third-party sales	241,018 (223,687)	106,710 (76,527)		347,728 (300,214)
Sales from other segments	39,400 (27,520)		– 39,400 (– 27,520)	0 (0)
Total Sales	**280,418** (251,207)	**106,710** (76,527)	**– 39,400** (– 27,520)	**347,728** (300,214)
Earnings before interest, tax, depreciation and amortization (EBITDA)	**16,850** (27,992)	**13,104** (9,185)	**94** (– 226)	**30,048** (36,951)
Material non-cash expenses	**7,630** (10,963)	**1,490** (523)		**9,120** (11,486)

INFORMATION BY REGION 2010

EUR thousand	Germany	Other countries	Group
Sales	**238,310** (207,048)	**109,418** (93,166)	**347,728** (300,214)
Non-current assets	**158,775** (150,308)	**18,713** (9,502)	**177,488** (159,810)

(previous year in brackets)

In accordance with the management approach stipulated in IFRS 8, the segments are defined by reference to the business operations of the TOM TAILOR Group. As in the previous year, the TOM TAILOR Group’s operations are divided into the Wholesale and Retail segments on the basis of the distribution structure. This corresponds to the division made for internal management and reporting purposes and reflects the segment’s different risk and earnings structures.

The TOM TAILOR Group covers the entire value chain from design through product management and merchandise purchasing to sales. The Group distributes the brand TOM TAILOR Casual with the lines MEN Casual, WOMEN Casual, KIDS, MINIS, BABY and the brand TOM TAILOR Denim with the lines Denim Male and Denim Female.

In the Wholesale segment, the TOM TAILOR products are distributed via resellers by means of franchise stores, shop-in-shops and multi-label businesses (B2B).

In the Retail segment, the collections in the various product lines are sold directly to final customers in the Company’s own shops, including centre stores, city stores, flagship stores and outlets, as well as via a Web-based e-shop (B2C). The e-cooperation programmes included in e-business are the only exception. This sales channel targets final customers by means of a reseller. This business is assigned to the Retail segment based on internal management and reporting.

Segment information is based on the same recognition and measurement principles as the consolidated financial statements.

The Management Board of the TOM TAILOR Group has defined earnings before interest, tax, depreciation and amortisation (EBITDA) as well as revenue as the key performance indicators for management and reporting.

Management only looks at net interest and tax expenses/income on a Group level.

In line with the management approach in IFRS 8, assets and liabilities are not reported on a segment basis, as this information is not available at segment level.

Expenses and income and intersegment results are eliminated in the course of consolidation.

Intra-Group revenue is offset at generally accepted market terms.

Non-cash items mainly include changes in provisions, measurement of exchange rate futures and write-downs on inventories and trade receivables.

The preceding information on segment revenue by region refers to the customer’s location. Non-current assets by region are made up of intangible assets and property, plant and equipment.

H. OTHER DISCLOSURES AND NOTES

RESEARCH AND DEVELOPMENT

Research and development costs recognised as expenses came to EUR 8,109 thousand (2009: EUR 7,197 thousand) and related to the collections.

CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

(a) Contingent receivables and liabilities

There were no contingent receivables or liabilities of great significance for the net assets, financial and earnings position as of the reporting date.

(b) Other financial obligations

The following table shows the Group's other financial obligations, primarily from rental and operating lease agreements.

OTHER FINANCIAL OBLIGATIONS 2010

	December 31, 2010			
EUR thousand	Rentals	Operating leases	Other	Total
within one year	23,995	1,424	2,211	27,630
between one and five years	85,833	2,439	5,284	93,556
more than five years	59,870	40	0	59,910
	169,698	**3,903**	**7,495**	**181,096**

OTHER FINANCIAL OBLIGATIONS 2009

	December 31, 2009			
EUR thousand	Rentals	Operating leases	Other	Total
within one year	17,650	1,410	2,652	21,712
between one and five years	63,900	1,270	7,241	72,411
more than five years	32,070	0	0	32,070
	113,620	**2,680**	**9,893**	**126,193**

Miscellaneous other financial obligations essentially relate to minimum orders under a logistics outsourcing agreement.

The increase in financial obligations from rents stems from newly leased retail and outlet stores.

The rental obligation of EUR 1.5 million per annum for the logistics centre Nordport (total: EUR 9.4 million) is not shown in the table above as it is offset in full by a claim against the logistics company DHL under a sub-lease for the same period.

ADDITIONAL DISCLOSURES ON RENT AND LEASING AGREEMENTS

Payments of EUR 5,130 thousand under leasing agreements were recognised in expenses for the reporting year (2009: EUR 4,671 thousand). These are solely minimum lease payments. In the reporting year and the previous year, no leasing rates for sub-leases or contingent rent instalments were paid.

In the reporting year, expenses of EUR 1,063 thousand (2009: EUR 1,178 thousand) were recognised for operating leases.

Apart from the leasing obligation for the Nordport logistics centre, there were no significant sub-leases in the reporting year and the previous year. Please refer to the notes under (b) "Other financial obligations".

LEGAL DISPUTES

The Company and its subsidiaries are not involved in any litigation or arbitration which could have a substantial effect on the position of the Group.

RELATED PARTY DISCLOSURES

Pursuant to IAS 24 (Related Party Disclosures), transactions with parties controlling or controlled by the Group must be disclosed unless they are included in the entity's consolidated financial statements as a consolidated company.

Parties related to the TOM TAILOR Group are basically members of the Management Board and Supervisory Board as well as companies controlled by board members or over which board members can exercise significant influence. Relations with joint ventures and associated companies also come into this category.

JOINT VENTURES AND ASSOCIATED COMPANIES

The TOM TAILOR Group holds an equity interest in a company in Northern Ireland with which it carries out transactions in the course of its normal business.

The Northern Irish company is TT OFF SALE (NI) LTD. and its wholly owned subsidiary TT OFF SALE (Ireland) LTD. in which Tom Tailor GmbH holds a 49 % direct and indirect interest as part of a franchise joint venture. The joint venture partner is responsible for operational management of TT OFF SALE (NI) LTD. In the reporting year, goods and services were supplied to the Company for EUR 1,052 thousand (2009: EUR 498 thousand). Receivables from the Company came to EUR 3,112 thousand and EUR 3,019 thousand as of 31 December 2010 and 31 December 2009 respectively.

INDIVIDUALS

(a) Management Board

- Mr Dieter Holzer, businessman, Ravensburg, Germany (Managing Director)
- Dr Axel Rebien, businessman, Quickborn, Germany
- Mr Christoph Rosa, businessman, Schweinfurt, Germany
- Mr Dietmar Axt, businessman, Hamburg, Germany (until 28 February 2010)

Mr Dietmar Axt resigned his seat as of 28 February 2010 and at the same time was initially released on full pay until the end of his Management Board contract at the end of 2010. In September, TOM TAILOR Holding AG and Dietmar Axt agreed to terminate this period early, effective 31 October 2010.

In the reporting year, the Management Board members held no other seats on supervisory boards.

Remuneration of Management Board members

In January 2010, the contracts with the Management Board members Dr Axel Rebien and Christoph Rosa were renewed for three years and the contract with Dieter Holzer for five years.

As a result of the successful stock market flotation, expenses for one-off payments to the Management Board members totalling EUR 2.1 million were recognised in the reporting year. The payments were made in the second quarter of 2010.

SHARE-BASED REMUNERATION SYSTEM

On 20 January 2010, the Supervisory Board voted to implement a share-based remuneration system for the members of the Management Board known as a Matching Stock Programme (MSP). The MSP runs for a total of 14 years from the date share trading began. The MSP serves to align the interests of the Management Board and shareholders.

The MSP consists of five tranches in total. The first tranche was allotted on the first day of trading, the others are each to be allotted a year after the preceding one. At the time each tranche is allotted, Management Board members must have an ongoing contract of employment or service with TOM TAILOR Holding AG and hold shares in TOM TAILOR Holding AG (MSP shares). Each MSP share gives the right to subscribe for 0.4 (CEO) or three (other Management Board members) "phantom stocks" per tranche. The allotted phantom stocks are subject to a lock-up period of four years from the date each tranche is allotted. They are exercised automatically at defined periods when the exercise hurdle has been achieved, an MSP profit can be identified and the participant does not oppose their exercise in good time. The exercise hurdle is achieved if the performance of the TOM TAILOR Holding AG share has exceeded that of the SDAX® since the relevant tranche was allotted. When the tranches are exercised, Management Board members are paid the difference between the exercise price and the base price of all exercised phantom stocks, less income tax and other social security contributions, in TOM TAILOR Holding AG shares. The amount paid before deduction of income tax and social security contributions is capped at 2.5 % of operating earnings (EBITDA) as stated in the last consolidated financial statements of TOM TAILOR Holding AG.

The MSP was classified and measured as a share-based, equity-settled payment. There is no equivalent cash payment, except for fractional amounts. The fair value of the equity instruments has been estimated for all tranches using a Monte Carlo model and taking the terms on which the phantom stocks were issued into account. It also models the exercise hurdle and simulates future exercise prices and base prices. The following parameters were used to measure fair value:

FAIR VALUE PARAMETERS	
Dividend yield	2.50 %
Term to maturity (in years)	9–14
Expected volatility	31.65 %–32.90 %
Risk-free interest rate	3.10 %–3.54 %
Share price on measurement date	12.85 EUR
SDAX® price on measurement date	3,832.91 EUR
Expected volatility SDAX®	19.23 %–19.56 %

The term to maturity was defined as the period between the measurement date and the maturity date of each tranche. In the absence of available historical data, the expected volatility was measured on the basis of comparable publicly listed companies. Expected volatility is based on the assumption that historical volatility enables conclusions to be drawn about future trends, so that actual volatility may differ from the assumptions made.

The weighted average of fair values calculated using these parameters for the phantom stocks issued in the period under review is EUR 3.14.

In addition to their constant fixed and variable remuneration components, Management Board members have contributed a total of 209,500 MSP shares at a base price of EUR 13.00 to the MSP programme. These entitle the bearer to subscribe for 705,000 phantom stocks. Furthermore, Management Board members were given the right to contribute further MSP shares as part of the second tranche. As of the balance sheet date, all phantom stocks are still outstanding and cannot be exercised. No phantom stocks have expired, been forfeit or exercised.

In July 2010, a long-term incentive programme (LTI) was introduced for managers at TOM TAILOR. It is intended to reinforce staff loyalty and achieve the Company's long-term targets. Management Board members also take part in the programme, which has a term of eight years (beginning with the 2010 financial year) and pays out an additional individual bonus based on a comparison between forecast and actual revenue and operating earnings over a rolling period of three years. The performance of the share price is also taken into account. This remuneration system which will result in a payment for the first time in 2013.

In 2006 and 2009, Mr Holzer made two shareholder loans to the Company totalling EUR 1.1 million (including accrued interest), which were repaid together with all other share-holder loans at the end of March 2010.

The following table shows total remuneration for the Management Board members:

COMMITTEE REMUNERATION

EUR thousand	2010	2009
Salaries and current benefits	3,326	2,289
Non-recurring payments as part of the IPO	2,155	0
Other non-current benefits	304	0
Non-current share-based payments	331	0
	6,116	2,289

The fixed and variable remuneration is paid over the course of the year or shortly after the financial statements are adopted. Variable remuneration includes the board members' portion of the MSP and LTI programmes measured at EUR 635 thousand (2009: EUR 0 thousand) as of the reporting date. This will be paid out at the earliest in 2013 and 2014 respectively. For information on the individual remuneration paid to Management Board members in accordance with section 314a (1)(6a)(5-8) of the German Commercial Code (HGB), please refer to the remuneration report included in the Group management report.

Management Board remuneration includes repayable remuneration components of EUR 146 thousand (2009: EUR 391 thousand) for excess advance bonus payments. They are shown as receivables from Management Board members under other assets.

On 28 November 2008, Tom Tailor GmbH signed a contract for the rental of premises to operate a proprietary retail store in Schweinfurt as of 1 January 2009 with Mr Georg Michael Rosa, the father of Management Board member Christoph Rosa. The premises consist of salesrooms as well as offices and ancillary space with a total area of some 550 sq m. The contract runs for five years. Annual net rent before overheads is EUR 225 thousand, rising to EUR 230 thousand in the period 2011–2013.

Provisions of EUR 98 thousand (2009: EUR 69 thousand) have been made in accordance with IAS 19 for pension obligations to former senior managers and their surviving dependents.

Shares held by Management Board members

As of 31 December 2010, Management Board members held the following shares:

SHARES HELD BY MEMBERS OF THE MANAGEMENT BOARD

	Number of shares
Dieter Holzer	259,010
Dr Axel Rebien	11,000
Christoph Rosa	16,500

Mr Dieter Holzer has given an undertaking to the underwriting banks not to sell, either directly or indirectly, the 250,000 shares he owned on the first day of trading (26 March 2010) for a period of 12 months from this date.

(b) Supervisory Board

At the extraordinary General Meeting held on 4 March 2010, revised articles of association for TOM TAILOR Holding AG were adopted. The amendment increased the number of Supervisory Board members from three to six.

It consists of the following members:

- Mr Uwe Schröder, businessman, Hamburg (Chairman)
- Mr Thomas Schlytter-Henrichsen, businessman, Königstein/Taunus, Germany (Vice Chairman)
- Mr Andreas W. Bauer, businessman, Munich, Germany (since 8 March 2010)
- Mr Andreas Karpenstein, lawyer, Düsseldorf, Germany (since 8 March 2010)
- Dr Christoph Schug, entrepreneur, Mönchengladbach, Germany (since 8 March 2010)
- Mr Gerhard Wöhrl, businessman, Munich, Germany (since 8 March 2010)
- Mr Alain Blanc-Brude, managing director, Monaco (until 8 March 2010)

According to the articles of association, Supervisory Board members receive a fixed payment of EUR 40 thousand, the Chairman EUR 150 thousand and the Vice Chairman EUR 75 thousand (plus VAT, if applicable) in addition to their out-of-pocket expenses. This remuneration is due at the close of the Annual General Meeting which receives or votes on the adoption of the consolidated financial statements for the respective financial year.

Mr Uwe Schröder (Chairman) holds shares in TOM TAILOR Holding AG indirectly. Schröder Consulting GmbH, which is related party of Mr Uwe Schröder, receives sponsorship payments from Tom Tailor GmbH in the context of polo games and the brand presence of TOM TAILOR. Sponsorship payments of EUR 258 thousand were made in 2010.

A contract of employment exists between TOM TAILOR Holding AG and Mr Oliver Schröder, the son of the Supervisory Board Chairman, Mr Uwe Schröder. Mr Oliver Schröder has worked for the TOM TAILOR Group since 1998.

Mr Thomas Schlytter-Henrichsen (Vice Chairman) holds shares in TOM TAILOR Holding AG indirectly.

As of 31 December 2010, Supervisory Board member Dr Christoph Schug held 14,800 shares indirectly, while Supervisory Board member Mr Bauer held 2,000 shares indirectly.

Mr Gerhard Wöhrl is the majority shareholder of Rudolf Wöhrl AG, whose Managing Director he was until 31 March 2010. In 2010, the TOM TAILOR Group generated revenue of around EUR 3.8 million with Rudolf Wöhrl AG. As of 31 December 2010, receivables of EUR 196 thousand were outstanding.

Additional board seats held by Supervisory Board members:

The Supervisory Board members of TOM TAILOR Holding AG also hold seats on the following company boards:

Uwe Schröder (Chairman of the Supervisory Board)

- Member of the Advisory Board, eterna Mode GmbH, Passau, Germany
- Managing Director, Schröder Consulting GmbH, Flensburg, Germany
- Member of the Advisory Board, Kassenhalle Restaurant GmbH & Co. KG, Hamburg
- Chief Executive Officer, Verband der Fertigwarenimporteure e.V. (VFI), Hamburg

Thomas Schlytter-Henrichsen (Vice Chairman of the Supervisory Board)

- Managing Director, ALPHA Beteiligungsberatung GmbH & Co. KG, Frankfurt am Main, Germany
- Managing Director, ALPHA Management GmbH, Frankfurt am Main, Germany
- Managing Director, ALPHA Verwaltungs GmbH, Frankfurt am Main, Germany
- Managing Director, Agrippina S.à.r.l., Luxembourg, Luxembourg
- Managing Director, Bulowayo GmbH, Königstein im Taunus, Germany
- Supervisory Board member, ALPHA ASSOCIES Conseil SAS, Paris, France
- Supervisory Board member, Nero AG, Karlsbad, Germany
- Management Board member (conseil de gestion), Gearbox S.à.r.l., Luxembourg, Luxembourg
- Management Board member (conseil de gestion), Powertrain S.à.r.l., Luxembourg, Luxembourg

Andreas W. Bauer

- Partner, Roland Berger Strategy Consultants, Munich

Andreas Karpenstein

- Partner and Managing Director, Raupach & Wollert Elmendorff Rechtsanwaltsgesellschaft mbH, Düsseldorf, Germany
- Managing Director, Herceus Grundstücks-Vermietungsgesellschaft mbH, Düsseldorf, Germany
- Supervisory Board member (Vice Chairman), Trusted Advice AG, Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Düsseldorf, Germany

Dr Christoph Schug
- Managing Director, Consulta Verwaltungs- und Treuhand GmbH, Mönchengladbach, Germany
- Supervisory Board member, Conmoto Consulting Group, Munich, Germany
- Supervisory Board member, Baden-Baden Cosmetics Group AG, Baden-Baden, Germany
- Member of the Advisory Board, Norma Group Holding GmbH, Maintal, Germany

Gerhard Wöhrl
- Managing Director, Gerhard Wöhrl Beteiligungsgesellschaft mbH, Reichenschwand, Germany
- Managing Director, GOVAN Beteiligungs GmbH, Reichenschwand, Germany
- Managing Director, GOVAN Holding GmbH & Co. KG, Reichenschwand, Germany
- Managing Director, GOVAN Verwaltungs GmbH, Reichenschwand, Germany
- Managing Director, GVC Gesellschaft für Venture Capital Beteiligungen mbH, Munich, Germany
- Supervisory Board member, Ludwig Beck am Rathauseck – Textilhaus Feldmeier AG, Munich, Germany
- Advisory Board member, Sparkasse Nürnberg, Nuremberg, Germany
- Advisory Board member (Chairman), TETRIS Grundbesitz GmbH & Co. KG, Reichenschwand, Germany
- Advisory Board member (Chairman), TETRIS Grundbesitz Beteiligungsgesellschaft mbH, Reichenschwand, Germany

(c) Shareholders

Of the shareholder loans recognised as of 31 December 2009 totalling EUR 57.6 million (including deferred interest), two tranches of EUR 10.0 million and EUR 15.0 million respectively were transferred to capital reserves in March 2010. This was done by way of conversion and a capital increase in kind in order to strengthen the Company's equity and prepare for the initial public offering.

The loans of EUR 33.4 million (including interest) remaining after conversion were repaid in full to the shareholders at the end of March 2010.

Disclosures on shareholdings in TOM TAILOR Holding AG

On 6 April 2010, TOM TAILOR Holding AG received notification as follows concerning voting rights in accordance with section 21 (1a) of the German Securities Trading Act (WpHG) relating to the following companies:

I. MORGAN FINANCE S.A.

Morgan Finance S.A., Luxembourg, Luxembourg, notified us in accordance with section 21 (1a) of the German Securities Trading Act (WpHG) that on 25 March 2010 its share of voting rights in our company came to 8.78 % (1,451,268 voting rights).

II. AR MOR 1 S.A.

Ar Mor 1 S.A., Luxembourg, Luxembourg, notified us in accordance with section 21 (1a) of the German Securities Trading Act (WpHG) that on 25 March 2010 its share of voting rights in our company came to 8.78 % (1,451,268 voting rights).
Of the total, 8.78 % (1,451,268 voting rights) are attributed to it by Morgan Finance S.A. pursuant to section 22 (1)(1)(1) WpHG.

III. ADWAY CORP.

ADWAY Corp. Panama City, Panama, notified us in accordance with section 21 (1a) of the German Securities Trading Act (WpHG) that on 25 March 2010 its share of voting rights in our company came to 8.78 % (1,451,268 voting rights).
Of the total, 8.78 % (1,451,268 voting rights) are attributed to it pursuant to section 22 (1)(1)(1) WpHG.

Voting rights are attributed to it by the following controlled companies (beginning with the lowest company), whose share of voting rights in TOM TAILOR Holding AG is equal to or exceeds 3 % in each case:
- Morgan Finance S.A.
- Ar Mor 1 S.A."

On 7 April 2010, TOM TAILOR Holding AG received notification as follows concerning voting rights in accordance with section 21 (1a) of the German Securities Trading Act (WpHG) relating to the following companies:

1. APEF MANAGEMENT COMPANY 4 LIMITED

APEF Management Company 4 Limited, St Helier, Jersey, Channel Islands, has notified us in accordance with section 21 (1a) of the German Securities Trading Act (WpHG) that on 25 March 2010 its share of voting rights in our company came to 12.91 % (2,134,165 voting shares).
Of the total, 12.91 % (2,134,165 voting rights) are attributed to it pursuant to both section 22 (1)(1)(1) WpHG and section 22 (2) WpHG by APEF 4-DENEB CI L.P.

Voting rights are attributed to it by the following controlled companies (beginning with the lowest company), whose share of voting rights in TOM TAILOR Holding AG is equal to or exceeds 3 % in each case:

- APEF 4-DENEB CI L.P.
- Alpha General Partner 4 L.P.

2. ALPHA GENERAL PARTNER 4 LP

Alpha General Partner 4 L.P., St Helier, Jersey, Channel Islands, notified us in accordance with section 21 (1a) of the German Securities Trading Act (WpHG) that on 25 March 2010 its share of voting rights in our company came to 12.91 % (2,134,165 voting rights).
Of the total, 12.91 % (2,134,165 voting rights) are attributed to it pursuant to section 22 (1)(1)(1) WpHG.

Voting rights are attributed to it by the following controlled company, whose share of voting rights in TOM TAILOR Holding AG is equal to or exceeds 3 %:

- APEF 4-DENEB CI L.P.

3. APEF 4-DENEB CI L.P.

APEF 4-DENEB CI L.P., St Helier, Jersey, Channel Islands, notified us in accordance with section 21 (1a) of the German Securities Trading Act (WpHG) that on 25 March 2010 its share of voting rights in our company came to 12.91 % (2,134,165 voting rights). Of the total, 9.81 % (1,621,945 voting rights) are attributed to it pursuant to section 22 (2) WpHG.

4. PEF 4-ELARA CI L.P.

APEF 4-ELARA CI L.P., St Helier, Jersey, Channel Islands, notified us in accordance with section 21 (1a) of the German Securities Trading Act (WpHG) that on 25 March 2010 its share of voting rights in our company came to 12.91 % (2,134,165 voting rights). Of the total, 10.95 % (1,809,768 voting rights) are attributed to it pursuant to section 22 (2) WpHG.

Voting rights are attributed to it by the following shareholder, whose share of voting rights in TOM TAILOR Holding AG is equal to or exceeds 3 %:

- APEF 4-DENEB CI L.P.

5. APEF 4-GEMMA CI L.P.

APEF 4-GEMMA CI L.P., St Helier, Jersey, Channel Islands, notified us in accordance with section 21 (1a) of the German Securities Trading Act (WpHG) that on 25 March 2010 its share of voting rights in our company came to 12.91 % (2,134,165 voting rights). Of the total, 11.13 % (1,839,634 voting rights) are attributed to it pursuant to section 22 (2) WpHG.

Voting rights are attributed to it by the following shareholder, whose share of voting rights in TOM TAILOR Holding AG is equal to or exceeds 3 %:

- APEF 4-DENEB CI L.P.

6. APEF 4-HYDRA CI L.P.

APEF 4-HYDRA CI L.P., St Helier, Jersey, Channel Islands, notified us in accordance with section 21 (1a) of the German Securities Trading Act (WpHG) that on 25 March 2010 its share of voting rights in our company came to 12.91 % (2,134,165 voting rights). Of the total, 11.62 % (1,920,752 voting rights) are attributed to it pursuant to section 22 (2) WpHG.

Voting rights are attributed to it by the following shareholder, whose share of voting rights in TOM TAILOR Holding AG is equal to or exceeds 3 %:

- APEF 4-DENEB CI L.P.

7. APEF 4-NORMA US L.P.

APEF 4-NORMA US L.P., St Helier, Jersey, Channel Islands, notified us in accordance with section 21 (1a) of the German Securities Trading Act (WpHG) that on 25 March 2010 its share of voting rights in our company came to 12.91 % (2,134,165 voting rights). Of the total, 9.94 % (1,643,331 voting rights) are attributed to it pursuant to section 22 (2) WpHG.

Voting rights are attributed to it by the following shareholder, whose share of voting rights in TOM TAILOR Holding AG is equal to or exceeds 3 %:

- APEF 4-DENEB CI L.P.

8. APEF 4-OPHELIA US L.P.

APEF 4-OPHELIA US L.P., St Helier, Jersey, Channel Islands, notified us in accordance with section 21 (1a) of the German Securities Trading Act (WpHG) that on 25 March 2010 its share of voting rights in our company came to 12.91 % (2,134,165 voting rights).
Of the total, 11.10 % (1,835,395 voting rights) are attributed to it pursuant to section 22 (2) WpHG.

Voting rights are attributed to it by the following shareholder, whose share of voting rights in TOM TAILOR Holding AG is equal to or exceeds 3 %:

- APEF 4-DENEB CI L.P."

On 8 April 2010, TOM TAILOR Holding AG received notification as follows concerning voting rights in accordance with section 21 (1a) of the German Securities Trading Act (WpHG) relating to the following companies:

"ALPHA GENERAL PARTNER 4 LP

Alpha General Partner 4 L.P., St Helier, Jersey, Channel Islands, notified us in accordance with section 21 (1a) of the German Securities Trading Act (WpHG) that on 25 March 2010 its share of voting rights in our company came to 12.91 % (2,134,165 voting rights).
Of the total, 12.91 % (2,134,165 voting rights) are attributed to it pursuant to both section 22 (1)(1)(1) WpHG and section 22 (2) WpHG by APEF 4-DENEB CI L.P.

Voting rights are attributed to it by the following controlled company, whose share of voting rights in TOM TAILOR Holding AG is equal to or exceeds 3 %:

- APEF 4-DENEB CI L.P."

On 12 April 2010, TOM TAILOR Holding AG received notification as follows concerning voting rights in accordance with section 21 (1) of the German Securities Trading Act (WpHG) relating to the following companies:

"1. COMINVEST ASSET MANAGEMENT S.A.

Cominvest Asset Management S.A., Luxembourg, Luxembourg, notified us in accordance with section 21 (1) of the German Securities Trading Act (WpHG) that on 30 March 2010 its share of voting rights in our company exceeded the threshold of 3 %, accounting for 4.76 % of total voting rights in our company as of this date (this corresponds to 786,511 out of a total of 16,528,169 voting rights).
No voting rights were obtained pursuant to section 17 (1)(7) of the German Securities Trading Reporting and Insider Register Ordinance (WpAIV).

2. COMINVEST ASSET MANAGEMENT GMBH

Cominvest Asset Management S.A., Frankfurt am Main, Germany, notified us in accordance with section 21 (1) of the German Securities Trading Act (WpHG) that on 30 March 2010 its share of voting rights in our company exceeded the threshold of 3 %, accounting for 3.36 % of total voting rights in our company as of this date (this corresponds to 556,086 out of a total of 16,528,169 voting rights).
Of its total voting rights, 0.05 % (this corresponds to 8,533 out of a total of 16,528,169 voting rights) are attributed to it in accordance with section 22 (1)(1)(6) WpHG.

No voting rights were obtained pursuant to section 17 (1)(7) of the German Securities Trading Reporting and Insider Register Ordinance (WpAIV)."

On 12 April 2010, TOM TAILOR Holding AG received notification as follows concerning voting rights in accordance with section 21 (1a) of the German Securities Trading Act (WpHG) relating to the following companies:

"Allianz Global Investors Kapitalanlagegesellschaft mbH, Frankfurt am Main, Germany, notified us in accordance with section 21 (1) of the German Securities Trading Act (WpHG) that on 30 March 2010 its share of voting rights in our company exceeded the threshold of 3 %, accounting for 4.92 % of total voting rights in our company as of this date (this corresponds to 812,979 out of a total of 16,528,169 voting rights).

Of its total voting rights, 0.15 % (this corresponds to 25,000 out of a total of 16,528,169 voting rights) are attributed to it in accordance with section 22 (1)(1)(6) WpHG.

No voting rights were obtained pursuant to section 17 (1)(7) of the German Securities Trading Reporting and Insider Register Ordinance (WpAIV)."

On 15 April 2010, TOM TAILOR Holding AG received notification as follows concerning voting rights in accordance with section 21 (1a) of the German Securities Trading Act (WpHG) relating to the following companies:

"1. HENDERSON GLOBAL INVESTORS LIMITED

According to section 21 (1) of the German Securities Trading Act (WpHG) we have been informed that on 30 March 2010 the voting interest of Henderson Global Investors Limited, London, United Kingdom, in our company exceeded the threshold of 3 % of the voting rights in our company and amounted to 4.54 % (equivalent to 750,000 shares).

4.54 % of the voting rights (equivalent to 750,000 shares) are attributable to Henderson Global Investors Limited in accordance with section 22 (1)(1)(6) WpHG.

2. HENDERSON GLOBAL INVESTORS (HOLDINGS) PLC

According to section 21 (1) of the German Securities Trading Act (WpHG) we have been informed that on 30 March 2010 the voting interest of Henderson Global Investors (Holdings) Plc, London, United Kingdom, in our company exceeded the threshold of 3 % of the voting rights in our company and amounted to 4.54 % (equivalent to 750,000 shares).

4.54 % of the voting rights (equivalent to 750,000 shares) are attributable to Henderson Global Investors (Holdings) Plc in accordance with section 22(1)(1)(6) in conjunction with section 22 (1)(2) of the WpHG.

3. HENDERSON GROUP PLC

According to section 21 (1) of the German Securities Trading Act (WpHG) we have been informed that on 30 March 2010 the voting interest of Henderson Group Plc, London, United Kingdom, in our company exceeded the threshold of 3 % of the voting rights in our company and amounted to 4.54 % (equivalent to 750,000 shares).

4.54 % of the voting rights (equivalent to 750,000 shares) are attributable to Henderson Group Plc in accordance with section 22 (1)(1)(6) in conjunction with section 22 (1)(2) of the WpHG."

On 15 April 2010, TOM TAILOR Holding AG received notification as follows concerning voting rights in accordance with section 21 (1) of the German Securities Trading Act (WpHG) relating to the following companies:

"Pursuant to section 21 (1) of the German Securities Trading Act (WpHG) we have been informed that on 9 April 2010 JPMorgan Asset Management (UK) Limited, London, United Kingdom, fell below the threshold of 5 % of the voting rights in our company and as of this date the voting rights held by JPMorgan Asset Management (UK) Limited amounted to 4.88 % (805,906 shares) in relation to all shares of the respective voting shares.

All voting rights are attributed pursuant to section 22 (1)(1)(6) WpHG."

On 3 May 2010, TOM TAILOR Holding AG received notification as follows concerning voting rights in accordance with section 21 (1) of the German Securities Trading Act (WpHG) relating to the following companies:

"I. MORGAN FINANCE S.A.

Morgan Finance S.A., Luxembourg, Luxembourg, notified us in accordance with section 21 (1) of the German Securities Trading Act (WpHG) that on 23 April 2010 its share of voting rights in our company exceeded the threshold of 10 %, accounting for 11.64 % of total voting rights in our company on this date (1,923,126 voting rights).

II. AR MOR 1 S.A.

Ar Mor 1 S.A., Luxembourg, Luxembourg, notified us in accordance with section 21 (1) of the German Securities Trading Act (WpHG) that on 23 April 2010 its share of voting rights in our company exceeded the threshold of 10 %, accounting for 11.64 % of total voting rights in our company on this date (1,923,126 voting rights).

Of the total, 11.64 % (1,923,126 voting rights) are attributed to it by Morgan Finance S.A., whose share of voting rights in TOM TAILOR Holding AG comes to more than 3 %, pursuant to section 22 (1)(1)(1) WpHG.

III. ADWAY CORP.

ADWAY Corp. Panama City, Panama, notified us in accordance with section 21 (1) of the German Securities Trading Act (WpHG) that on 23 April 2010 its share of voting rights in our company exceeded the threshold of 10 %, accounting for 11.64 % of total voting rights in our company on this date (1,923,126 voting rights).

Of the total, 11.64 % (1,923,126 voting rights) are attributed to it pursuant to section 22 (1)(1)(1) WpHG.

Voting rights are attributed to it by the following controlled companies (beginning with the lowest company), whose share of voting rights in TOM TAILOR Holding AG is equal to or exceeds 3 % in each case:

- Morgan Finance S.A.
- Ar Mor 1 S.A."

On 18 June 2010, TOM TAILOR Holding AG received notification as follows concerning voting rights in accordance with section 21 (1) of the German Securities Trading Act (WpHG) relating to the following companies:

"Allianz Global Investors Kapitalanlagegesellschaft mbH, Frankfurt am Main, Germany, notified us in accordance with section 21 (1) of the German Securities Trading Act (WpHG) on 16/06/2010 that its share of voting rights in TOM TAILOR Holding AG, Hamburg, Germany (ISIN: DE000A0STST2, security code no.: A0STST) exceeded the thresholds of 3 % and 5 % on 14/06/2010 and came to 8.53 % on this date (equivalent to 1,410,128 voting rights).

Of the total, 0.25 % (equivalent to 42,000 voting rights) are attributed to Allianz Global Investors Kapitalanlagegesellschaft mbH pursuant to Section 22 (1)(1)(6) WpHG."

On 21 June 2010, TOM TAILOR Holding AG received notification as follows concerning voting rights in accordance with section 21 (1) of the German Securities Trading Act (WpHG) relating to the following companies:

"RECTIFICATION OF THE INFORMATION PUBLISHED ON 18/06/2010

Allianz Global Investors Kapitalanlagegesellschaft mbH, Frankfurt am Main, Germany, notified us in accordance with section 21 (1) of the German Securities Trading Act (WpHG) on 16/06/2010 that its share of voting rights in TOM TAILOR Holding

AG, Hamburg, Germany (ISIN: DE000A0STST2, security code no.: A0STST) exceeded the threshold of 5 % on 14/06/2010 and came to 8.53 % on this date (equivalent to 1,410,128 voting rights).

Of the total, 0.25 % (equivalent to 42,000 voting rights) are attributed to Allianz Global Investors Kapitalanlagegesellschaft mbH pursuant to section 22 (1)(1)(6) WpHG.

No voting rights were obtained pursuant to section 17 (1)(7) of the German Securities Trading Reporting and Insider Register Ordinance (WpAIV)."

On 23 June 2010, TOM TAILOR Holding AG received notification as follows concerning voting rights in accordance with section 21 (1) of the German Securities Trading Act (WpHG) relating to the following companies:

"Allianz Global Investors Luxembourg S.A., Senningerberg, Luxembourg, notified us in accordance with Section 21 (1) of the German Securities Trading Act (WpHG) on 22/06/2010 that its share of voting rights in TOM TAILOR Holding AG, Hamburg, Germany (ISIN: DE000A0STST2, security code no.: A0STST) exceeded the thresholds of 3 % and 5 % on 18/06/2010 and came to 5.70 % on this date (equivalent to 942.759 voting rights).

Of the total, 0.07 % (equivalent to 11,765 voting rights) are attributed to Allianz Global Investors Luxembourg S.A. pursuant to Section 22 (1)(1)(6) WpHG.

No voting rights were obtained pursuant to section 17 (1)(7) of the German Securities Trading Reporting and Insider Register Ordinance (WpAIV)."

On 7 December 2010, TOM TAILOR Holding AG received notification as follows concerning voting rights in accordance with section 21 (1) of the German Securities Trading Act (WpHG) relating to the following companies:

"Die APEF Management Company 4 Limited,
Alpha General Partner 4 L.P.,
APEF 4-OPHELIA US L.P.,
APEF 4-HYDRA CI L.P.,
APEF 4-ELARA CI L.P.,
APEF 4-DENEB CI L.P.,
APEF 4-NORMA US L.P.,
APEF 4-GEMMA CI L.P.,

each registered in St Helier, Jersey, Channel Islands, have notified us pursuant to section 21 (1) of the German Securities Trading Act (WpHG) that their respective shares of the voting rights in TOM TAILOR HOLDING AG fell below the thresholds of 15 %, 10 %, 5 % and 3 % on 1 December 2010 and came to 0.0 % on this date."

On 13 December 2010, TOM TAILOR Holding AG received notification as follows concerning voting rights in accordance with section 21 (1) of the German Securities Trading Act (WpHG) relating to the following companies:

"1. FMR LLC, Boston, Massachusetts, USA, notified us on 10 December 2010 in accordance with section 21 (1) of the German Securities Trading Act (WpHG) that its share of voting rights in TOM TAILOR HOLDING AG exceeded the threshold of 3 % on 2 December 2010 and came to 3.06 % on this date. This corresponds to 505,900 voting rights.
These voting rights are attributed to it in accordance with section 22 (1)(1)(6) in conjunction with section 22 (1)(2) WpHG.

2. Fidelity Management & Research Company, Boston, Massachusetts, USA, notified us on 10 December 2010 in accordance with section 21 (1) of the German Securities Trading Act (WpHG) that its share of voting rights in TOM TAILOR HOLDING AG exceeded the threshold of 3 % on 2 December 2010 and came to 3.06 % on this date. This corresponds to 505,900 voting rights.

These voting rights are attributed to it in accordance with section 22 (1)(1)(6) WpHG."

On 13 December 2010, TOM TAILOR Holding AG received notification as follows concerning voting rights in accordance with section 21 (1) of the German Securities Trading Act (WpHG) relating to the following companies:

"1. Allianz Global Investors Luxembourg S.A., Luxembourg, notified us on 28 December 2010 in accordance with section 21 (1) of the German Securities Trading Act (WpHG) that its share of voting rights in TOM TAILOR HOLDING AG fell below the threshold of 5 % on 23 December 2010 and came to 4.93 % on this date. This corresponds to 815,351 out of a total of 16,528,169 voting rights.
Of the total, 0.07 % (equivalent to 11,000 voting rights out of a total of 16,528,169) are attributed to Allianz Global Investors Luxembourg S.A. pursuant to section 22 (1)(1)(6) WpHG.

No voting rights were obtained pursuant to section 17 (1)(7) of the German Securities Trading Reporting and Insider Register Ordinance (WpAIV)."

On 30 December 2010, TOM TAILOR Holding AG received notification as follows concerning voting rights in accordance with section 21 (1) of the German Securities Trading Act (WpHG) relating to the following companies:

"RECTIFICATION OF THE INFORMATION PUBLISHED ON 29/12/2010

Allianz Global Investors Luxembourg S.A., Senningerberg, Luxembourg, notified us on 28 December 2010 in accordance with section 21 (1) of the German Securities Trading Act (WpHG) that its share of voting rights in TOM TAILOR HOLDING AG fell below the threshold of 5 % on 23 December 2010 and came to 4.93 % on this date. This corresponds to 815,351 out of a total of 16,528,169 voting rights.
Of the total, 0.07 % (equivalent to 11,000 voting rights out of a total of 16,528,169) are attributed to Allianz Global Investors Luxembourg S.A. pursuant to section 22 (1)(1)(6) WpHG.

No voting rights were obtained pursuant to section 17 (1)(7) of the German Securities Trading Reporting and Insider Register Ordinance (WpAIV)."

On 5 January 2011, TOM TAILOR Holding AG received notification as follows concerning voting rights in accordance with section 21 (1) of the German Securities Trading Act (WpHG) relating to the following companies:

"1. FMR LLC, Boston, Massachusetts, USA, notified us on 24 December 2010 in accordance with section 21 (1) of the German Securities Trading Act (WpHG) that its share of voting rights in TOM TAILOR HOLDING AG exceeded the threshold of 5 % on 22 December 2010 and came to 5.03 % on this date. This corresponds to 831,567 voting rights.
These voting rights are attributed to it in accordance with section 22 (1)(1)(6) in conjunction with section 22 (1)(2) WpHG.

2. Fidelity Management & Research Company, Boston, Massachusetts, USA, notified us on 24 December 2010 in accordance with section 21 (1) of the German Securities Trading Act (WpHG) that its share of voting rights in TOM TAILOR HOLDING AG exceeded the threshold of 5 % on 22 December 2010 and came to 5.03 % on this date. This corresponds to 831,567 voting rights.

These voting rights are attributed to it in accordance with section 22 (1)(1)(6) WpHG."

On 6 January 2011, TOM TAILOR Holding AG received notification as follows concerning voting rights in accordance with section 21 (1) of the German Securities Trading Act (WpHG) relating to the following companies:

"Fidelity Securities Fund, Boston, Massachusetts, USA, notified us on 5 January 2011 in accordance with section 21 (1) of the German Securities Trading Act (WpHG) that its share of voting rights in TOM TAILOR HOLDING AG exceeded the threshold of 3 % on 4 January 2011 and came to 3.02 % on this date. This corresponds to 498,549 voting rights."

On 26 January 2011, TOM TAILOR Holding AG received notification as follows concerning voting rights in accordance with section 21 (1a) of the German Securities Trading Act (WpHG) relating to the following companies:

"ARTISAN PARTNERS LIMITED PARTNERSHIP

Artisan Partners Limited Partnership, Milwaukee, Wisconsin, USA, notified us in accordance with section 21 (1) of the German Securities Trading Act (WpHG) that its share of voting rights exceeded the threshold of 3 % on 19 January 2011 and came to 3.02 % on this date. This corresponds to 499,061 voting rights.

These 3.02 % (equivalent to 499,061 voting rights) are attributed to it in accordance with section 22 (1)(1)(6) WpHG.

ARTISAN INVESTMENTS GP LLC

Artisan Investments GP LLC, Milwaukee, Wisconsin, USA, notified us in accordance with section 21 (1) of the German Securities Trading Act (WpHG) that its share of voting rights exceeded the threshold of 3 % on 19 January 2011 and came to 3.02 % on this date. This corresponds to 499,061 voting rights.

These 3.02 % (equivalent to 499,061 voting rights) are attributed to it in accordance with section 22 (1)(1)(6) in conjunction with section 22 (2) and section 22 (3) WpHG.

ARTISAN PARTNERS HOLDINGS LP

Artisan Partners Holdings LP, Milwaukee, Wisconsin, USA, notified us in accordance with section 21 (1) of the German Securities Trading Act (WpHG) that its share of voting rights exceeded the threshold of 3 % on 19 January 2011 and came to 3.02 % on this date. This corresponds to 499,061 voting rights.

These 3.02 % (equivalent to 499,061 voting rights) are attributed to it in accordance with section 22 (1)(1)(6) in conjunction with section 22 (2) and section 22 (3) WpHG.

ARTISAN INVESTMENT CORPORATION

Artisan Investment Corporation, Milwaukee, Wisconsin, USA, notified us in accordance with section 21 (1) of the German Securities Trading Act (WpHG) that its share of voting rights exceeded the threshold of 3 % on 19 January 2011 and came to 3.02 % on this date. This corresponds to 499,061 voting rights.

These 3.02 % (equivalent to 499,061 voting rights) are attributed to it in accordance with section 22 (1)(1)(6) in conjunction with section 22 (2) and section 22 (3) WpHG.

ZFIC, INC.

ZFIC, Inc., Milwaukee, Wisconsin, USA, notified us in accordance with section 21 (1) of the German Securities Trading Act (WpHG) that its share of voting rights exceeded the threshold of 3 % on 19 January 2011 and came to 3.02 % on this date. This corresponds to 499,061 voting rights.

These 3.02 % (equivalent to 499,061 voting rights) are attributed to it in accordance with section 22 (1)(1)(6) in conjunction with section 22 (2) and section 22 (3) WpHG."

HERR ANDREW A. ZIEGLER

Mr Andrew A. Ziegler, USA, notified us in accordance with section 21 (1) of the German Securities Trading Act (WpHG) that his share of voting rights exceeded the threshold of 3 % on 19 January 2011 and came to 3.02 % on this date. This corresponds to 499,061 voting rights.

These 3.02 % (equivalent to 499,061 voting rights) are attributed to him in accordance with section 22 (1)(1)(6) in conjunction with section 22 (2) and section 22 (3) WpHG.

FRAU CARLENE M. ZIEGLER

Mrs Carlene M. Ziegler, USA, notified us in accordance with section 21 (1) of the German Securities Trading Act (WpHG) that her share of voting rights exceeded the threshold of 3 % on 19 January 2011 and came to 3.02 % on this date. This corresponds to 499,061 voting rights.

These 3.02 % (equivalent to 499,061 voting rights) are attributed to her in accordance with section 22 (1)(1)(6) in conjunction with section 22 (2) and section 22 (3) WpHG.

DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

In December 2010, the Management Board and Supervisory Board of TOM TAILOR Holding AG issued the declaration stipulated in section 161 of the German Stock Corporation Act (AktG) and made it available to shareholders on the website of TOM TAILOR Holding AG (www.tom-tailor.com).

AUDITORS' FEES (DISCLOSURE PURSUANT TO SECTION 314 (1)(9) OF THE GERMAN COMMERCIAL CODE [HGB])

The following fees were recognised as expenses in the financial year 2010: auditing financial statements (including out-of-pocket expenses) EUR 151 thousand (2009: EUR 110 thousand), other certification and valuation services EUR 428 thousand (2009: EUR 0 thousand), tax advisory services EUR 24 thousand (2009: EUR 32 thousand), other services EUR 4 thousand (2009: EUR 37 thousand).

EVENTS AFTER THE REPORTING DATE

No events with a significant effect on the net assets, financial and earnings position of the Group have occurred since the reporting date.

EXEMPTION FOR CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH SECTION 264 (3) OF THE GERMAN COMMERCIAL CODE (HGB)

The fully consolidated domestic subsidiaries Tom Tailor GmbH, Hamburg, and Tom Tailor Retail GmbH, Hamburg, have made use of the exemption option offered by section 264 (3) HGB relating to publication of their annual financial statements.

PUBLICATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements prepared in accordance with IFRS were authorised for publication by the Management Board on 11 February 2011.

Hamburg, 11 February 2011
Management Board

Dieter Holzer
Chairman of the Management Board

Dr Axel Rebien
Chief Financial Officer

Christoph Rosa
Chief Product Development and Procurement Officer

DECLARATION BY THE LEGAL REPRESENTATIVES

We hereby declare that – to the best of our knowledge – the consolidated financial statements prepared in accordance with the applicable financial reporting standards give a true and fair view of the assets, financial and earnings position of the Group. Furthermore, we hereby declare that the Group management report presents a true and fair view of the course and results of business and the state of the Group and describes the main risks and rewards of the Group's likely future development.

Hamburg, 11 February 2011
Management Board

Dieter Holzer	Dr Axel Rebien	Christoph Rosa
Chairman of the Management Board	Chief Financial Officer	Chief Product Development and Procurement Officer

INDEPENDENT AUDITORS' REPORT

We have audited the consolidated financial statements prepared by TOM TAILOR Holding AG, Hamburg, Germany – comprising the balance sheet, income statement and statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the Group management report – for the financial year from 1 January to 31 December 2010. It is the responsibility of the Company's statutory representatives to prepare the consolidated financial statements and the Group management report in accordance with IFRS as applicable in the EU and the additional German commercial regulations defined in Section 315a paragraph 1of the German Commercial Code (HGB). Our responsibility is to express an opinion on the consolidated financial statements and the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 of the German Commercial Code (HGB) and the German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the assets, financial and earnings position in the consolidated financial statements and in the Group management report in accordance with applicable accounting standards 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 internal accounting 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 an assessment of the annual financial statements of the companies included in the consolidated financial statements, the definition of the companies included in the consolidated financial statements, the accounting and consolidation principles used and significant estimates made by the legal representatives, as well as an evaluation of 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 did not lead to any objections.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS as applicable in the EU and the additional German commercial regulations defined in Section 315a paragraph 1 of the German Commercial Code (HGB) and give a true and fair view of the assets, financial and earnings position of the Group in accordance with these regulations. The Group management report is consistent with the consolidated financial statements, altogether provides an accurate view of the Group's position and correctly presents the opportunities and risks for future development.

Hamburg, 11 February 2011

Ebner Stolz Mönning Bachem GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft (auditors / tax advisors)

Thomas Götze	Hartmut Schmidt
(German public auditor)	(German public auditor)

CORPORATE GOVERNANCE

Casual fashion for a casual life

CORPORATE GOVERNANCE DECLARATION PURSUANT TO SECTION 289 a OF THE GERMAN COMMERCIAL CODE (HGB)

DECLARATION OF CONFORMITY PURSUANT TO SECTION 161 OF THE GERMAN COMPANIES ACT (AKTG)

The Management Board and Supervisory Board of TOM TAILOR Holding AG submitted a declaration of conformity pursuant to section 161 of the German Companies Act (Aktiengesetz – AktG) on 8 December 2010. This declaration was amended on 28 February 2011 to reflect the fact that the Company now complies with the recommendations made by the Government Commission on the German Corporate Governance Code as set out in clauses 5.1.3 and 7.1.2 (1) of the Code in the version dated 26 May 2010. Consequently, TOM TAILOR Holding AG complied with the requirements of the German Corporate Governance Code as follows:

WORDING OF THE DECLARATION MADE BY THE MANAGEMENT BOARD AND SUPERVISORY BOARD OF TOM TAILOR HOLDING AG PURSUANT TO SECTION 161 AKTG ON THE GERMAN CORPORATE GOVERNANCE CODE (DECLARATION OF CON FORMITY)

TOM TAILOR Holding AG, Hamburg
ISIN: DE000A0STST2

The Management Board and Supervisory Board of TOM TAILOR Holding AG hereby declare, pursuant to section 161 (1)(1) of the German Companies Act (AtkG), that, since the time of its IPO in March 2010, TOM TAILOR Holding AG has complied, and that it continues to comply, with the recommendations made by the Government Commission on the German Corporate Governance Code, initially in the version dated 18 June 2009 and then, since it has applied, in the version dated 26 May 2010, subject to the following exceptions:

- In derogation of the recommendation set out in clause 5.1.2 of the German Corporate Governance Code (GCGC), the Supervisory Board has not set any age limit for members of the Management Board in the latter's contracts of employment over and above the standard retirement age. The Supervisory Board has not yet seen any need to introduce an age limit but intends to address the issue as and when required.
- Contrary to the recommendation set out in clause 5.1.3 of the GCGC, the Supervisory Board had until now issued no rules of procedure. To date, the Supervisory Board has performed its duties on the basis of detailed statutory provisions and the detailed provisions set out in the Company's articles of association. At its meeting held on 8 December 2010, the Supervisory Board set up two committees. After the committees started work, the Supervisory Board also planned to issue rules of procedure that would also cover the work performed by the committees. These rules of procedure have now been passed, meaning that the Company now complies with clause 5.1.3 GCGC.
- At present, the Supervisory Board does not intend to set up a nomination committee within the meaning of clause 5.3.3 GCGC. Given that it consists of 6 members, the Supervisory Board is of the opinion that it is able to appoint new members based on proposals made by the plenary board if necessary.

- In derogation of the recommendation set out in clause 5.4.1 (2), no age limit has been set for the Supervisory Board. TOM TAILOR Holding AG does not believe that it makes sense to limit the options available for election candidates by imposing an age limit.
- In derogation of the recommendation set out in clause 5.4.6 (1) and (2) GCGC, the members of the Supervisory Board do not receive any variable remuneration that is linked to the Company's performance, but fixed remuneration in an amount that differs for the Chairman, the Deputy Chairman and the other members of the Supervisory Board. TOM TAILOR Holding AG believes that this system makes sense, because the Supervisory Board is responsible for exercising its supervisory function irrespective of the Company's performance and financial situation. The Company intends to make a decision on separate remuneration for activities performed in committees at an appropriate point in time, i.e. when the Company deems this to be expedient in light of the additional work required.
- Contrary to the recommendation set out in clause 7.1.2 (1) GCGC, the quarterly and half-yearly figures have to date not generally been discussed with the Supervisory Board prior to their publication. The original intention was to assign responsibility for this discussion to the Audit and Finance committee that has now been set up. The Company now intends to comply with the recommendation, i.e. starting with the quarterly figures published for the first quarter of 2011.

Hamburg, 28 February 2011

This amended declaration of conformity and all previous declarations of conformity are published on the website of TOM TAILOR Holding AG at: http:/ir.tom-tailor.com.

INFORMATION ON CORPORATE GOVERNANCE PRACTICES

Responsible corporate governance

see page 68

TOM TAILOR Holding AG is the management holding and parent company of the TOM TAILOR Group. The Company's operating activities are performed by the relevant subsidiaries of TOM TAILOR Holding AG (the subsidiaries, together with TOM TAILOR Holding AG, are also referred to as "TOM TAILOR" or the "TOM TAILOR Group"). TOM TAILOR Holding AG and its executive bodies have made a commitment to good, responsible corporate governance, a philosophy that is shared by the entire TOM TAILOR Group.

As well as observing these principles of good corporate governance, company-specific guidelines and standards also contribute to positive and sustainable corporate development at TOM TAILOR.

Code of Conduct, BSCI

see page 26, 48

TOM TAILOR is an active member of the Business Social Compliance Initiative (BSCI). The BSCI is a Europe-wide initiative of retail organisations that have joined forces to push through a uniform monitoring system among their suppliers. The BSCI has developed a Code of Conduct (CoC) that subjects the initiative's member companies to the obligation to act in accordance with the law, with integrity and in a sustainable manner, as well as to assume social responsibility. The Code of Conduct (CoC) can be accessed on the Internet at: http://www.bsci-intl.org/resources/code-of-conduct.

This Code of Conduct is based on the conventions of the International Labour Organization (ILO), the UN Universal Declaration of Human Rights and the UN Convention on the Rights of the Child and Convention on the Elimination of all Forms of Discrimination against Women. It contains, among other things, a ban on child and forced labour, an obligation to adhere to the applicable laws and provisions on occupational health and safety, to pay fair wages, to adhere to the statutory provisions on working hours, to ban discrimination and to comply with the right of association and the free negotiation of collective pay scale agreements.

This Code of Conduct (CoC) was introduced at TOM TAILOR in 2005.

TOM TAILOR attaches particular importance to environmental protection, top product quality and the health and safety of its employees. The Code of Conduct is designed to serve as a guide for all of the Group's employees and all suppliers to help them perform their duties.

TOM TAILOR controls the entire sourcing chain for its products, covering all stages of the value creation process. In this respect, the Company has an extensive Code of Conduct (CoC) that has to be signed by all suppliers and business partners and incorporated into the relevant contracts.

TOM TAILOR takes its responsibility for humane working conditions very seriously and takes clear-cut measures to ensure that the working and social standards set out in the Code of Conduct (CoC) are met by its own suppliers.

Within the scope of its BSCI membership, TOM TAILOR arranges for external audits to be performed by accredited auditors. In order to support and promote the further development of its suppliers, the Group performs training courses on its markets to help its suppliers organise their processes better and in a more responsible manner.

"Cotton Made in Africa" initiative

The international textile company TOM TAILOR is one of the pioneers of the Aid by Trade foundation trading alliance, which was founded together with the mail order company Otto Versand in 2005. TOM TAILOR GmbH is a member of the "Cotton Made in Africa" (CmiA) aid project. The fundamental idea behind the aid project rests on the fact that cotton is one of Africa's main agricultural exports. The prices for African cotton are kept low on the global market, especially as a result of the subsidy policy pursued by the EU and the United States. The "Cotton Made in Africa" project aims to improve the social, economic and ecological conditions of cotton production. The idea is to use more advanced cultivation conditions to promote greater demand for African cotton among major retailers from industrialised nations in a more efficient and transparent value chain. TOM TAILOR also has its own collection to support this project and unveiled the first series of exclusively "Cotton made in Africa'" products in early 2009. Further information, as well as the verification standards that CmiA products have to meet, can be found at: http://www.cotton-made-in-africa.com.

a-z

see page 27, 48

PROCEDURE FOLLOWED BY THE MANAGEMENT AND SUPERVISORY BOARDS

TOM TAILOR Holding AG is a public limited company (Aktiengesellschaft) pursuant to German law. This means that the legal framework for corporate governance is based primarily on the German Companies Act (AktG), in particular on the provisions that apply to the Management Board and the Supervisory Board.

see page 117 et seq.

Management Board

The Management Board manages the business activities of TOM TAILOR Holding AG and represents the Company vis-à-vis third parties. It manages the Company under its own responsibility and in the Company's interests, the aim being to achieve sustainable value creation. The Management Board develops the corporate strategy and both manages and monitors its implementation. It also ensures compliance with the statutory provisions and internal Company guidelines (compliance). The Management Board has also implemented an internal control and risk management system that forms an integral part of the Company's business processes and plays a key role in corporate decisions. The main features of this system are the planning system, the internal reporting system and the risk reporting system.

The Supervisory Board has passed rules of procedure for the Management Board. These rules of procedure set out the transactions and measures that require a resolution by the plenary Management Board, as well as the principles that apply to decision making within the plenary Management Board. The Supervisory Board has also included a catalogue of transactions in the rules of procedure that may only be executed with its consent. These include transactions and measures that have a material impact on the net assets, financial position and results of operation of the TOM TAILOR Group. In order to implement the provisions set out in the rules of procedure, the plenary Management Board has passed a schedule of responsibilities that assigns certain areas of activity to individual members of the Management Board, although this assignment has no impact on the overall responsibility of the Management Board.

The Management Board currently consists of three members who work together in a spirit of cooperation and provide each other with information on key measures and transactions in their business areas on an ongoing basis. As a general rule, the Management Board passes resolutions at meetings which are held on a regular basis. These resolutions require a simple majority of the votes passed.

The members of the Management Board are Mr Dieter Holzer (Chairman of the Management Board), Dr Axel Rebien and Mr Christoph Rosa.

The members of the Management Board were appointed at different points in time.

Dieter Holzer Born 1964	Chairman of the Management Board / CEO
First appointment	Member of the Management Board of Tom Tailor Holding GmbH (legal predecessor of TOM TAILOR Holding AG) since 2006, Chairman of the Management Board of TOM TAILOR Holding AG since 21 December 2007
Current appointment	Until 31 January 2015
Dr Axel Rebien Born 1971	CFO
First appointment	Member of the Management Board of TOM TAILOR Holding AG since 2008, 2005-2008 as Head of Finance at the previously named Tom Tailor Holding GmbH CFO of TOM TAILOR Holding AG since 2008
Current appointment	Until 31 January 2013
Christoph Rosa Born 1971	Member of the Management Board responsible for product development, procurement and licences / CPO
First appointment	Member of the Management Board responsible for product development, procurement and licences at TOM TAILOR Holding AG since 2008
Current appointment	Until 31 January 2013
Dietmar Axt Born 1967	(Now resigned) Member of the Management Board responsible for sales (incl. foreign companies) and licences/COO
First appointment	Member of the Management Board of TOM TAILOR Holding AG from 2008 to 2010, 2007-2008 in the Sales business area of the TOM TAILOR Group, Member of the Management Board responsible for sales (incl. foreign companies) and licences since 2008
Resigned from the Management Board	28 February 2010

The members of the Company's Management Board do not hold, and have not, at any point over the past five years, held any administrative, management or supervisory board mandates or partnership positions in comparable German or foreign executive bodies outside of the TOM TAILOR Group.

Supervisory Board

The Supervisory Board of TOM TAILOR Holding AG advises the Management Board on the management of the Company and supervises its management activities. It is also responsible for appointing the members of the Management Board, approving the annual financial statements and consolidated financial statements and issuing the audit assignment to the auditor of the Company's annual financial statements.

The Management Board and the Supervisory Board of TOM TAILOR Holding AG work closely together, in a relationship that is founded on trust, for the good of the Company. The Management Board consults the Supervisory Board on the Company's strategic focus and discusses the status of the strategy implementation measures with the Supervisory Board at regular intervals. It provides the Supervisory Board with regular, timely and extensive information on all issues that are relevant to the Company relating to planning, business development, the risk situation, the internal control and risk management system and compliance. The Chairman of the Management Board exchanges information with the Chairman of the Supervisory Board on a regular basis between Supervisory Board meetings as well.

The Supervisory Board issued rules of procedure at its scheduled Supervisory Board meeting held on 28 February 2011. These rules of procedure contain, among other things, detailed regulations on the procedure to be followed at the meetings and on how they are led by the Chairman of the Supervisory Board, as well as regulations on committee work.

The Supervisory Board consists of six members.

The Supervisory Board is elected for a term of office of five years as a general rule.

The members of the Supervisory Board are:

- **Uwe Schröder** (Chairman of the Supervisory Board)
  Co-founder of the TOM TAILOR Group, Hamburg
- **Thomas Schlytter-Henrichsen** (Deputy Chairman of the Supervisory Board)
  Managing Director
  ALPHA Beteiligungsberatung GmbH & Co. KG, Frankfurt am Main
- **Andreas W. Bauer**
  Partner
  Roland Berger Strategy Consultants, Munich
- **Andreas Karpenstein**
  Partner and Managing Director
  Raupach & Wollert Elmendorff Rechtsanwaltsgesellschaft mbH, Düsseldorf
- **Dr Christoph Schug**
  Entrepreneur, Mönchengladbach
- **Gerhard Wöhrl**
  Former Chairman of the Management Board
  Rudolf Wöhrl AG, Nürnberg

Other mandates held by the Supervisory Board members:

see page 119 et seq.

- **Uwe Schröder** (Chairman of the Supervisory Board)
  Member of the Advisory Board of eterna Mode GmbH, Passau
  Chief Executive Officer of Verband der Fertigwarenimporteure e.V. (VFI), Hamburg
  Member of the Advisory Board of Kassenhalle Restaurant GmbH & Co. KG, Hamburg
  Managing Director of Schröder Consulting GmbH, Flensburg

- **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 ALPHA Verwaltungs 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
  Member of the Administrative Board of Gearbox S.à.r.l., Luxembourg
  Member of the Administrative Board of Powertrain S.à.r.l., Luxembourg

- **Andreas Karpenstein**
  Managing Director of Herceus Grundstücks-Vermietungsgesellschaft mbH, Düsseldorf
  Member of the Supervisory Board (Deputy Chairman) of Trusted Advice AG, Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Düsseldorf

- **Dr Christoph Schug**
  Member of the Supervisory Board of Conmoto Consulting Group, Munich
  Member of the Supervisory Board of Baden-Baden Cosmetics Group AG, Baden-Baden
  Member of the Advisory Board of Norma Group Holding GmbH, 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 Supervisory Board of Ludwig Beck am Rathauseck – Textilhaus Feldmeier AG, 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

When nominating candidates for election to the Supervisory Board, particular attention is paid to the knowledge, skills and professional experience required for the duties to be performed, as well as to the principle of diversity among the Supervisory Board's members. At its meeting held on 8 December 2010, the Supervisory Board agreed to pursue the following objectives for appointments to the Supervisory Board: in order to prevent potential conflicts of interest that may occur when members are performing their duties from the outset, the candidates nominated are not to include any of the Company's direct competitors. A certain proportion of the Supervisory Board members should be as independent as possible from the Company and its major shareholders (e.g. members of the textile and fashion industry, financial or legal experts). New members should come from as varied a range of business areas that are relevant to the TOM TAILOR Group as possible. Care is to be taken to ensure that women are represented appropriately. The members should have international experience.

The Company can report as follows on the current status of these objectives: no direct competitors of the Company are represented on the Supervisory Board. The Company founder Mr Schröder is the only member of the Supervisory Board with an indirect stake of more than 1% in the Company. The members include financial experts (Dr Schug), a representative from the legal consultancy sector (Mr Karpenstein) and a representative from the management consultancy sector (Mr Bauer), as well as representatives from the fashion sector (Mr Wöhrl and Mr Schröder), meaning that the composition of the Supervisory Board is in line with the Company's objectives in respect of sector diversity as well. The Supervisory Board has not yet been able to devote time to the pro-active implementation of its other objectives (in particular, the appropriate representation of women), as the current members are set to remain in their positions until 2013 or later.

MANAGEMENT BOARD AND SUPERVISORY BOARD COMMITTEES

The Management Board currently does not have any committees.

To ensure that it can perform its duties in an efficient manner, the Supervisory Board has set up an Executive Committee and an Audit and Finance Committee. Both committees are responsible exclusively for performing advisory and preparatory duties. The committees, which each comprise two members, do not have the authority to pass resolutions at present.

The Executive Committee is responsible for preparing the meetings of the Supervisory Board and monitoring the implementation of the resolutions passed by the Supervisory Board or its committees, as well as for preparatory work and preliminary negotiations in connection with the conclusion, amendment and termination of employment contracts with Management Board members.

Members: **Uwe Schröder** (Chairman of the Executive Committee), **Thomas Schlytter-Henrichsen**

The Audit and Finance Committee is responsible for performing a preliminary assessment of the documents for the annual financial statements and the consolidated financial statements. It prepares the resolution on the annual financial statements and the consolidated financial statements by the plenary Supervisory Board, as well as the latter's decision on the Management Board's proposed resolution on the appropriation of profit. In addition, the Audit and Finance Committee prepares the proposal submitted by the Supervisory Board to the Annual General Meeting on the selection of the auditor of the annual financial statements. As soon as it has at least 3 members, meaning that it will have the authority to pass resolutions, it will negotiate with the auditor of the annual financial statements on the fee to be paid to the latter and will issue the audit assignment and determines the main focus of the audit. It also monitors the independence of the auditor of the annual financial statements. Furthermore, it is responsible for monitoring the effectiveness of the internal control system, the risk management system, the compliance and the internal audit 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**

With the Chairman of the Audit and Finance Committee, at least one independent member of the Supervisory Board has expertise in the areas of accounting and the auditing of annual financial statements.

REMUNERATION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

see page 68 et seq., 117 et seq.

Remuneration systems for the Management Board and Supervisory Board that offer appropriate incentive and performance-related components play a key role in responsible corporate governance. The remuneration paid to the members of the Management Board currently consists of fixed basic remuneration and a variable, performance-related remuneration component. The variable remuneration paid to all members of the Management Board, Mr Holzer, Dr Rebien and Mr Rosa, is based on the Company's net sales figures and EBITDA.

The members of the Management Board Mr Holzer, Dr Rebien and Mr Rosa also receive remuneration based on the Company's share price performance as part of a programme known as the Matching Stock Programme ("MSP"). The members of the Management Board contribute a certain number of shares in the Company to the MSP. They are then allocated a tranche of what are known as phantom stocks every year for a period of five years. These stock rights can be exercised after a vesting period of four years. The remuneration paid under the MSP depends on the performance of the Company's shares.

In 2010, TOM TAILOR launched a Long-Term Incentive Programme ("LTI" for short) for executives. The programme is designed to promote employee retention and the achievement of the Company's long-term objectives and also covers the members of the Management Board. The remuneration system is set to run for a period of eight years (starting in financial year 2010) and grants an additional, individual bonus payment based on a comparison of planned to actual revenue and operating earnings over an observation period of three years in each case. Another factor that is taken into account is share price performance. The first payment under this remuneration system will be made in 2013.

Other securities-based remuneration systems, including systems for employees outside of the Management Board, do not exist at TOM TAILOR.

The Supervisory Board currently receives only fixed remuneration.

SHAREHOLDINGS OF THE MANAGEMENT BOARD MEMBERS

At the time this Annual Report was published, Mr Dieter Holzer, Chairman of the Management Board, directly held 259,010 shares, which corresponds to around 1.6 % of the Company's shares.

At the time this Annual Report was published, Dr Axel Rebien, CFO, directly held 11,000 shares in the Company, which corresponds to around 0.07 % of the Company's shares.

Mr Christoph Rosa, the Management Board member responsible for product development, procurement and licences, directly held 16,500 shares in the Company at the time this Annual Report was published, which corresponds to just under 0.1 % of the Company' shares.

SHAREHOLDINGS OF THE SUPERVISORY BOARD MEMBERS

Two members of the Supervisory Board, Mr Uwe Schröder (Chairman) and Mr Thomas Schlytter-Henrichsen (Deputy Chairman), indirectly hold shares in TOM TAILOR Holding AG. At the time this Annual Report was published, Mr Schröder and his close relatives held an indirect interest in the Company via Morgan Finance S.A., Luxembourg. At the time this Annual Report was published, Mr Schlytter-Henrichsen held an indirect interest of around 0.07 % of the Company's shares via Bulowayo GmbH.

Dr Christoph Schug directly held 14,800 shares at the time this Annual Report was published, which corresponds to less than 0.1 % of the Company's shares.

At the time this Annual Report was published, Mr Andreas W. Bauer directly held 2,000 shares in the Company, which corresponds to around 0.01 % of the shares in TOM TAILOR Holding AG.

DIRECTOR'S DEALINGS

Pursuant to section 15a of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG), the members of the Management Board and the Supervisory Board of TOM TAILOR Holding AG, as well as certain employees with managerial responsibilities and individuals with close ties to them have to disclose the acquisition and sale of TOM TAILOR shares and financial instruments based on such shares. This disclosure obligation applies if the value of the transactions executed by an individual belonging to the group defined above reaches or exceeds an amount of EUR 5,000. For further details and individually reported transactions please refer to the website http://ir.tom-tailor.com.

SHAREHOLDERS

TOM TAILOR Holding AG has received voting right notifications pursuant to section 21 (1) WpHG from institutional investors from Germany, the UK, Luxembourg and the US.

ACCOUNTING AND TRANSPARENCY

Shareholders and the general public are provided with regular information, in particular in the Annual Report, which contains the consolidated financial statements, and the interim reports. Our Group accounting is based on the International Financial Reporting Standards (IFRS), which allows us to ensure considerable transparency and international comparability.

REPORT BY THE SUPERVISORY BOARD

In financial year 2010, the Supervisory Board performed the tasks for which it is responsible by law and based on the Company's articles of association, and both advised and monitored the Management Board's management of the Company. It obtained regular, extensive and timely oral and written information from the Management Board on the overall financial situation, position and development of the Company, the main financial ratios, particularly significant business transactions and risk management. The provision of immediate information to the Supervisory Board was ensured at all times. The Management Board regularly took part in the meetings of the Supervisory Board and answered all of the questions posed by the Supervisory Board comprehensively and in full. Even outside of the regular meetings of the Supervisory Board, the Supervisory Board, in particular the Chairman of the Supervisory Board, and the Management Board maintained close written and oral contact.

Last year, the Supervisory Board's activities focused primarily on the Company's IPO, a personnel change in the Management Board and the expansion of the Supervisory Board to include six members, the internal reorganisation, including the formation of committees.

Meetings of the Supervisory Board

At four regular meetings, the Supervisory Board addressed issues such as current business developments, approving major individual transactions, assessing the reports of the Management Board and strategic corporate planning. Where necessary, resolutions were also passed at extraordinary Supervisory Board meetings/meetings held by telephone and current issues were discussed.

At the meeting held on 20 January 2010, the Supervisory Board looked at the preliminary results of TOM TAILOR Holding AG for financial year 2009 and the 2010 budget (before and after the Company's IPO). This meeting also focussed on preparing for the IPO, as well as on personnel matters, in particular.

The annual financial statements and consolidated financial statements for 2009 were approved by the Supervisory Board on 11 March 2010, meaning that the annual financial statements were deemed adopted. At the same time, the Supervisory Board looked at measures relating to the Company's IPO.

At the meeting held on 1 June 2010, the Supervisory Board dealt with the business figures for the first quarter of the year and the monthly figures for April 2010. The Management Board reported on the strategic approach for Russia and other neighbouring countries. The Supervisory Board also looked, among other things, at personnel matters and issued general commercial powers of representation (Prokura).

The Supervisory Board meeting held on 21 September 2010 involved the regular discussion of the business situation after the first half of 2010, as well as the monthly figures for July and August 2010, personnel matters, recent Management Board reports on planned joint ventures with existing business partners and on other strategic measures relating to the Company's foreign expansion. The Supervisory Board also looked at the status of the draft for an internal company compliance manual.

The meeting held on 8 December 2010 addressed the Management Board's report on the current business situation in the third quarter of the year and the monthly figures for October 2010. The members also discussed the resolution on the budget for 2011 and the three-year plans for 2011 to 2013. The Supervisory Board once again looked at the issue of joint ventures and consented to the conclusion of a new profit and loss transfer agreement between the group companies Tom Tailor GmbH and Tom Tailor Retail GmbH. The Management Board and the Supervisory Board also jointly signed a declaration of conformity with the German Corporate Governance Code.

Supervisory Board committees

The Audit and Finance Committee of the Supervisory Board met for the first time on 21 December 2010 for its constituent meeting.

The Committee discussed the possible further details of the Committee's responsibilities and the possibility of additional duties being assigned by the plenary Supervisory Board. The main duties of the Audit and Finance Committee include the duties assigned to audit committees pursuant to the German Public Limited Companies Act (Aktiengesetz).

The committee also discussed the principles that were to apply to the audit of the annual financial statements, in particular the scope of the audit, focal points of the audit, Group Audit Instructions and the amount of remuneration to be paid to the auditor.

The Executive Committee was unable to hold its constituent meeting in 2010.

Appointments to the Supervisory Board and Management Board

Andreas W. Bauer, Andreas Karpenstein, Dr Christoph Schug and Gerhard Wöhrl were appointed to the Supervisory Board in March 2010. The other Supervisory Board members, Uwe Schröder and Thomas Schlytter-Henrichsen, performed their Supervisory Board mandates throughout the entire year. Alain Branc-Brude left the Supervisory Board in March 2010. There was one change in the composition of the Management Board of TOM TAILOR Holding AG in financial year 2010. Mr Dietmar Axt, member of the Management Board of TOM TAILOR Holding AG, who was responsible for the Sales division (including foreign companies) and licences, left the Company at his own request at the end of February 2010. The duties formerly performed by Mr Axt are being performed by the other members of the Management Board.

Accounting and auditing of the annual financial statements

The annual financial statements and accompanying management report of TOM TAILOR Holding AG are prepared by the Management Board based on the principles set out in the German Commercial Code (HGB). The consolidated financial statements, including the Group management report, are prepared in line with the International Financial Reporting Standards (IFRS), as they are to be applied within the European Union. The annual financial statements and the consolidated financial statements, including the management reports, are assessed by the auditor of the financial statements and by the Supervisory Board.

The annual financial statements and the consolidated financial statements, including the management reports, of TOM TAILOR Holding AG were audited by Ebner Stolz Mönning Bachem GmbH & Co. KG, Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft. The audit was based on the German audit requirements and taking into account the generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer – IDW). The International Standards on Auditing were also observed. The audits resulted in an unqualified audit opinion being issued in each case.

The annual financial statements and the consolidated financial statements, including the management reports, of TOM TAILOR Holding AG, as well as the audit reports prepared by the auditor of the financial statements, were submitted to the members of the Supervisory Board for assessment. All of the documents were discussed and assessed in detail by both the Audit and Finance Committee and the Supervisory Board. The auditor of the financial statements reported to the meeting of the Audit and Finance Committee in the form of a teleconference on 1 February 2011 and to the plenary Supervisory Board on 28 February 2011 on the main results of his audit and was available for any questions posed by the members present. In its meeting held on 28 February 2011, the Supervisory Board approved the auditor's audit result and concluded, based on its assessments, that no objections were to be raised. The Supervisory Board approved the annual financial statements drawn up by the Management Board, meaning that the annual financial statements are deemed adopted.

The Supervisory Board would like to thank the Management Board and the Company's employees for their considerable commitment.

Hamburg, in February 2011
The Supervisory Board

GLOSSARY

Aid by Trade
Foundation that supports international trade and, in particular, trade in developing countries (formerly known as the FSAF = Foundation for Sustainable Agriculture and Forestry in Developing Countries)

App
Application software for mobile telephones

B2B shop
TOM TAILOR's online shop for wholesale customers

Basic items
A group of products offered by TOM TAILOR featuring basic items of clothing that do not reflect a pronounced seasonal fashion trends

Cotton made in Africa (CmiA)
Initiative launched by the "Aid by Trade" foundation that pursues an entrepreneurial approach to improve the living and working conditions of cotton farmers in Africa

Floor space management
Sale via wholesale customers where the fashion company decides on the specific goods to be offered in a particular retail space and fills this retail space with goods

E-commerce
E-shop and sales cooperation initiatives with partners on the Internet

E-shop
TOM TAILOR's own Internet sales platform in the Retail segment

EDI
Electronic Data Interface: merchandise planning and control system using electronic data exchange; TOM TAILOR uses an EDI-based system that was programmed specifically for the Company

Fashion follower
Fashion from the market for the market – trends are adapted and used in the latest collection

Revenues per unit area
Average revenues per square metre net selling area

Flagship store
Description for an exclusive store operated by a brand offering an extensive range of the brand's goods and generally setting itself apart from other stores in terms of architecture, store set-up and an exclusive location

Franchise store
Business operated by a franchisee

Institute Business Social Compliance Initiative (BSCI)
Europe-wide initiative for companies committed to ensuring fair working conditions

International Labour Organization (ILO)
Europe-wide initiative for companies that have joined forces in their commitment to fair working conditions

Core markets
Germany, Austria, Switzerland, the Benelux-countries and France

Controlled space
The term "controlled space" includes retail stores, franchise stores, shops-in-shops and the e-commerce business (own e-shop and e-cooperations). TOM TAILOR is able to control its franchise stores by influencing how the brand is displayed and how the sales area is designed, and also in the sense that only TOM TAILOR products are sold here

Lead times
Period of time between conception and design of a collection and its delivery to the customers or point of sale

Modern basic items
A group of products offered by TOM TAILOR that includes basic fashionable items reflecting current trends

Multi-channel
Sale or marketing of one or several product groups via several distribution or marketing channels

Multi-label sales
Sale of items produced by several fashion companies or several brands

NOOS items
Abreviation for "never out of stock", i.e. items that are available on an ongoing basis and do not follow monthly collection cycles; instead, they appear in separate collections for which repeat orders can be placed at short notice at any time

Nordport
Name of TOM TAILOR's logistics centre

Outlet store
These stores offer goods belonging to past season's stock and/or at reduced prices

Scouting team
Team that picks up on seasonal market trends early on and works with designers to incorporate these into trend products

Shop-in-shop
Sales area in department stores and clothing chains where products from a certain fashion company/brand are presented in a separate, distinctly designed area, district from products of other fashion companies/brands

Social media community
Various digital media and technologies allowing users to communicate and to create media content either individually or in groups

Spot items
Product at the leading edge of fashion – these products feature the latest trends to cater to corresponding short-term demand. No prototypes are produced; lead time of five weeks

Supply chain management
Management of the supply chain covering the planning and management of all tasks relating to supplier selection, procurement and logistics. In particular, this involves coordinating all partners involved (suppliers, retailers, logistics service providers and customers)

Trend articles
A group of products offered by TOM TAILOR including more fashion-conscious items that pick up on innovative trends

System provider
Term used to describe a system whereby the individual stages of the value chain are connected and largely controlled, from collection design to manufacturing and the sale of products to customers

Wholesale
Distribution via wholesale customers who generally sell products on to end consumers

FINANCIAL CALENDAR

Date	Current events
11 May 2011	Interim report 1st quarter 2011
18 May 2011	Annual General Meeting, Hamburg
10 August 2011	Interim report 2nd quarter 2011
9 November 2011	Interim report 3rd quarter 2011

CONTACT

TOM TAILOR Holding AG
Garstedter Weg 14
22453 Hamburg, Germany

Phone: +49 (0) 40 589 56 0
Fax: +49 (0) 40 589 56 398
info@tom-tailor.com
www.tom-tailor.com

IMPRINT

Publisher
TOM TAILOR Holding AG
Garstedter Weg 14
22453 Hamburg, Germany

Concept and editing
PvF Investor Relations | Eschborn, Germany

Concept, design and realization
DianaDesign | Berlin, Germany

Printing
Dürmeyer GmbH | Hamburg, Germany

Photography
The rights for the campaign images are reserved by the TOM TAILOR GmbH
The rights for the images on page 26 and 27 are reserved by the Aid by Trade Foundation

The German version of this Annual Report is legally binding.
German and English versions are available online at:
http://ir.tom-tailor.com

Print CO2 compensated
Id-No. 1110229
www.bvdm-online.de

FSC www.fsc.org
MIX
Paper from responsible sources
FSC® C010065