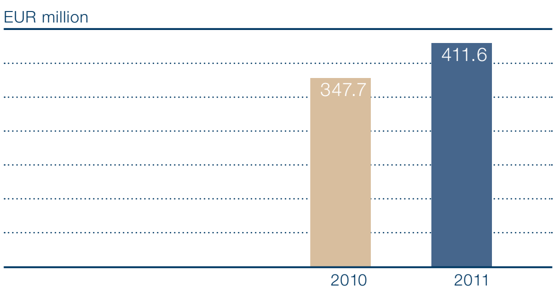
Annual Report
2011

Key Figures

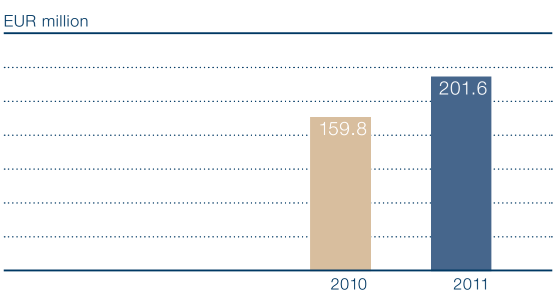
EUR million	2011	2010	Absolute changes	Relative changes
Sales	411.6	347.7	63.9	18.4%
Retail	154.6	106.7	47.9	44.9%
Wholesale	257.0	241.0	16.0	6.6%
Percentage of sales				
Retail (in %)	37.6	30.7		
Wholesale (in %)	62.4	69.3		
Cost of materials	210.0	187.9	22.1	11.8%
Gross profit	201.6	159.8	41.8	26.2%
Gross profit (in %)	49.0	46.0		
Adjusted EBITDA	**48.1**	**40.1**	**8.0**	**20.0%**
Adjusted EBITDA margin (in %)	11.7	11.5		
One-off items	1.7	10.0	–8.3	–83.0%
thereof as a result of the IPO	–	8.0	–8.0	
EBITDA	46.4	30.1	16.3	54.2%
EBITDA margin (in %)	11.3	8.7		
Adjusted EBIT	**27.8**	**25.2**	**2.6**	**10.3%**
Adjusted EBIT margin (in %)	6.8	7.2		
One-off items	7.0	18.1	–11.1	–61.3%
thereof depreciation on the purchase price allocation (PPA) from 2005	5.3	8.1	–2.8	
EBIT	20.8	7.1	13.7	193.0%
EBIT margin (in %)	5.1	2.0		
Adjusted net result for the period	**15.0**	**12.4**	**2.6**	**21.0%**
Adjusted earnings per share (in EUR)	0.91	0.87	0.04	4.6%
One-off items including deferred taxes	4.9	10.0	–5.1	–51.0%
thereof depreciation on the purchase price allocation (PPA) from 2005	3.7	5.6	–1.9	
Net result for the period	10.1	2.4	7.7	320.8%
Earnings per share (in EUR)	0.59	0.15	0.44	
Cash flow from operating activities	**20.4**	**15.0**	**5.4**	**36.0%**
Capital expenditures	21.9	25.4	–3.5	–13.8%
Employees as of 31 Dec (absolute)	**1,541**	**1,207**	**334**	**27.7%**
thereof wholesale	467	467	–	–
thereof retail	1,074	740	334	45.1%

EUR million	31/12/2011	31/12/2010	Absolute changes	Relative changes
Balance sheet total	**320.5**	**287.9**	**32.6**	**11.3%**
Equity	113.7	100.2	13.5	13.5%
Equity ratio (in %)	35.5	34.8		
Return on equity (in %)	8.9	2.4		
Cash and cash equivalents	**9.3**	**22.5**	**–13.2**	**–58.7%**
Financial liabilities	84.0	74.6	9.4	12.6%
Net debt	74.6	52.1	22.5	43.2%
Net debt/adjusted EBITDA (in years)	1.6	1.3		
Gearing (in %)	**65.6**	**52.0**		

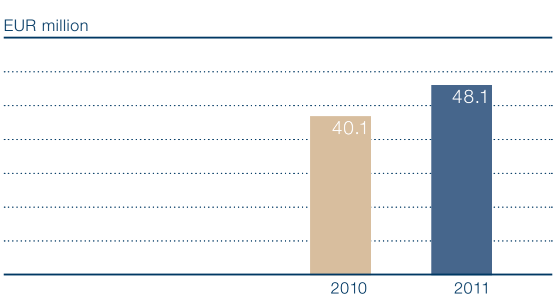
Sales



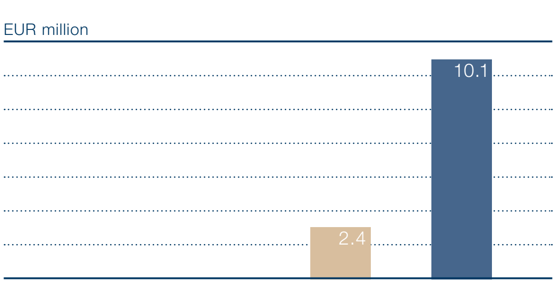
Gross Profit



Adjusted EBITDA



Net Result for the Period



Sales

+18.4%

Gross Profit

+26.2%

Adjusted EBITDA

+20.0%

Net Result for the Period

+320.8%

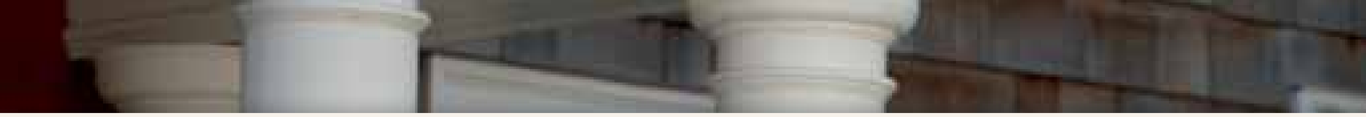
Smart.

We operate true to our motto “Act Premium. Sell Volume” and that is how we aim to make TOM TAILOR one of the large fashion companies in Europe. We distribute our products via the retail and wholesale segments and strive to achieve above-average retail growth. In this way we achieve higher margins, increase brand awareness and fine-tune our offering to our consumers’ demands through sales evaluations on a daily basis. In the wholesale segment we distribute large volumes through established department stores and clothing chains; the controlled selling spaces in this segment will also remain an important distribution channel in the future. Our value chain is highly efficient, characterised by an analytical design process, a stable basis for procurement and short lead times. In the process of further growth, we can replicate our business model without making significant organisational adjustments and thus continuously increase profitability.

Casual. Denim.

Founded in 1962, we are an internationally established fashion company in the medium price segment with more than 1,500 employees worldwide, performing with high efficiency and strongly oriented towards our customers. We produce and distribute collections for the TOM TAILOR Casual and TOM TAILOR Denim brands for women, men, children and babies that change on a monthly basis and provide high quality at an attractive price. Our clothing is fashionably fresh and uncomplicated; at the same time, it is sturdidly manufactured and finished with a passion for detail. Each collection possesses its own authentic style; together the collections reflect TOM TAILOR’s unmistakable key message: “Casual fashion for a casual life.” In 2012, we will be introducing TOM TAILOR POLO TEAM to the market as our third division. TOM TAILOR’s high-value fashion world is rounded out through an extensive assortment of fashion accessories and licenced products.

Contents



Hamburg, March 2012

Dear Shareholders and Friends of Tom Tailor

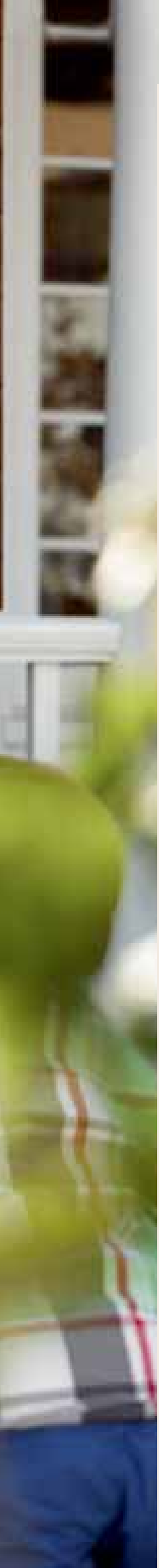
The year 2011 marked a zenith in the implementation of our expansion and brand strategy. Besides a strong financial performance, our success has been demonstrated by the significant increase of the perception and acceptance of the TOM TAILOR brand on the part of our end customers. The results of the highly respected SPIEGEL Outfit Study 7.0 provide impressive evidence that the awareness of our brand in Germany is meanwhile higher than 93%. This means that TOM TAILOR – in eighth place – is not only one of the ten best known fashion brands but also one of the most successful achievers of the last few years. For the period considered in the analysis, the number of TOM TAILOR consumers more than doubled, and their willingness-to-buy increased almost threefold. The study results are a strong sign of our growth potential. In the coming years we will strive to continue to exploit this promising potential.

In 2011, we increased sales by 18.4% to EUR 412 million, thereby achieving the strongest percentage growth in the last five years. Both segments – retail and wholesale – contributed to this encouraging development. In the retail segment, by opening new TOM TAILOR stores and taking over franchise stores, we have substantially increased the number of our stores by 90 to 248 and significantly increased sales in this segment by 44.9% to EUR 154.6 million. At the same time, we have improved our sales per square metre: in the past year, like-for-like sales in the retail segment grew by 6.8%. This means that our growth was significantly stronger than that of the German fashion industry as a whole, which was stagnant in 2011. These numbers reveal two things: our business model of swiftly adapting promising trends and offering them to a broad consumer group in high quality at an attractive price is proving itself; and with our strategy of forcefully expanding our controlled selling areas, we are on the right track.

Our e-commerce business also developed positively in 2011. In this sector, TOM TAILOR recorded a sales growth of 13.5% to EUR 24.7 million. We are convinced that e-commerce will continue to gain importance. As a result, we increased our marketing investments in this area in the fourth quarter of 2011. We have already been able to record our first successes: sales in the first two months of 2012 increased by 45.3% compared to the same period in the previous year. These figures are encouraging us to continue to invest in this area and to develop a Europe-wide online shop in order to make our brand available in all European countries.

At EUR 257 million, our sales in the wholesale segment were a respectable 6.6% higher than the previous year. This is an indicator that we are satisfying both the trade market and our partners with our product performance. We have increased for instance the number of shop-in-shops by 345 to 1,786 shops. One of the ways we have advanced our international expansion in this segment is by opening a showroom in Moscow where we present our collections and sell them on a monthly basis to wholesale customers. This is a first step into a market with enormous customer potential.

After a difficult start at the beginning of 2011, there were signs of relief on the procurement side. The high cotton prices, which in the spring were temporarily assessed at over 200 US cents per pound and thus led to substantially increased burdens for procurement and logistics, declined significantly during the course of the year and as of the end of December were at approximately 95 US cents per pound. Forecasts have cotton prices holding steady below 100 US cents per pound until the middle of 2014. Even if this leads to a certain easing with respect to purchasing, the procurement market in Asia has nonetheless become tighter over the last few years. The competition for capacities has intensified and will probably continue to do so, not least because the strongly growing emerging market countries need



more production capacity for their own markets. Thus we decided to found a purchasing company in Hongkong with a proven Asian partner in order to ensure access to the necessary production capacities over the long term. The goal is to directly control purchasing in Asia in the future and to realise advantages from the bundling of purchasing volumes. We intend to procure our first collections by means of the new purchasing company in the second half of 2012.

With regard to our essential control parameter – the adjusted EBITDA – we met the forecast range of EUR 48 to 51 million at the lower end with EUR 48.1 million. In light of the challenging general conditions, we are completely satisfied with this result. We had to accommodate higher costs due to unplanned higher cotton prices at the beginning of the year, higher wage and logistics costs and higher start-up costs for store openings in the retail segment. Along with additional provisions and non-budgeted higher marketing expenses, these effects influenced the EBITDA more strongly than planned. Nonetheless, with an increase in the adjusted EBITDA of approximately 20%, our earnings position experienced an overall positive development. Therefore I am pleased to inform you that for the 2011 financial year the Management Board and the Supervisory Board will recommend for the first time a dividend of EUR 0.17 per share to the Annual General Meeting.

TOM TAILOR has a diverse lifestyle world with two independent brand profiles – TOM TAILOR Casual and TOM TAILOR Denim. In 2012, we will introduce a third division under the TOM TAILOR umbrella brand: TOM TAILOR POLO TEAM. The sporty collections will be positioned in the middle to upper price segment and are intended to be distributed through the wholesale segment as well as selected retail stores.

During the next few years, TOM TAILOR will continue to accelerate the forceful expansion of controlled selling spaces in order to further enhance economies of scale through above-average growth. Therefore, we have once again set ourselves ambitious goals for the current year. In 2012, we are planning to open 60 to 70 new retail stores and 200 to 250 new shop-in-shop spaces. We want to grow primarily in Germany, Austria and Switzerland. From today's point of view, we expect sales of at least EUR 470 million in 2012. The adjusted EBITDA is anticipated to be between EUR 51 and 53 million and takes into account the strategic investments in the TOM TAILOR brand and product quality. It is adjusted for one-off items of EUR 3 million for the refinancing concluded at the beginning of 2012. In February, we secured our financing for the next five years at attractive terms and conditions. Thus regardless of the debt crisis in Europe, we have sufficient financial means at our disposal for the continued growth of our Company.

We have taken all of the important measures to set the stage to develop TOM TAILOR by means of forceful expansion into one of the large fashion companies in Europe. In the name of the entire Management Board, I thank our employees for their great dedication and you, dear shareholders, for your confidence in our Company.

Sincerely,

Dieter Holzer

DIETER HOLZER
Chief Executive Officer/CEO

TOM TAILOR

The Management Board

Dieter Holzer | born 1964 | Chief Executive Officer | CEO

Dieter Holzer has been managing the TOM TAILOR Group since September 2006. His responsibilities include the business areas of company strategy, distribution, e-commerce and public relations.

From 1982 to 1985, he completed his formal training as a retail manager in the textile trade. After filling various positions in the fashion industry – including product development – he worked for ESPRIT from 1995 to 2000. As a wholesale manager, he was responsible for the markets in Germany, the United Kingdom and Eastern Europe. In 2000, he became the CEO of Tommy Hilfiger Germany where from 2000 to 2006 he directed the setting-up of the wholesale, retail and franchise business in the core markets of Germany and Eastern Europe. He was also responsible for rolling out the global Tommy Hilfiger e-commerce business. (Photo, second from left)

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

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

After completing his formal training in banking, Dr Rebien studied economics at the Gottfried Wilhelm Leibniz University in Hanover. In 1999, he began his professional career with the auditors Arthur Andersen, where he worked from 2000 to 2002 initially as a project manager and, from 2001, as a manager in the Transaction Advisory Services division. While at Arthur Andersen, he earned his doctorate in political sciences (Dr rer. pol.) from the Technical University in Chemnitz with a dissertation on enterprise valuation. Following the merger between Arthur Andersen and Ernst & Young, he served as a manager in the Company's Transaction Advisory Services division until 2005.
(Photo, second from right)

Christoph Rosa | born 1971 | Chief Product Development and Procurement Officer | CPO

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

He completed his formal training in retail commerce at Sinn AG in 1994. He then studied business administration at the University of Fulda, with a focus on marketing, human resources and accounting. After completing his degree, he worked for four years as a manager in the procurement department of P&C West. Thereafter he moved to Street One where he was responsible for overall collection development and the expansion of the NOOS and Flash Repeat system modules. From 2007 to 2008 he worked for TOM TAILOR as a freelancer, and during this time he completely revised the orientation of the TOM TAILOR WOMEN CASUAL collection. (Photo, right)

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

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

From 1998 to 2001, Dr Schumacher completed an international training programme with HUGO BOSS AG while at the same time studying business administration at the Stuttgart University of Cooperative Education. In 2001, he transferred to the Breuninger Corporate Group where he worked first as an assistant to Corporate Management and from 2003 to 2008 as the Director of Marketing and Communication. While at Breuninger, he completed an MBA programme at the Leipzig Graduate School of Management and earned his doctorate in economics (Dr rer. oec.) with a dissertation on consumer-behaviour research at the Leipzig Commercial College. In 2008, he joined TOM TAILOR Holding AG as the Director for Retail and International Marketing. (Photo, left)

Smart. Success.
In recent years, TOM TAILOR's brand awareness, brand ownership and the consumer's willingness to buy have increased significantly – an amazing success story and an excellent basis for our continued expansion.

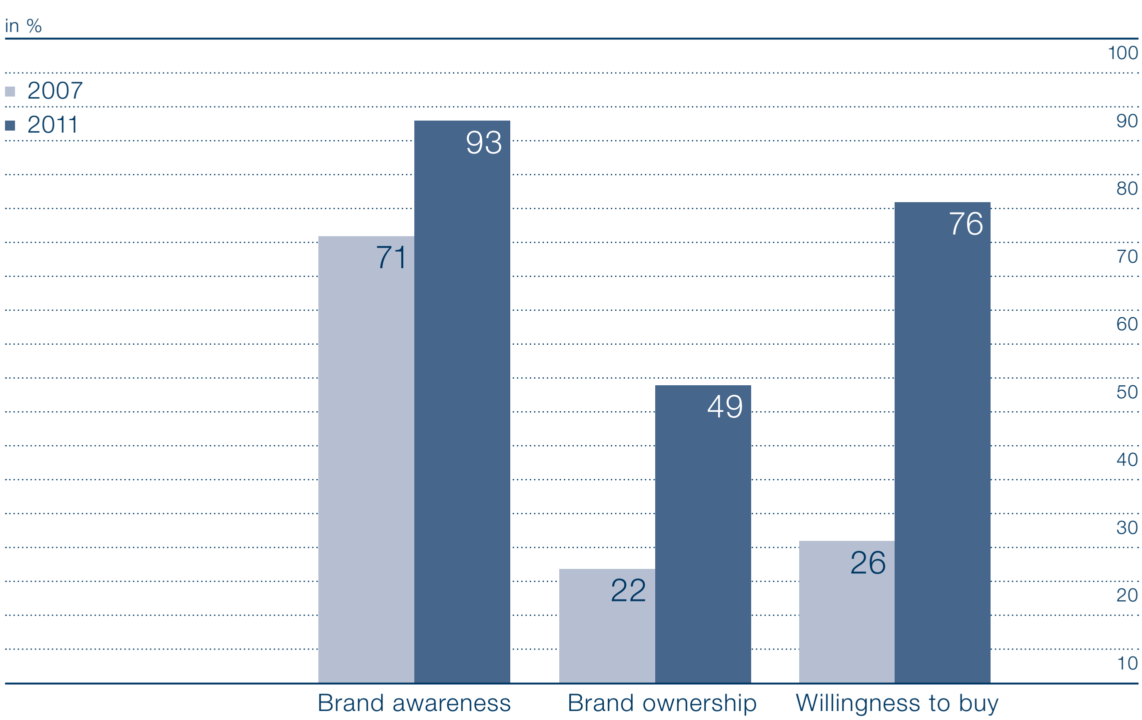
In 2011, TOM TAILOR increased its sales by 18% to EUR 412 million, thus achieving the strongest percentage growth in the last five years. Profitability also continued to increase: adjusted earnings before interest, tax and depreciation (EBITDA) reached EUR 48.1 million (+ 20%) and net result for the period even increased by 321% to EUR 10.1 million. This impressive development affirms the strategy implemented in the last few years.

Continued financial success, however, also depends on non-financial criteria such as the perception and acceptance of the TOM TAILOR brand by our end consumers. We are increasing the perception of our brand in particular through targeted point of sale marketing in our own retail stores and with the right appeal and advice for our consumers.

The current SPIEGEL Outfit Study 7.0 from 2011, which assessed brand awareness, ownership and consumer willingness to buy among various brands in Germany, impressively confirms the success of our strategy. Compared to 2007 when the study was last conducted, TOM TAILOR secured clear gains in all three areas and achieved the highest rates of increase compared to our competitors. These results make us proud and at the same time provide an incentive for the future.

In Germany, awareness of the TOM TAILOR brand has now reached over 93%. That puts us in eighth place among the ten best-known fashion brands in Germany. At 49%, the number of consumers that own TOM TAILOR fashions today has more than doubled. Even more decisive for our future success, however, is the criterion of consumer willingness to buy going forward. According to the study, three out of four respondents could imagine purchasing TOM TAILOR products or purchasing them again. This number has risen in the last four years from 26% to 76%. It describes the growth potential that TOM TAILOR has and that we will rigorously exploit in the coming years.

The SPIEGEL Outfit Study 7.0



Source: SPIEGEL Outfit Study 7.0 (2011); SPIEGEL Outfit Study 6 (2007)


TOM TAILOR

TOM TAILOR

MEN CASUAL

36%

Share of 2011 Group sales

1979

Established under the TOM TAILOR brand

698

MEN CASUAL shop-in-shops as at the end of 2011


TOM TAILOR


TOM TAILOR

TOM TAILOR

WOMEN CASUAL

33%
Share of 2011 Group sales

1999
Introduction of the fashion line for women

9 million
Items sold in 2011


TOM TAILOR


TOM TAILOR

TOM TAILOR

KIDS, MINIS & BABY

11%
Share of 2011 Group sales

1996
Launch of KIDS.
MINIS and BABY follow

8,000 m^2
Shop-in-shop selling space
as at the end of 2011


TOM TAILOR


TOM TAILOR


TOM TAILOR Denim

TOM TAILOR

Denim Male

10%

Share of 2011 Group sales

2007

Launch of the Young Fashion line for young men

29%

Sales growth 2011


TOM TAILOR Denim


TOM TAILOR Denim

TOM TAILOR

Denim Female

9%

Share of 2011 Group sales

2007

Launch of the Young Fashion line for young women

56%

Sales growth 2011


TOM TAILOR Denim


TOM TAILOR
TOM TAILOR
PT
TOM TAILOR
POLO TEAM

TOM TAILOR

POLO TEAM

EUR 10 million

Sales in 2011

2010

Launch of the TOM TAILOR POLO TEAM collection

2012

Introduction as an independent division under the TOM TAILOR umbrella brand


PT
TOM TAILOR
POLO TEAM


TOM TAILOR

TOM TAILOR

ACCESSORIES & LICENCES

20

Lines in 2011, from purses to bed linen

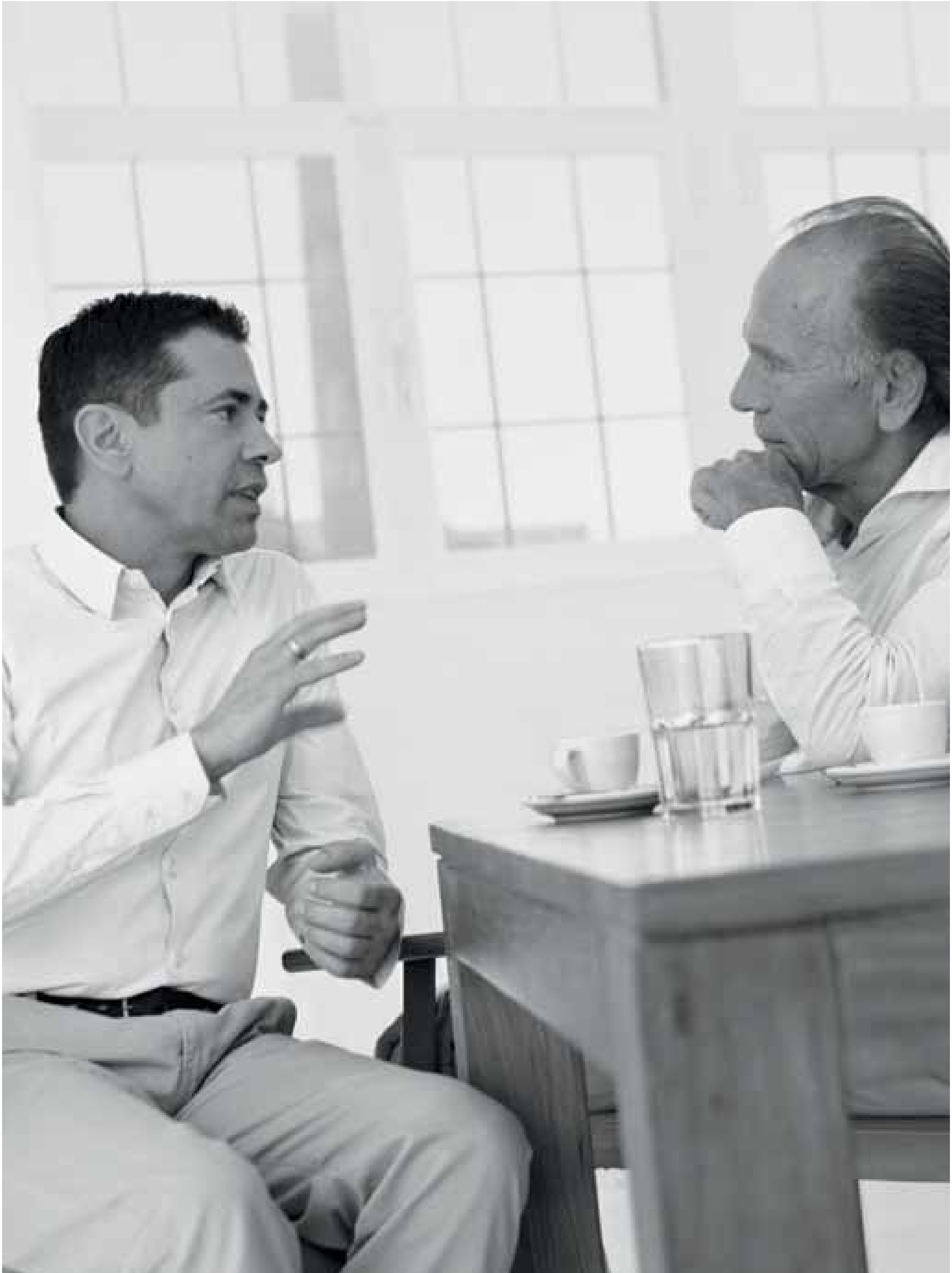
1995

The first TOM TAILOR accessories were launched

2012

Launch of TOM TAILOR Bodywear for women


TOM TAILOR



Dieter Holzer – Chief Executive Officer of TOM TAILOR
Uwe Schröder – Founder and Chairman of the Supervisory Board of TOM TAILOR

“ I always had a thing for fashion; naturally, at the time I had no idea how far it would go.”

(Uwe Schröder)

Interview with the founder and Chairman of the Supervisory Board Uwe Schröder and the Chief Executive Officer Dieter Holzer

Mr Schröder, TOM TAILOR is celebrating its 50th anniversary in 2012. How did the founding of the Company actually come about?

Uwe Schröder: At the time I was still very young, just twenty years old! An acquaintance, Mr Pünjer, had just purchased the predecessor company to TOM TAILOR and asked me whether I wanted to work with him to build the Company. At the time I was working in export and I was travelling a lot in South America and Africa. I have always felt myself drawn to fashion. So I agreed. And that is how we started back then, with no money, a borrowed desk and a telephone. We began with the import of terrycloth towels from India packed together in large shipping bales. I had them packaged in a prison in Frankfurt and sold them in Hamburg to Budnikowsky (a Hamburg-based drug store chain). That was our first customer back then. Eventually we arrived at fashion by way of underwear. Firstly, because it was interesting, and secondly, many of my friends were employed in the industry at the time. The demand for apparel was huge. Through a rather random contact, I purchased the first shirts in Hongkong. So over time we became one of the largest shirt importers in Hamburg. That was also how production started in China.

How did you arrive at the name TOM TAILOR?

Uwe Schröder: I was once again travelling in China where the fabrics were “distributed” through contacts. I brought back some corduroy from this trip and had a pair of trousers sewn here and showed them to department stores and dealers. The demand was enormous – I did not even have that much merchandise. Good merchandise was scarce in those days. I had called the sample of the trousers Tom. Tailor followed from discussions with Mr Pünjer as Tom was too short for a possible company name.

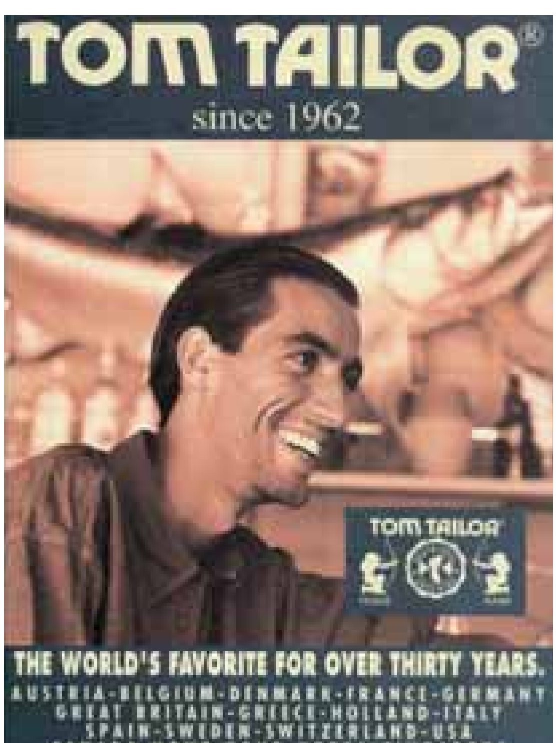
Basically, it was obvious. What did we do? We were tailors. Thus TOM TAILOR. The name was also international in practical terms.

You started a commercial enterprise for shirts in the Speicherstadt (Hamburg's historical warehouse district) in the 1960s. Was that part of trend back then?

Uwe Schröder: The company that Mr Pünjer had bought back then was originally a tea and tinned food trading company with offices in the Speicherstadt. For around ten years, that was our workplace. It was a wonderful time.

What were your visions and entrepreneurial goals for the Company?

Uwe Schröder: I always had a thing for fashion and wanted to develop this "hawker's tray" into a trendy fashion company. Naturally, at the time I had no idea how far it would go. Of course, it was important to earn money as that was



TOM TAILOR spring/summer campaign 1992

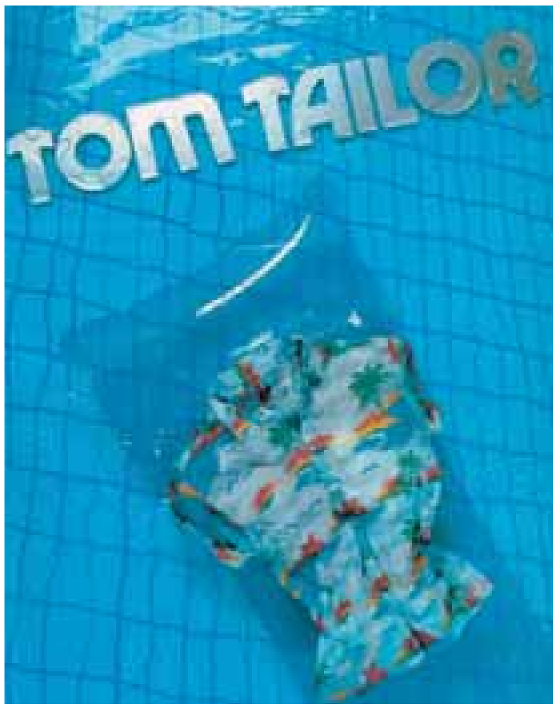
another time back then. Nonetheless, I carried on pursuing my goal. At first the focus was on men's fashion. That was my passion. Women's fashion did not follow until 1999.

When you look at the Company today, what events do you recall as being especially decisive milestones?

Uwe Schröder: I recall with particular fondness the time when we still unloaded the boxes from the lorry ourselves. Today, for the most part we no longer even see the merchandise anymore. The first great turning point was in 1979 when we turned the trading company into a brand and created the firm TOM TAILOR. That was a big step. Also important was getting to know Mr Holzer in 2005. It was immediately clear after the first conversation that things fit and the chemistry was right. In 2006 he came on board. Ever since then he has been managing the Company with a great deal of skill. I have always had the great fortune of having good partners at my side. Then, of course, the IPO was a very decisive step that took this Company into completely different spheres. To start with a desk and then, years later, to be on the stock exchange – that is an impressive development. I see the many other activities in the last fifty years more as a part of the underlying business and developmental processes of TOM TAILOR.

Mr Schröder, you diversified your business model in the 1990s: collections for children were introduced in 1996, the TOM TAILOR WOMEN CASUAL label in 1999. Furthermore, you rounded out your product range with a large assortment of licenced products. What were the motivating factors for these steps? Did you have immediate success?

Uwe Schröder: Each of those steps was demanded by the market. We were getting bigger and bigger, and many customers were asking us for specific products. We further developed our brand TOM TAILOR into a lifestyle brand. To some extent, this worked quite well right from



TOM TAILOR campaign 1988

the beginning, but naturally we also made mistakes. That's part of it. But by and large we handled things well, as you can see today.

Mr Holzer, what excited you about taking the helm of TOM TAILOR in 2006? How did you perceive the Company and the TOM TAILOR brand?

Dieter Holzer: The one is connected with the other. I had already worked in the fashion industry for many years. TOM TAILOR was always well known and it was clear to me that there was a lot of unexploited growth potential lying dormant within the Company, simply on the basis of the potential of the brand. The brand was relevant, but it was not yet sufficiently competitive to grow further. When I met with Mr Schröder back then, I immediately had a very good feeling. The Company's whole culture appealed to me. My goal was to give the brand what it deserved and to develop its ability to compete. It was absolutely clear to me where I wanted to take TOM TAILOR. That is why I decided to take this step.

What has changed with the new management and the new majority owner, Mr Holzer?

Dieter Holzer: We very quickly restructured the Company in all of its areas. That means increasing the Company's profile and giving it more performance capacity with respect to its products and across the selling spaces. At the time, for example, there was still a sales-representative structure which we replaced with our own Company employees with a focus on area management. We changed many things in logistics because the merchandise must be at the point of sale at the right time, in the right quantity and in the right quality. It was clear to us that we could only attain market leadership through system leadership. Naturally, we are still a long way from leading the market in terms of size, but size does not play a role in this strategy. If the system works we will continue to grow automatically. Setting up this system and sharpening employees' sensitivities towards it were the most important aspects of my activities in the first two years.

How has the IPO changed the Company?

Dieter Holzer: The IPO has practically liberated the Company from the restraints of private equity shareholders who had owned the majority of TOM TAILOR since 2003. Through the IPO, our perception has changed completely in all respects, for suppliers, customers, employees and now shareholders with whom we are maintaining close contact. Through our ongoing reporting, we have become very open and transparent. Our partners appreciate that. Transparency also helps us as we expand. For example, it facilitates the search for suitable locations for our retail stores.

How do you feel about these changes, Mr Schröder? How do you assess the situation of the Company today?

Uwe Schröder: Previously we were a family-managed company and, to be honest, at first I naturally had a few reservations about these changes. In retrospect, however, I see it in exclusively positive terms. We can act much more quickly and flexibly today. That is a big advantage for the further development of TOM TAILOR.

Was it easy, Mr Schröder, to gain good employees in the 1960s?

Uwe Schröder: In the beginning, of course, we didn't need very many employees. Our Company was always considered extremely friendly. We had and have a really good name in the market. Sometimes we also did things differently, the way we considered right, even if that was less profitable in some instances. Today that is no longer possible; today, business is determined by factors like sales and rates of return. Previously, it was quite normal that we would earn an enormous amount of money one year and less in the next, just like in the proverb: "A merchant's fortunes tend to ebb and flow like the tides." And this independence, this self-awareness, was also assessed positively by our employees.

Mr Holzer, how would you say that the situation has changed compared to then? What are you doing today in order to make and keep the Company attractive to employees?

Dieter Holzer: The good spirit that Mr Schröder has described is still there. We are a modern company; communicating openly and encouraging our employees is really important to us. Since successful companies possess a natural attractiveness, current developments have made things comparatively easy for us as an employer. In addition, there is also the advantage of our location. Hamburg is simply a wonderful city. Last but not least, the culture of our Company is set up to provide our employees with a variety of opportunities and options for development in an international environment. We have flat hierarchies, and the package as a whole makes it extremely attractive for employees to work with us and for us.

TOM TAILOR Milestones

1962

Founding Year of TOM TAILOR

The predecessor company of TOM TAILOR is born. Uwe Schröder and Hans-Heinrich Pünjer start with the import of textiles – and a borrowed desk.

1971

The First Collections are Created

The Company begins to produce and distribute its own collections. TOM TAILOR focuses during this period on the distribution of men's and sports fashion.

1979

The TOM TAILOR Brand is Born

A pair of corduroy trousers with the label Tom forms the cornerstone for today's international fashion brand TOM TAILOR. The trousers are in great demand and popular. Orders exceeded supply capacity many times.

1999

Launch of the WOMEN CASUAL Line

With the introduction of TOM TAILOR WOMEN CASUAL, the Company ventures into the area of women's fashion. Today the line accounts for a third of the total sales, and the trend is increasing.

Mr Schröder, how would you describe the environment in the fashion and apparel industry and your sales concept in the 1960s?

Uwe Schröder: During the first years of our Company I still drove around Germany myself in my car. I produced and sold things myself. Later we worked together with sales representatives in the various regions of Germany. To some extent we developed the collections together with the sales representatives. They were closer to the customers and knew precisely what was in demand. If chequered shirts were needed we provided chequered shirts. We only started developing and selling our own collections from the beginning of the 1970s. And we are still doing that today, although, naturally, in a far more sophisticated way. Then in 1979, the brand TOM TAILOR was established. For years I lived almost only in Asia managing production there, while Mr Pünjer was responsible here for management and finances. During this period, I basically only flew to Germany for making sales.

Exciting! And now, Mr Holzer, could you please describe the current sales concept.

Dieter Holzer: The sales-representative structure was certainly a good sales model at the time, but the competitive ability in systems business described earlier requires specific know-how and more staff; especially for 12 changing collections a year. Today, the market is still looking for products, but its demands with respect to business management have increased significantly. We can meet these demands better with our own staff, the so-called area managers. They know their customers and their selling spaces and plan them with the customers systematically so that a visually and substantively coordinated product range is offered in the specified areas.

What role does the e-commerce sector play? Do you see here the business of the future?

Dieter Holzer: E-commerce is unbelievably important, especially since our target clientele is very Internet-savvy. The online presence makes the brand more accessible. At the same time we can emotionalise and explain our brand environment better. Today, we achieve 6.0% of our

2006

Dieter Holzer Becomes CEO of TOM TAILOR

He steps up to increase the potential of the TOM TAILOR brand. Restructuring into a vertically integrated system supplier begins. TOM TAILOR expands. Retail becomes a strategic growth segment.

2007

The Launch of TOM TAILOR Denim

“Young fashion for young personalities” – that is the slogan of the young brand TOM TAILOR Denim Male and Female. The Company develops an innovative new line for the target group of 15–25-year-olds.

2010

The IPO – the Start of a New Era

On 24 March TOM TAILOR goes public. The funds from the IPO are used to advance further international expansion and to improve the Company’s financial structure.

2011

TOM TAILOR Achieves Peak Values in Brand Awareness Study

SPIEGEL’s Outfit Study 7.0 is published in autumn. It certifies the TOM TAILOR brand’s peak values in terms of brand awareness, brand ownership and willingness to buy. The Company is the winner in the recent survey.

sales via e-commerce. In the medium term, we anticipate a share in sales of approximately 10% of total sales. The significance of e-commerce will continue to increase worldwide, but the competition will increase as well. Thus, we will be increasing our marketing investment in the online business in 2012.

What gave you the idea of introducing the TOM TAILOR Denim line, Mr Holzer?

Dieter Holzer: With its Casual line, TOM TAILOR appeals to young people from age 25 and older. It was clear to me that we needed a more youth-oriented line in order to keep the brand young and to avoid losing the younger target group to the competition, without cannibalising the brand at the same time. Our specialists in the Denim Division did not simply create young fashion but developed a really new line. With TOM TAILOR Denim, we have clearly and definitively positioned ourselves in order to appeal to 15–25-year-olds. For example, we have stringently taken into consideration different fits tailored specifically for this target group, that is to say smaller sizes and narrower cuts. This stringency led to one of the most successful launches in the industry. Our Denim Division is experiencing above-average growth. In the market within the denim segment as a whole, there is an incredible amount of passion, but also an incredible lack of any system. With the combination of passion and system, we have established a reliable dimension. We are a very reliable supplier that ensures a good background noise through systematic trend management.

Mr Holzer, what are the important challenges that the Company has to face?

Dieter Holzer: Today, trends come and go increasingly fast. The Internet and the media in general contribute to this. For us as a fashion follower, the challenge of recognising these trends and offering them to our target clientele increased. “Bestseller management” has now become almost obsolete. Today we are more likely to speak about “trend management”. With 12 collections, we can basically adapt quickly to rapidly changing trends. That is a substantial competitive advantage for TOM TAILOR. Refining this approach, that is the challenge of the future. In addition to that, our industry in general is naturally concerned with increasing wage costs in Asia and the trend of cotton prices, although according to forecasts these are expected to continue to hover around the current relaxed level until the middle of 2014.

How will you both be celebrating TOM TAILOR’s 50th anniversary?

Dieter Holzer: We will take the 50th anniversary as an opportunity to celebrate with many different groups. We will celebrate with our staff, with our customers and with end consumers. There will be a variety of activities throughout the year.

Mr Holzer, what do you wish for TOM TAILOR for the next 50 years?

Dieter Holzer: That the Company will continue to grow in quality and that TOM TAILOR becomes a desired brand all over the world.

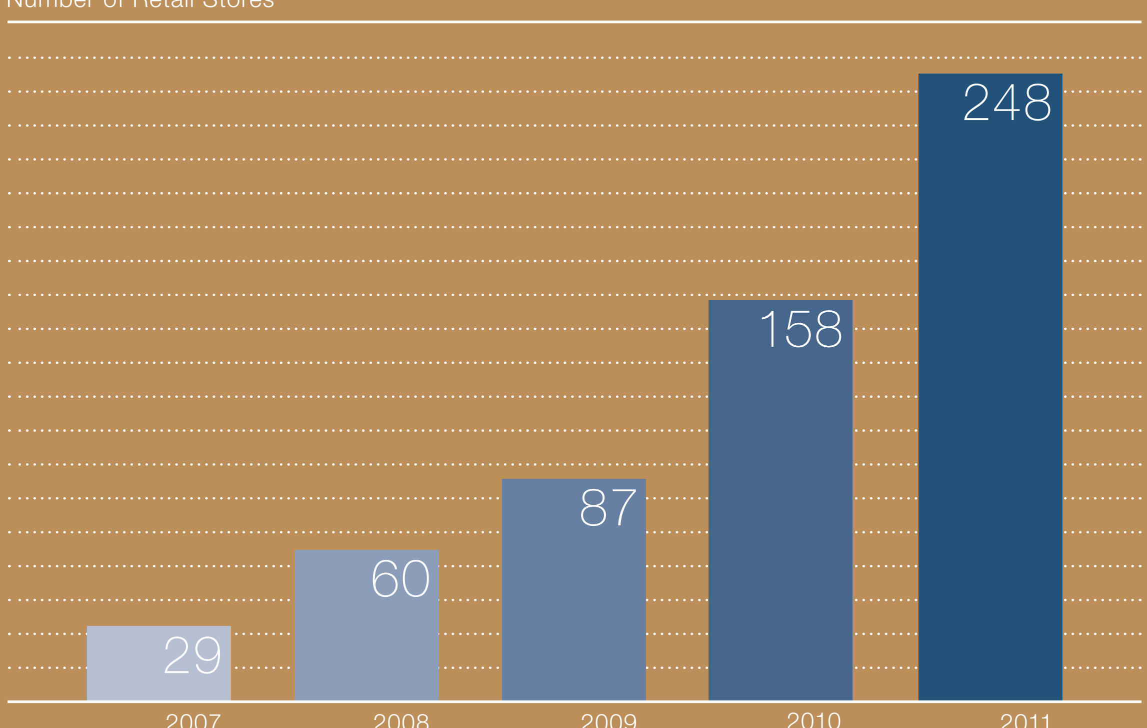
And what is on the agenda for 2012?

Dieter Holzer: In 2012, we will continue to grow and expand consistently. Thus, in this year as well, we will again be opening 60–70 new retail stores. The launch of TOM TAILOR POLO TEAM will certainly be a highlight also. In addition, we will continue to invest in the TOM TAILOR brand and the quality of our products.

SMART.
GROWTH.

TOM TAILOR on Course for Expansion

Number of Retail Stores



Smart. Distribution.
We can replicate our business model without having to make significant organisational adjustments. In doing so, we are trying to achieve above-average growth in retail sales. This will increase the perception of our brand, allow for improved control of the value chain, and lead to higher margins in the future.

Hamburg


Düsseldorf

Stuttgart

Dortmund


Frankfurt


Neu-Isenburg


Lüneburg


Herford

Smart Distribution

GROWTH WITH A CONTINUED INCREASE IN PROFITABILITY

2011 was once again a successful year for TOM TAILOR. We were able to increase our sales to EUR 412 million. The adjusted EBITDA reached EUR 48.1 million; the net result for the period reached EUR 10.1 million. We have significantly expanded the number of our own retail stores and our controlled selling spaces in the wholesale segment.

Overall, as at the end of 2011 we are represented in Europe by 248 own stores, the TOM TAILOR e-commerce business, 155 franchise stores, 1,786 shop-in-shop areas and approximately 6,000 multi-label points of sale.

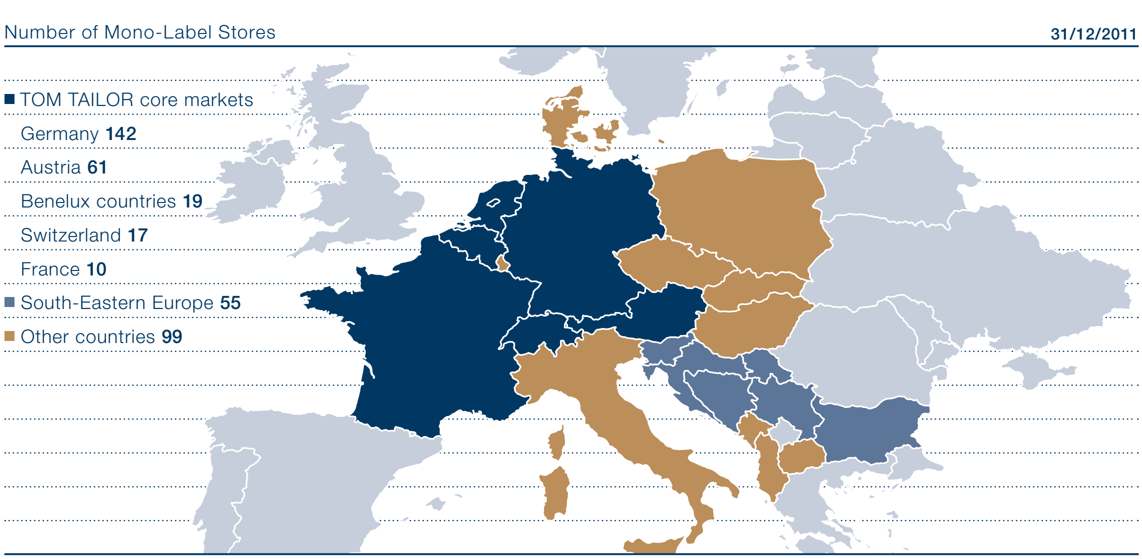
TOM TAILOR will also continue its present course of profitable growth and expansion in the future. For 2012 and 2013, we are planning to open between 60 and 70 additional retail stores per year and another 200 to 250 shop-in-shops in the wholesale sector as well as 20 to 25 franchise stores. The existing infrastructure for the entire value chain – from the development of the collections to sales to end consumers – allows us to expand without adjusting our procurement and distribution structure, which means without a significant increase in costs.

Simply on the basis of its size, TOM TAILOR has a high potential for national and international growth. At the end of 2011, TOM TAILOR had 142 mono-label stores (retail and franchise stores) in its German home market. A comparison with the many hundreds of stores of several important competitors, which largely only pursue a single brand concept, reveals opportunities here that have not yet been exhausted.

An additional important aspect of our strategy is our expansion abroad. There are attractive growth opportunities primarily in our core foreign markets of Austria, Switzerland, the Benelux countries and France. Because of an existing successful market presence, sustained demand and their geographical proximity to the home market, these countries are attractive sales markets for TOM TAILOR.

The focus of our expansion is once again quite clearly on the retail segment and the opening of additional own operated stores in these regions. In addition, we also aim to continue to grow in the wholesale segment. We opened our own

International Expansion in Selected Markets



showroom in Moscow in 2011 where we present our collections and sell them to our wholesale customers every month. In September 2011, TOM TAILOR expanded into the Polish market. With its entry into this market, the Company is concentrating on shopping centres with high customer frequencies, high selling space productivity and attractive rental costs. In the coming years we will be expanding into additional countries using strategies adapted to their specific markets. We will thus be testing entry into the markets in countries such as China or Turkey, for example, in order to profit from high demand for attractive apparel in those countries.

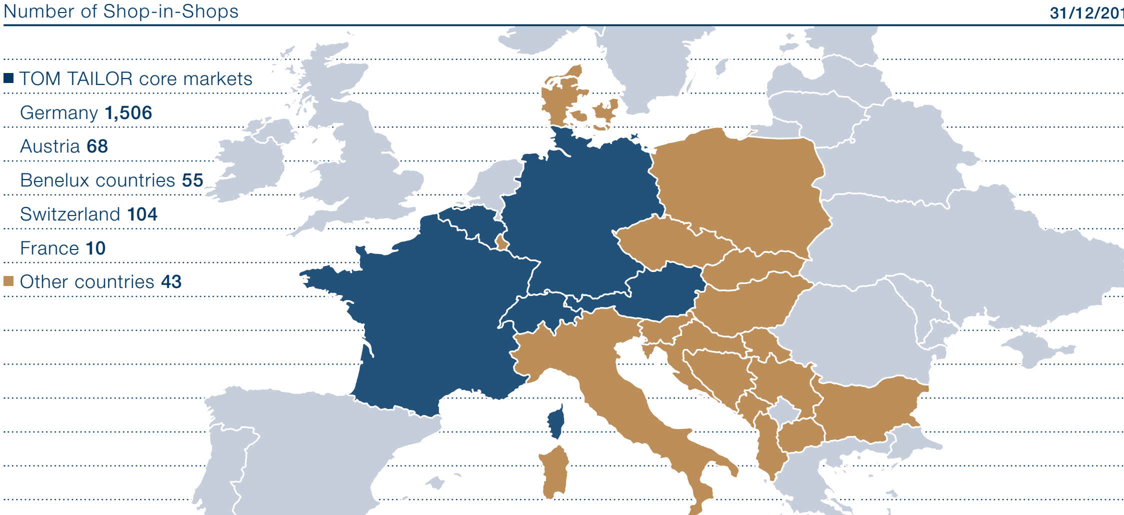
TOM TAILOR products are distributed in 35 countries today. During the 2011 financial year we generated 35.1% of our sales abroad, following 31.5% in the previous year.

The growth described will lead to positive economies of scale because we can replicate our business model without a proportional increase in the number of employees in the areas of personnel, administration and developmental organisation. At the same time, the costs per item for development and samples will decrease due to the increasing number of items. In the future, therefore, our growth should lead not only to a significant increase in sales but also to a continuous increase in relative profitability.

Additional expansion will also be supported by the favourable financial structure after the IPO. As a result, we have significantly reduced our net liabilities and, correspondingly, our interest expenses. At the beginning of 2012 we also replaced the previous leveraged-buy-out structure with a favourable bank financing structure that is more in keeping with the market and aligned with TOM TAILOR's growth, thus securing the financing of our Company for the coming years.

International Expansion in Selected Markets

Number of Shop-in-Shops **31/12/2011**



DEVELOPMENT OF CONTROLLED SELLING SPACES INCREASES MARKET PERCEPTION AND LEADS TO ECONOMIES OF SCALE FOR EARNINGS

The replication of our business model explained earlier is intended to take place by expanding the profitable management of the selling spaces controlled by the Company. In this way we ensure that our collections are presented in the right "look and feel" for TOM TAILOR and increase the perception of the TOM TAILOR brands. Thus, during the last few years we were able to substantially increase brand awareness, brand ownership and consumer willingness to buy for TOM TAILOR, as was demonstrated by the SPIEGEL Outfit Study 7.0 in 2011 (see page 13).

But apart from the development of our market presence, what primarily speaks for this strategy are the economies of scale that will be achieved. Overall, we are striving for above-average growth in sales for our own operated retail spaces from 37.6% at present to 60% in the medium term. We have invested heavily in our retail segment during the last few years. This includes among other things the development of an experienced and motivated management team, the reorganisation of merchandise management and the introduction of reporting and planning tools – for example, for personnel planning. These investments provide the basis for continued retail expansion in the coming years. The increase of own operated store spaces combined with the fashion-follower strategy will lead to higher sales and stronger margins. The fact that in our retail stores we earn for ourselves the dealer commissions previously interposed also contributes to this increase in margins.

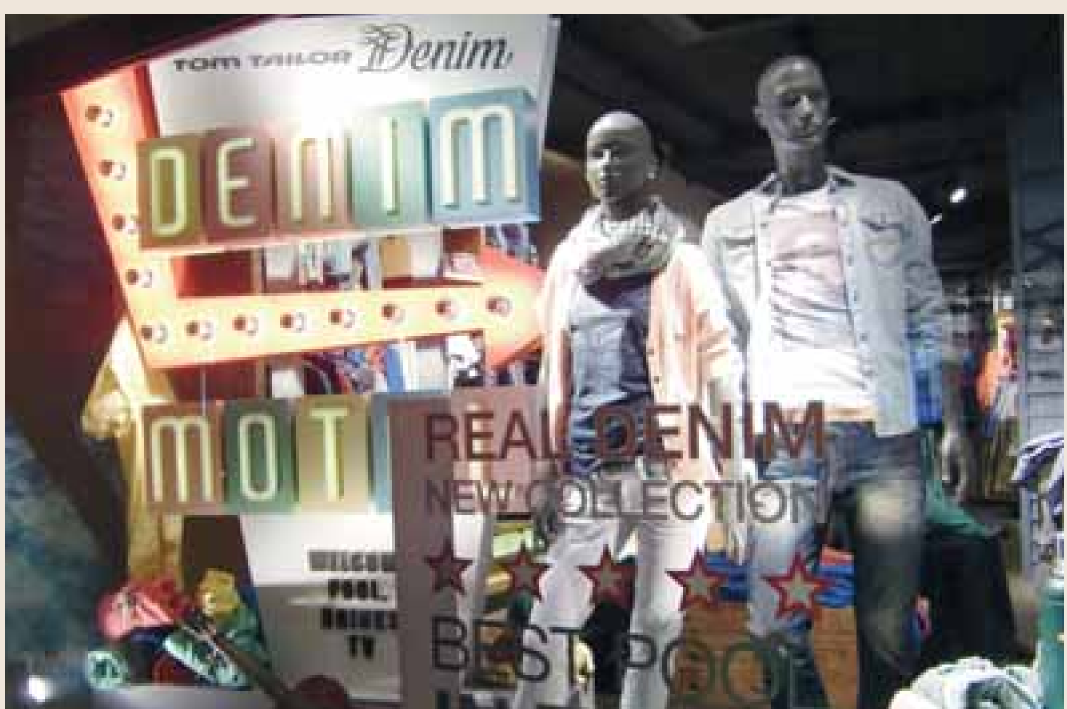
Basically, through a greater share in retail we will achieve greater control over the value-added process. Thus, we can align our offering even more closely to the needs of our consumers. We will also be able to see directly how new collections are received and which items are especially popular. By means of our merchandise management system, we know the sales figures for any specific item at any point in time. In this way we can adjust the entire flow of goods quickly and flexibly according to new trends and control sales in a targeted manner to achieve the highest possible sales per square metre of selling space. Sales data also flow directly into the planning and development process for new collections. Our growth in comparable selling spaces (like-for-like growth) confirms the success of this strategy: it stood at 6.8% in 2011 while the overall market in Germany was stagnant. We are thus continuing to develop our lead and competitive advantage over smaller, slower and distributionally weaker competitors.

In the wholesale segment – that is, business with commercial customers – we are expanding our franchise stores and shop-in-shops. We are placing less importance for the future on the multi-label sector where our products are presented alongside other brands. Wholesale customers profit from our experience in our own retail stores because we bring our knowledge over to the wholesale areas. In addition, only TOM TAILOR products are permitted to be sold in each sales area. Stocking is carried out in most cases by the wholesale customer. But we have started, as in the retail segment, to take over the responsibility for stocking the sales areas and to monitor these areas even more intensely. The wholesale business allows for the distribution of large volumes through established department stores and clothing chains. This distribution channel is very important for TOM TAILOR and will also remain so in the future.

SMART AT THE POINT OF SALE

"Act Premium. Sell Volume" – this philosophy especially applies to our product range and to the entire area of shop fit and store design. TOM TAILOR consumers should feel good in the sales areas, and this in turn should have a positive influence on their purchasing decisions through longer visits. Our store design thus has a

Showcase design TOM TAILOR retail store Konstanz



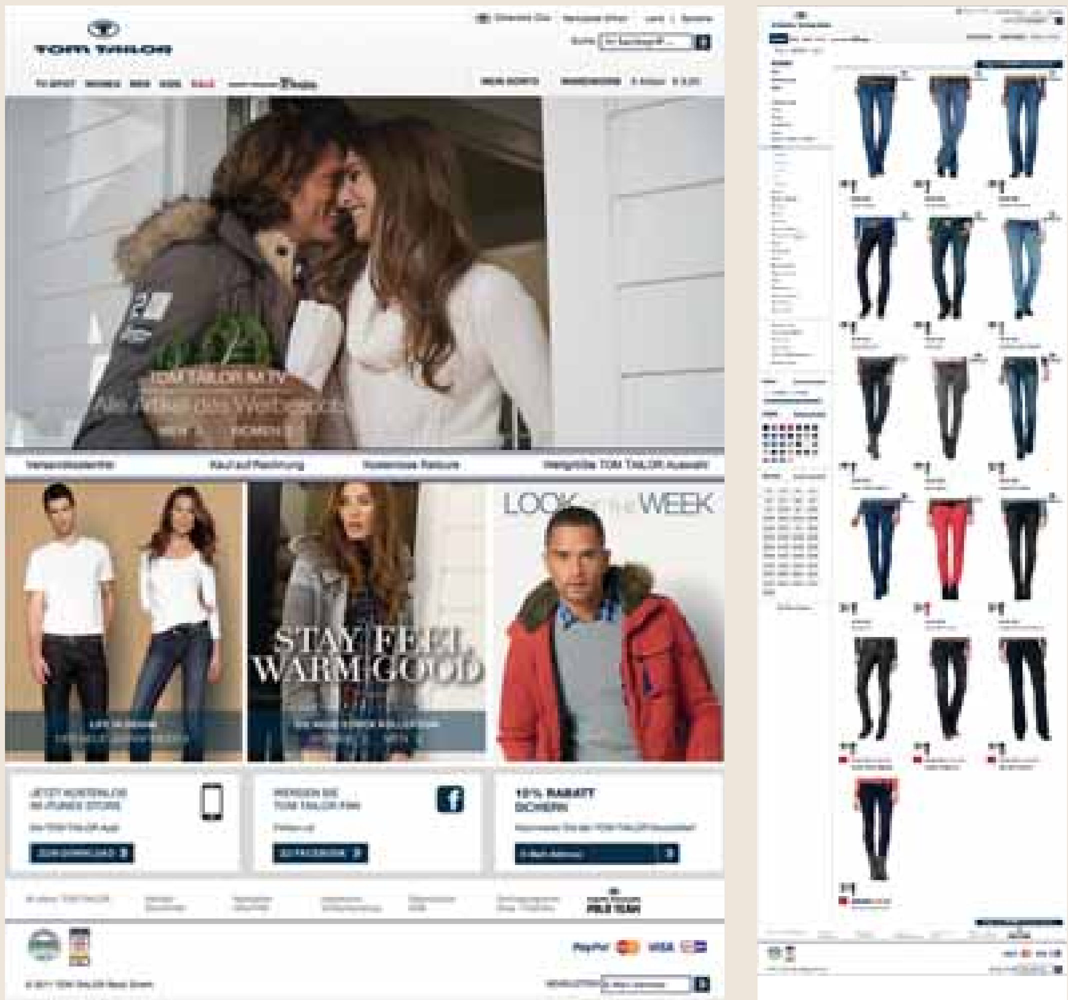
Showcase design TOM TAILOR retail store Berlin “premium” seal of quality. We want to emotionalise the TOM TAILOR life-style world in our stores. Since the autumn of 2011, we are providing our showcase windows with bold and eye-catching window designs. The overall arrangement of showcase windows is adapted according to each collection and emphasises certain products or qualities such as knits or corduroy.

We want to further increase our selling space productivity through our continued effort to improve product performance, the targeted differentiation of our brands at points of sale, the optimisation of stores with regard to the presentation of merchandise, continuous improvement of the product and price mix, and targeted training for our sales employees. The decisive criterion for our consumers’ willingness to buy is that they feel good at the point of sale.

E-COMMERCE OFFERS ADDITIONAL GROWTH POTENTIAL

We also want to develop our TOM TAILOR e-shop which constitutes an important growth engine for our Company. In 2011, it contributed 6.0% to Group sales. The online shop offers our consumers the opportunity to order the entire product range online – also through the mobile Internet using our TOM TAILOR apps. This platform is thus an ideal distribution tool for appealing to our lifestyle-oriented young target group. In 2011, two additional e-shops started up in France and Belgium. As a result, alongside Germany, Austria and the Netherlands, TOM TAILOR now has an online presence in five countries.

We are convinced that e-commerce will continue to gain importance. At the same time, however, competition in the Internet is also increasing. Therefore, we will continue to invest in the development of our online shops through additional marketing efforts. In 2012 we will also build a Europe-wide online shop in order to make the TOM TAILOR brand available even in countries where the Company is not physically represented. In the medium term, this sector should make up 10% of total sales.

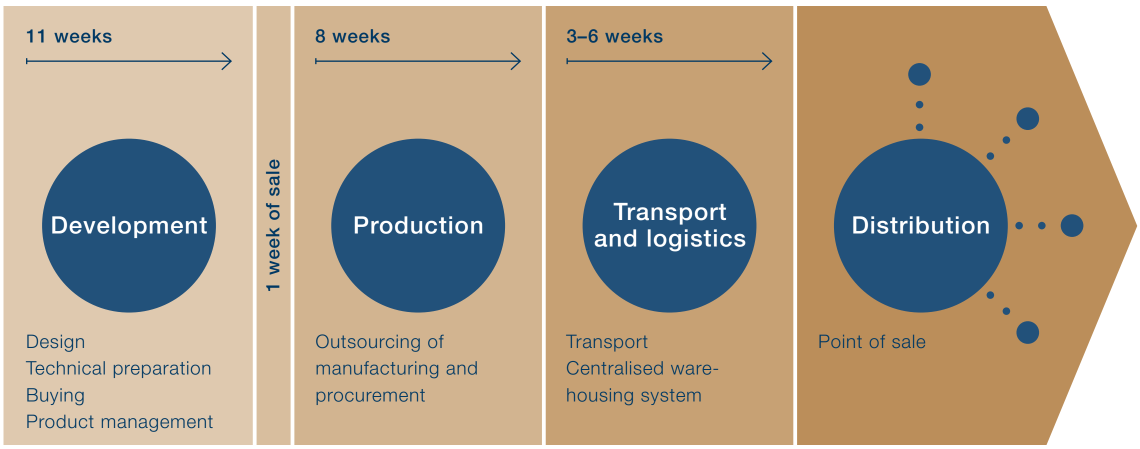


TOM TAILOR e-shop: awarded at the “Shop Usability Award 2011” and at the “Best Online-Shop Fashion 2011”.

Smart. Process.
A quick analytical design process in connection with short lead times, reliable procurement structures, a global and strong distribution network and clear proximity to the market – we are concentrating on our core competencies and are very efficient along the entire value chain.

Smart Process – Efficiency in the Value Chain

TOM TAILOR Value-added Process: Production Cycle



+	+	+	+
Low fashion risk with 12 collections per year	Approximately 90% of procurement in the wholesale segment through pre-orders minimises inventory risk	Outsourced to DHL; 24/7 availability for business partners	Multi-channel distribution with focus on controlled distribution
Well-thought-through design process with direct divisional sales and earnings responsibility	Long-term cooperation with suppliers, bundling of production capacities	Max. two weeks stay at the logistics centre	Better market penetration, control and monitoring through the direct involvement of distribution

EFFICIENT PROCESSES FROM THE FIRST IDEA THROUGH TO PURCHASE AT THE POINT OF SALE

The TOM TAILOR Group has a vertically integrated, systematic value chain. The individual links in this chain, starting with the design of a collection through manufacturing to the distribution of the products to end consumers at the points of sale, are extensively controlled and coordinated with each other by TOM TAILOR. By controlling all important value-added processes and by changing the collections monthly focused on the needs and demands of the customer, the Group reduces the fashion risk – and therefore the sales risk – of its products. Sales risk in the wholesale segment is also mitigated by the fact that the procurement of merchandise takes place in large part only after orders from wholesale customers have been received.

The TOM TAILOR Group is organised and structured into product divisions according to the different product lines. As such, all product lines have a direct responsibility for sales and earnings and must generate the stipulated contribution margin. The goal of the vertically integrated, systematic value chain is to attain sustained productivity at the point of sale.

During the last few years, TOM TAILOR has reduced lead times – that is, the length of time from the initial design of an item to its presentation in a store – by 12 weeks to a current maximum of 26 weeks. This means that we can bring trends into selling spaces more quickly and that the products are more attractive to consumers because they are more up-to-date. Our lead times are industry leading.

CONCENTRATION ON CORE COMPETENCIES

TOM TAILOR develops its collections in its own design departments in Hamburg. The Company does not have its own manufacturing capacities but it outsources production to a series of foreign manufacturers in countries where the Company also profits from considerable wage cost advantages. Warehousing and logistics are also transferred to external service providers. This allows TOM TAILOR to focus on its strengths and core competencies – the development of fashion and its marketing and sales.

ANALYTICAL DESIGN PROCESS AND THE FOUR-EYE PRINCIPLE

As a “fashion follower”, TOM TAILOR does not create any new trends with its fashion but quickly and analytically adapts trends that become established worldwide in its own collections. Identifying the right trends is what constitutes success as a fashion follower in the fashion industry. In order to ensure this, TOM TAILOR relies on a professional scouting team that keeps an eye on the fashion market – whether in the United States, Japan or Australia. The market scouts and designers then develop the designs jointly (four-eye principle). These are examined by the distribution and procurement departments with regard to the anticipated sales volumes and prices that can be achieved. When selecting fabrics, ingredients and capacities, these departments consult with each other across the divisions in order to achieve the highest possible volumes for purchasing and manufacturing, thereby attaining better prices. After careful analysis and calculation, the detailed design process begins, and after the successful production of the samples, the sales process starts. Here, the Company presents the samples to its customers (wholesale and retail) in the TOM TAILOR showrooms and takes orders for the respective goods (so-called pre-orders). The design process generally takes 11 weeks; sales in the showrooms take one week.

Approximately ten designers work on producing the collections in each division for TOM TAILOR. A new collection is designed every month, each with up to 80 pieces for each of the five product lines. For this, creativity and good planning are indispensable. The designers follow a predetermined collection template in order to minimise the risk of write-downs. Finally, a collection consists of three different styles, each varying slightly according to trends and demand. There are basic articles which are not governed by particular seasonal trends; “modern basic items” that pick up on current trends, and items that are produced with an increased fashion sensitivity, so-called “spot items”. At any point in time, the consumer will find both basic items and modern items in the sales area.

PROXIMITY TO PROCUREMENT MARKETS AND CONCENTRATION ON STRATEGIC PARTNERS

The production phase of the individual collections takes approximately eight weeks and is outsourced. Production is carried out predominantly in Asia.

There, TOM TAILOR has a well-established network of around 140 suppliers at its disposal. We have been working with many of these suppliers for years, some of whom work exclusively for TOM TAILOR. We also take care to maintain a balanced distribution across a variety of production countries in order to reduce country-specific dependencies. The purchase of fabrics and other materials and the selection of the manufacturers are carried out by the purchasing team within each division and a local purchasing agent. This allows us to source our constantly changing collections at comparatively favourable prices. Together with our partners, we create half-year capacity plans in order to ensure that our products are manufactured at the high level of quality we desire and according to our production standards. At the same time, we bundle our production capacities with important suppliers and enter into closer and long-term cooperative partnerships with them.

The procurement market in Asia has grown tighter during the last few years, which means that the competition for capacity has increased and will probably continue to do so. For TOM TAILOR as a system supplier with monthly changing collections the availability of production capacity is decisive, because the right merchandise must be at the right place at the right time in the right quantity and quality. We therefore decided in 2011 to establish our own presence in the region in order to guarantee optimal and quick access to the required production capacities. Thus, we founded the purchasing company TOM TAILOR Sourcing Ltd., domiciled in Hongkong, with our partner of many years, Asmara International Ltd. The goal is to directly control purchasing in Asia in the future and to realise the advantages from bundling of purchasing volumes. The first collections are expected to be procured through this purchasing company in the second half of 2012. After a transition period of around 15 months, purchasing of all goods that TOM TAILOR procures from Asia should be arranged directly via the new purchasing company.

In addition, we are constantly checking for other alternatives for supplying raw materials for the Group. Relocating parts of production to Africa or Europe, for example, is also discussed.

Overall, we are following the procurement and production process very closely and developing strategies to be able to react appropriately and quickly to given market developments also in the future. But even if bottlenecks should occur at some point, such as, for example, the result of a recovery in the world economy, increased domestic demand and increases in cotton and wage prices, the prime directive for TOM TAILOR is to have the right product at the right time at the right place – the decisive competitive advantage remains speed. TOM TAILOR has firmly established procurement processes that ensure our merchandise requirements are on schedule.

CUSTOMISED PROCESSES IN LOGISTICS

For a company like TOM TAILOR that produces in Asia, the transportation of goods to Germany is both a decisive cost factor and also an immense time factor. We estimate up to four weeks for transportation by ship. Occasionally, we also accept that goods have to go by air due to production delays, and this means an increase in freight and logistics costs in order to ensure the supply of fresh merchandise at the point of sale. Urgent items, such as high-fashion spot items are also generally flown in. Here, TOM TAILOR forgoes the production of prototypes, and distribution routes are also shortened. For these products, the decisive purchasing criterion is timeliness not price, which is somewhat higher due to air-freight costs.

Regardless of how the product arrives in Germany, the first destination is TOM TAILOR's logistics centre, Nordport in Hamburg, where the merchandise remains for up to two weeks. With its large capacities, Nordport serves as a hub primarily for the German market. Wholesale customers, the Company's own retail stores and e-commerce customers are supplied from here through a partially automated merchandise circulation system.

Shares and Investor Relations

TOM TAILOR regards the capital market and its actors – shareholders, institutional and private investors, banks and brokers – as equal partners. The goal of investor relations activities is to increase awareness of TOM TAILOR worldwide and establish and expand the perception of TOM TAILOR shares as an attractive growth stock. We communicate the development and the strategic orientation of TOM TAILOR continually, reliably and openly. In this way, we aim to strengthen investor confidence in the share and to attain a realistic and fair valuation of the share in the capital markets.

UNSETTLED DEVELOPMENTS ON THE STOCK EXCHANGES

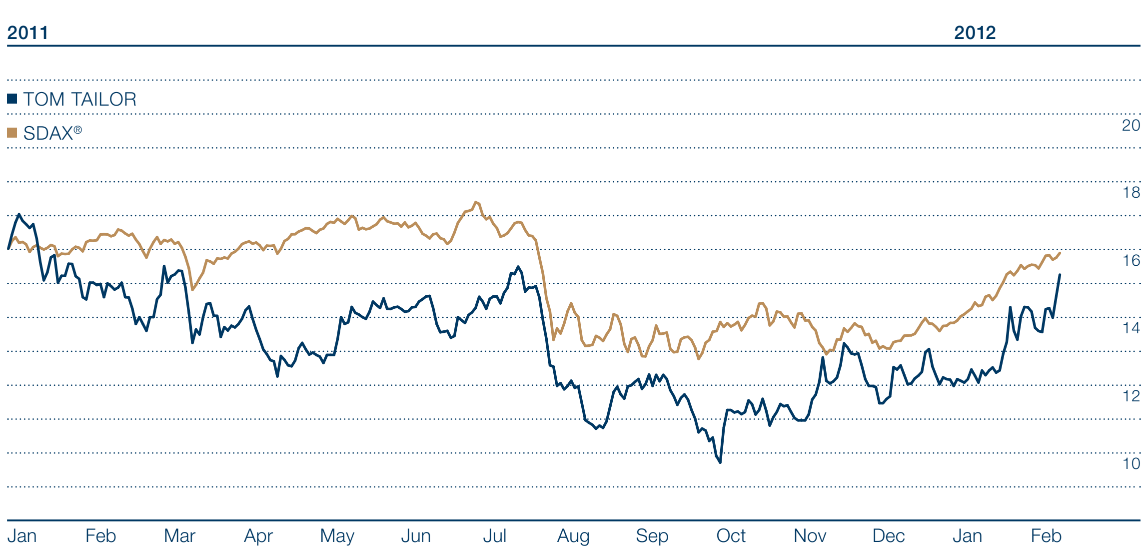
At the beginning of 2011, the international stock markets developed positively. On 5 January 2011, TOM TAILOR shares reached a new all-time high of EUR 16.99. Then the nuclear reactor catastrophe in Japan and the emerging discussion about financial stability within the eurozone noticeably darkened the mood in the capital markets. Growing reports about the continuing increase in cotton prices and wage costs in Asia also led to a decline in the share prices of companies in the textile industry within the first half of the year. During the rest of the year, the euro debt crisis intensified and allowed stock prices worldwide to continue their slide. TOM TAILOR shares could not escape this downward pressure and closed the financial year 2011 at EUR 12.30, that is with a loss of 23%. In doing so, the stock performed somewhat worse than the comparative index SDAX® which lost approximately 15% during the same period.

At the beginning of 2012, the stock markets recovered slightly, despite the continued uncertain situation. TOM TAILOR shares were able to record gains and at the time of the editorial deadline (24 February 2012) stood at EUR 15.24.

TRADE VOLUMES AND MARKET CAPITALISATION

TOM TAILOR shares are traded almost exclusively through the Xetra electronic trading system. In 2011, the daily trading volume on

Development of the TOM TAILOR Share Compared to SDAX®*



* SDAX® indexed to the TOM TAILOR share price.

Xetra was approximately 42,000 shares per day. On peak days almost 300,000 shares changed hands.

At the end of 2011, with a market capitalisation of EUR 185 million – based on the official free-float of 91.04% – TOM TAILOR shares had an index weighting of 1.79% in the SDAX®.

SHAREHOLDER STRUCTURE: FREE FLOAT IS CONSTANT AT 91%

The shareholder structure of TOM TAILOR Holding AG has not substantially changed during the past financial year 2011. The predominant portion of our shares is held by institutional investors in Germany and the United Kingdom. The largest single shareholder is Morgan Finance, with an 8.96% stake. Approximately 5% of the shares were held by private investors.

INTENSIVE DIALOG WITH THE CAPITAL MARKETS

In 2011, the Company implemented comprehensive communication measures. At the analysts' conference in March 2012, the Management Board gave a detailed report to approximately 30 analysts and investors about the financial year 2010, the strategic orientation of the Company and the sales and earnings expectations for 2011. In three conference calls, the business developments during the first three quarters were explained in detail. In addition, at numerous roadshows, investor conferences, and individual meetings, the Management Board and the investor relations team informed existing and potential investors about TOM TAILOR's current business developments and strategic orientation – in all of the important European financial centres and in the United States.

The first Annual General Meeting of TOM TAILOR Holding AG on 18 May 2011 in Hamburg was attended by almost 100 shareholders. They represented approximately 72% of the nominal capital. In each case, they approved the resolution proposals with respect to individual items on the agenda by 99.9%.

Shareholders can find information about TOM TAILOR's developments on the Internet at any time at http://ir.tom-tailor.com/. Along with the most recent news and financial reports, the website features presentations and an up-to-date financial calendar. In 2012, the Internet presence and range of information being provided will be revised in a targeted manner and expanded.

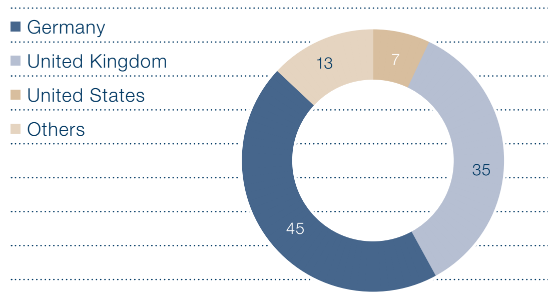
For 2012, along with regular conference calls for the publication of quarterly figures, there are plans to conduct further roadshows and attend further conferences worldwide. The goal is not only to provide excellent support for existing shareholders but also to gain new investors for the shares.

GROWING ANALYST INTEREST

In the course of the financial year 2011, four additional investment houses started to regularly

Regional Shareholder Structure

in % 31/12/2011



publish studies and commentaries (so-called research coverage) on the TOM TAILOR share. Eleven investment houses – predominantly from Germany – now regularly publish analyses on the current development of the Company and issue recommendations. The investment ratings are almost wholly positive: as of the end of December 2011, eight analysts recommended the purchase of TOM TAILOR shares. There were three “hold” recommendations. There are no “sell” recommendations currently.

The research coverage is expected to further expand in 2012.

FIRST-TIME DIVIDEND PROPOSAL

At the Annual General Meeting on 18 May 2012, the Management and Supervisory Boards of TOM TAILOR Holding AG will recommend a dividend of EUR 0.17 per share for the financial year 2011. The represents a total distribution of EUR 2.8 million.

Key Data for TOM TAILOR Shares

Class of shares	No-par-value registered shares
ISIN	DE000A0STST2
WKN (German securities ID number)	A0STST
Ticker symbol	TTI
Index	SDAX® (Prime Standard)
Stock markets	Frankfurt and Hamburg
Most important exchange	Xetra (electronic trading system)
First listing	26 March 2010
Issue price	EUR 13.00
Designated sponsor	Commerzbank AG, J.P. Morgan Cazenove, Close Brothers Seydler Bank AG

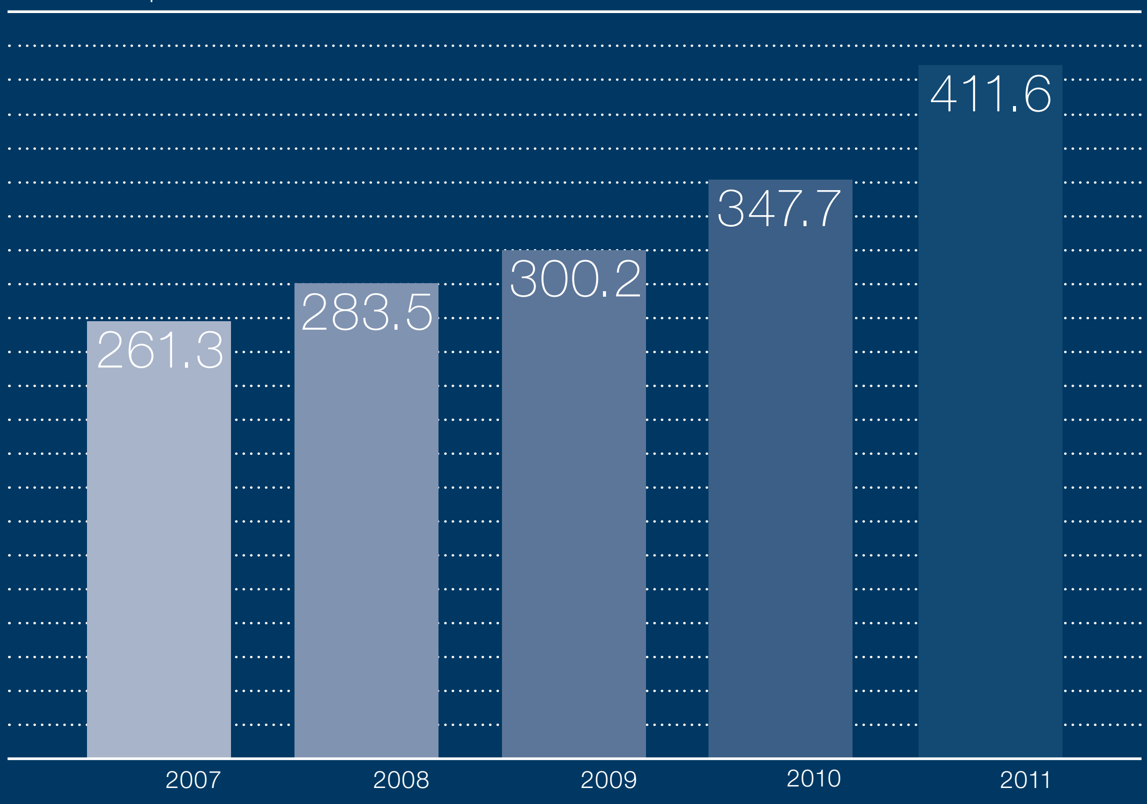
TOM TAILOR Shares in the Market

		2010	2011
Shares outstanding on the accounting date	Units	16,528,169	16,528,169
Nominal capital	in EUR	16,528,169	16,528,169
Highest market price (Xetra closing price)	in EUR	16.00	16.99
Lowest market price (Xetra closing price)	in EUR	10.38	9.77
Price at the end of the financial year (Xetra closing price)	in EUR	16.00	12.30
Free float at the end of the financial year	in %	86.81	91.04
Market capitalisation at the end of the financial year	in EUR million	230.00	184.72
Average trading volume per day	approx. in units	42,000	42,000
Adjusted earnings per share	in EUR	0.87	0.91
Reported earnings per share	in EUR	0.15	0.59

Group Management Report

Smart. Business.

Sales Development in EUR million



General Business Conditions

ORGANISATIONAL STRUCTURE AND BUSINESS ACTIVITIES

ORGANISATION AND GLOBAL PRESENCE

TOM TAILOR is an internationally active, vertically integrated fashion and lifestyle company that offers casual wear in the medium price range. The collections of the TOM TAILOR Casual brand – which include the product lines MEN CASUAL, WOMEN CASUAL, KIDS, MINIS and BABY – and the TOM TAILOR Denim brand – which includes the lines Denim Male and Denim Female, as well as the TOM TAILOR POLO TEAM brand – have their own brand profiles and are aimed at various target groups. The range of products is supplemented by an extensive array of fashion accessories.

TOM TAILOR distributes its products primarily in Germany, Austria, Switzerland, the Benelux countries and France (so-called core markets). Beyond that, the Company is represented in more than 35 other countries.

LEGAL STRUCTURE OF THE TOM TAILOR GROUP

The TOM TAILOR Group is managed through TOM TAILOR Holding AG, headquartered in Hamburg. In this capacity, the parent Company is primarily responsible for the strategic alignment and development of the Group, Company financing, risk management and decisions on collections. TOM TAILOR Holding AG is also responsible for internal and external communications, including contact with the capital markets and shareholders. Business operations are managed in the respective subsidiaries.

TOM TAILOR is run by a management team with many years of industry and market experience under the direction of four Management Board members. A lean organisational structure, laid out according to divisions with clearly defined sales and earnings responsibilities, allows the business processes to be managed effectively and ensures transparency in monitoring costs and earnings.

In addition to the TOM TAILOR Holding AG, the consolidated companies in the TOM TAILOR Group include a total of 27 (2010: 21) direct and indirect subsidiaries. In the financial year 2011, the Company acquired majority interests in two companies (including their two subsidiary companies) and created four new companies as part of its continued expansion. As a result of the significant potential for exercising influence and the fact that the majority holdings amount to 51%, the equity holdings are 100% integrated with the TOM TAILOR Group and reported under Minorities. The Northern Irish 49% equity holding is included in the consolidated financial statements by means of the equity method. Most of the domestic and foreign subsidiaries are held through TOM TAILOR GmbH which is domiciled in Hamburg and whose sole shareholder is TOM TAILOR Holding AG.

THE TOM TAILOR BUSINESS MODEL

TOM TAILOR’s business model purposely combines the emotional added value of its lifestyle brands with the strategic advantages of an integrated system provider. TOM TAILOR regards itself as a fashion follower. This means that the Company essentially does not implement new trends through its collections, which is generally associated with a higher merchandising risk. Rather, it identifies new and promising trends and offers them to a broad consumer group (“mass market”) in high quality at an attractive price. At the same time, TOM TAILOR utilises a pre-order system. This means that, as a rule, goods are purchased or manufactured only after customers have placed their orders. The collections are also systematised. On the one hand, the collections are divided into various system modules in order to optimise the collections and distribution. On the other hand, the product lines and collections are coordinated with each other so that retail and wholesale customers can be provided with a full and broad range of products. These elements taken as a whole minimise merchandising risks and at the same time lead to higher, more stable and better predictable sales.

The vertical integration within each product division responsible for a specific product line makes it possible to react more effectively to changes in trends and demand in the respective product line. By assessing the daily sales generated in the controlled selling spaces ("bestseller management"), TOM TAILOR can align its range of products closely with the desires of its customers and thereby precisely control the sale of products. This ensures that the products desired by the customers are offered in the selling spaces at the right time and in sufficient quantities, thereby increasing retail selling productivity and reducing the need for write-offs on unsold goods. With this business model, TOM TAILOR is achieving sustained growth within a very heterogeneous and intensely competitive market environment.

Product Lines

TOM TAILOR manages its monthly changing collections under the brand names of TOM TAILOR Casual, TOM TAILOR Denim and TOM TAILOR POLO TEAM.

The TOM TAILOR Casual brand includes the MEN CASUAL, WOMEN CASUAL, KIDS, MINIS and BABY product lines. These consist of trend fashions for men and women in the medium price range with a focus on the 25–45 age group and also collections for children and babies.

Fashion for active men has always been a core part of TOM TAILOR's business. With MEN CASUAL, TOM TAILOR offers a comprehensive collection of fashionable casual wear for men. Casual describes the informal, lively and sporty look for natural, fashion-conscious men who attach special importance to product quality.

The women's collection under the TOM TAILOR WOMEN CASUAL label is aimed at the target group of young, modern women. Fashionable highlights, stylish details and high-quality materials and manufacturing epitomise the overall image of the collections. TOM TAILOR WOMEN CASUAL has enormous growth potential, as the market for women's fashion is many times larger than the market for men's fashion.

The KIDS product line consists of the labels TOM TAILOR Boys and TOM TAILOR Girls for 8- to 14-year-olds. It is supplemented by TOM TAILOR MINIS with the labels TOM TAILOR Mini Boys and TOM TAILOR Mini Girls for children aged between 18 months and seven years and also by TOM TAILOR Baby. These collections are oriented according to new fashion trends and thus take into account both the needs of the children and parents' demands for functionality, high-quality materials and an optimal fit.

The TOM TAILOR Denim brand houses the TOM TAILOR Denim Male and TOM TAILOR Denim Female lines. These collections appeal to young adults between 15 and 25 years old. Inspired by the latest trends from the world's fashion capitals, these collections combine trendy patterns and colours, cool washes and selected details. The cool and casual collections highlight the individuality of young customers – TOM TAILOR Denim is an expression of an independent and authentic lifestyle.

With its bright colours and classic patterns, the TOM TAILOR POLO TEAM brand constitutes TOM TAILOR's sporty collection. Decorative embroidered appliqués, typical emblems and appropriate prints provide that certain something. The collections include T-shirts, polo shirts, button-down shirts, blouses as well as sweat jackets and softshell jackets for women, men and children in the medium to upper price range.

TOM TAILOR's product line is rounded off with a comprehensive range of accessories. TOM TAILOR grants licences for a variety of product groups, including linens, underwear, glasses, bags, shoes, watches and most recently its own line of women's undergarments and sleepwear under the name TOM TAILOR Bodywear. The granting of licences and the close collaboration with the respective licensees have in recent years become a permanent part of the system and success of TOM TAILOR. TOM TAILOR's licensees generate gross sales figures at the point of sale of approximately EUR 70 million per year with TOM TAILOR products.

Business Activities by Segment

The TOM TAILOR Group distributes its collections through its wholesale (selling to resellers) and retail (selling directly to end users) segments. The wholesale segment includes department stores and clothing chains that sell TOM TAILOR products on shop-in-shop spaces, in franchise stores and so-called multi-label stores. TOM TAILOR products are also sold through mail-order companies. In 2011, shop-in-shops were increased by 345 to 1,786. Despite further openings the number of franchise stores declined from 175 to 155, as some franchise stores in Germany and Austria, for example, were taken over as part of its own retail operations.

In the retail segment, the Company conducts sales through its own stores (retail stores and outlet stores) and on the Internet through its own e-shop or through e-commerce partnerships with the companies Neckermann and OTTO mail order. In 2011, the number of own operated retail stores increased by 90 to now 248 stores. In addition, two more e-shops were opened in France and Belgium. As a result, in addition to Germany, Austria and the Netherlands, TOM TAILOR is now represented through online business in five countries.

TOM TAILOR generated 64.9% of its sales in 2011 in Germany, compared to 68.5% in 2010. Thus in 2011, the Company successfully managed to make itself more independent of its home market in Germany by expanding in foreign markets. Today, TOM TAILOR distributes its products in more than 35 countries, focusing on core markets in Austria, Switzerland, the Benelux countries, France and Southern and Eastern Europe. In 2011, the Company took over earlier franchise stores in Austria as part of its own retail operations. In South-Eastern Europe, TOM TAILOR took over existing franchise stores that had previously been managed under different brand names, as part of its own retail operations.

In addition, in 2011 TOM TAILOR opened a representative office and showroom in Moscow and entered the Polish market.

IMPORTANT EVENTS DURING THE REPORTING PERIOD

Important Operational Events

With the contract signed on 29 April 2011, TOM TAILOR expanded its cooperation with the owner of Sportina Bled. d.o.o., Lesce / Slovenia (Sportina). As part of this agreement, TOM TAILOR took over 21 existing retail stores that had previously been operated under third-party brands with its company group TOM TAILOR South Eastern Europe Holding GmbH, which was founded in October 2010.

As of September 2011, TOM TAILOR is represented in the Polish market with its own retail stores. With its entry into the Polish market, the Company is concentrating on shopping centres with high customer frequencies, high selling space productivity and attractive rent prices. By the end of 2011, a total of six retail stores were opened in shopping centres in Szczecin, Gliwice, Cracow (two stores), Posen and Wrocław.

With an agreement dated 1 November 2011, TOM TAILOR established a cooperative project with its partner of many years Asmara International Ltd., which is domiciled in Hongkong. In this context, TOM TAILOR Sourcing Ltd. was founded in Hongkong in December 2011 in order to combine its purchasing activities. The goal of this strategic partnership is to directly control purchasing in Asia and to realise advantages from the bundling of purchasing volumes. First collections shall be sourced by the new company in summer 2012. After a transition period of around 15 months, the purchasing of all goods that TOM TAILOR procures from Asia should be settled directly through the new purchasing company.

Organisation

The following changes took place in the Management Board of TOM TAILOR Holding AG: the Supervisory Board of TOM TAILOR Holding AG appointed Dr Marc Schumacher for three years as a member of the Management Board, effective 1 July 2011. In the newly created Management Board position Retail Dr Schumacher assumes global responsibility for the selling space controlled by TOM TAILOR. The Company is thus giving recognition to the major importance of its retail stores for continued growth.

In addition, Christoph Rosa, Chief Product Development and Procurement Officer (CPO), has informed the Supervisory Board that he does not wish to extend his Management Board contract, which runs until 31 January 2013, so that he can take on a new professional challenge.

STRATEGY AND PERFORMANCE MEASUREMENT

COMPANY OBJECTIVES AND STRATEGY

TOM TAILOR is pursuing a strategy of achieving above-average sales and earnings growth compared to the industry as a whole. The continued improvement in profitability should lead to a long-term and sustained increase in the value of TOM TAILOR.

Replication of the business model: In particular, the Company intends to roll out or replicate its existing business model in the German home market and the core foreign markets of Austria, Switzerland, the Benelux countries and France. In addition, it plans to expand its market position in Eastern Europe and also enter into new, dynamically developing markets. In the last financial year, the Company took over former retail stores in Austria as part of its own retail operations. In South-Eastern Europe, the Company also took over existing franchise stores that were previously being managed under third-party brands. In addition, in 2011 TOM TAILOR opened a representative office and showroom in Moscow and entered the Polish market.

Expansion of controlled selling space: The focus of TOM TAILOR's growth strategy lies in expanding the controlled selling space such as own retail stores, franchise stores and shop-in-shops. In addition, the Company intends to advance its e-commerce business with the help of a Europe-wide online shop. In its controlled spaces, TOM TAILOR knows at all times, by means of its merchandise management system, how new collections are being received and which items are particularly popular and sell quickly. The range of products is accordingly aligned closely to the consumers' needs. In addition, the Company can supply the stores precisely and better control sales, with the goal of attaining the highest level of sales per square metre of selling space. The sales data also flows directly into the planning and development process for new collections. Beyond that, by pursuing the "immediate fashion follower" strategy and changing the collection in the pre-order system on a monthly basis, merchandising risk is minimised and, at the same time, higher and more stable sales are generated.

Achieving economies of scale: Another central element in the Company's strategy is the achievement of economies of scale as the Company continues to grow. In recent years, TOM TAILOR has structured its own organisation with regard to staffing and technical facilities, logistics, procurement and distribution in such a way that further growth can be achieved without a proportional increase in costs for personnel, administration and organisational development. This model should lead to a continual increase in the Group's relative profitability. Furthermore, in December 2011 the foundation was laid for directly controlling purchasing in Asia in the future and attaining even greater savings with the setting up of a purchasing company in Hongkong and cooperation with a long-standing sourcing partner.

Vertical alignment: The basis for the implementation of the strategy outlined above is the vertical alignment of the Company. The TOM TAILOR Group monitors and controls the entire value chain, from the design of the collections, the procurement and manufacturing of products, through to storage, logistics and distribution at the point of sale. The various elements in the value chain are all linked or vertically integrated. Employees of the TOM TAILOR Group in the retail and wholesale segments always have the opportunity to communicate information to designers, purchasers, production and logistics to allow factors such as inventories and sales figures, or also particular demands or criticisms on the part of consumers, to flow quickly into the development of new products. This vertically systematic integration allows product divisions to react quickly and effectively to changing trends and consumer desires. This ensures that the current products in demand are offered in the selling spaces in appropriate quantities, which increases the profitability of selling space and reduces write-offs on unsold goods.

Securing growth financing: Through its significantly improved equity structure as a result of going public in 2010, TOM TAILOR has created the framework conditions to ensure a sustained increase in profitability through continued growth. Apart from monitoring and optimising the value chain, on 3 February 2012, the previous leveraged-buyout financing structure was adjusted to the post-IPO circumstances and the existing bank financing was replaced with new bank financing that is in line with the markets and in keeping with TOM TAILOR's growth.

GROUP MANAGEMENT AND SUPERVISION

In accordance with the statutory provisions, TOM TAILOR has a dual management system that assigns the management of the Company to the Management Board and consultation and supervision to the Supervisory Board. The Management Board directs the Group under its own responsibility, taking care of the Group's strategic orientation in consultation with the Supervisory Board. The operational implementation of the Group's strategy takes place through the first management level which implements the guidelines for the Group as a whole. The goal is to combine the Group's resources in a way that results in a sustained increase in the Company's value.

TOM TAILOR is run by a management team with many years of industry and market experience under the direction of four Management Board members. The Management Board is organised functionally. Apart from the Chief Executive Officer, there is a board member for finance, a board member for product development, procurement and licensing, and a board member – newly appointed in June 2011 – for the Company's own retail business.

Information regarding the remuneration of the Management Board and Supervisory Board and the incentive and bonus systems can be found in the chapter Remuneration Report on page 100 of this report. Additional information about management and control, the general management structure, and the Declaration of Compliance pursuant to § 161 German Stock Corporation Act (AktG) is contained in the Corporate Governance Report.

PERFORMANCE MEASUREMENT

The performance measurement system at TOM TAILOR goes beyond a purely numerical information system. It involves a holistic appraisal of financial and non-financial factors. In addition, early indicators that could affect the business are observed and evaluated. The Management Board deploys a large variety of instruments and indicators in order to evaluate the development of the business, refine its strategy and make investment decisions.

Financial Performance Indicators

In order to measure financial performance indicators, a variety of reporting systems are used at TOM TAILOR. These are differentiated both at the level of the Group as a whole and by segments. Aside from the permanent monitoring and reporting of sales and earnings figures – here essentially earnings before interest, taxes and depreciation (EBITDA) – down to the level of the individual stores, on the Group level important figures such as net debt, equity ratio and various turnover periods are used. In the wholesale segment, the pre-orders and orders-on-hand are also used for controlling purposes.

Financial Performance Indicators

in EUR million	2007	2008	2009	2010	2011
Sales	261.3	283.5	300.2	347.7	411.6
EBITDA	27.0	10.9	37.0	30.1	46.4
Adjusted EBITDA	35.0	22.1	37.8	40.1	48.1
Net debt	174.5	190.4	183.9	52.1	74.6
Net debt/adjusted EBITDA (in years)	5.0	8.6	4.9	1.3	1.6
Equity ratio	–22.5	–24.7	–27.3	34.8	35.5

Non-Financial Performance Indicators

Apart from using financial indicators, the TOM TAILOR Group also measures a series of non-financial factors in order to collect and evaluate information regarding the perception of the Company. To do so, TOM TAILOR makes use of studies carried out externally (for example, SPIEGEL's brand awareness study or dealer surveys) as well as internal surveys (for example, customer surveys in the wholesale segment and the development of social networks such as Facebook). Published every four to five years, the SPIEGEL brand awareness study is a very important non-financial performance indicator that measures the development of TOM TAILOR from the perspective of the consumer with respect to brand recognition, brand ownership and the consumer's willingness to buy.

Early Indicators Relevant to the Company

The Management Board is informed continuously about operational business developments by reports with various levels of detail. Actual data is compared with plan data, adverse variances are analysed, and, if necessary, countermeasures are initiated. The TOM TAILOR Management Board pays special attention to the analysis of early indicators. Early indicators make it possible to draw conclusions about future business developments. For TOM TAILOR, the most important early indicators are incoming orders, developments in the price of cotton, the development of the USD/EUR exchange rate, the realised gross margins per completed procurement, and the like-for-like sales in the Company's retail stores. Additionally, various performance indicators are observed at store level, such as the conversion rate and the personnel expenses per store. The conversion rate describes the ratio between the number of people who enter a store to those who also buy something. The personnel planning and, therefore, the personnel expenses per store, are planned and further optimised with the aid of special software. In addition, comparisons are made at regular intervals with competitors that are relevant to the Company's business development.

BUSINESS DEVELOPMENTS AND ECONOMIC ENVIRONMENT

For TOM TAILOR as an internationally active Group in the textile industry, alongside strategic orientation the main determining factors for profitable growth and a sustained increase in Company value are in particular developments and prospects in the economic environment and industry-specific trends.

GENERAL ECONOMIC SITUATION

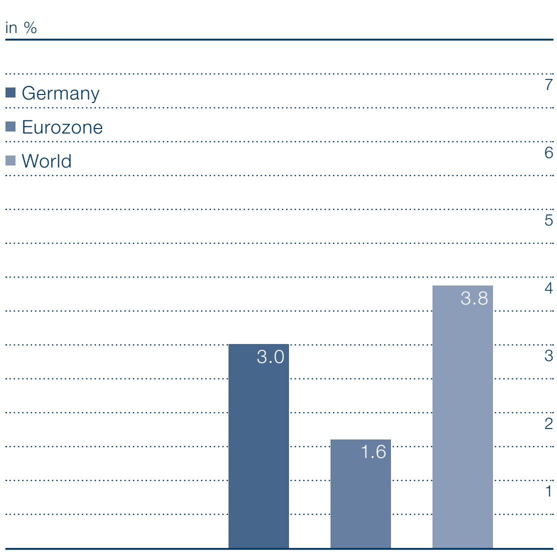
The global economic dynamic noticeably eased in the course of 2011. Whereas in 2010 worldwide economic growth still attained a level of 5.1% (IMF), growth for 2011 according to IMF estimates will only amount to approximately 3.5%. On the one hand, this weakening is cyclically determined and a normal reaction to the strong recovery process of the prior year. On the other hand, it is due to the savings and consolidation measures underway in most industrialised countries. Private consumption is negatively influenced by uncertainty as a result of the expanding sovereign debt crises and their potential impact on the banking sector.

Considered geographically, the reasons for the reduction in worldwide economic growth can be attributed primarily to slower growth in the industrialised countries. Most of the emerging market countries continue to show solid growth.

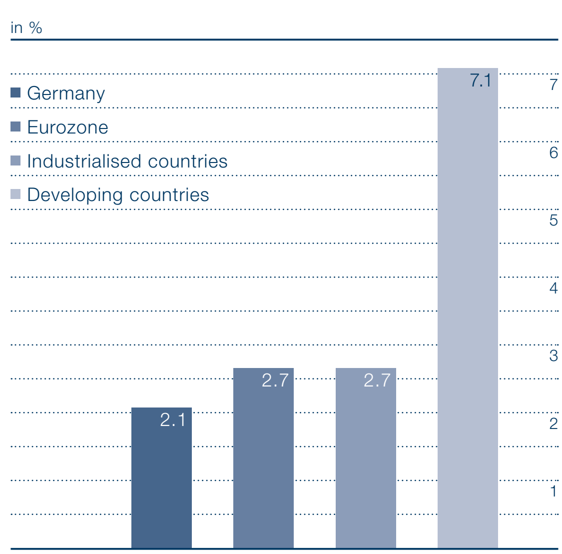
Among the countries in the eurozone, Germany was able once again to demonstrate comparatively good growth, even if it slowed somewhat from 3.6% in the previous year to 3.0%. Contributing factors here are increased consumer spending, higher investments and strong exports. According to IMF estimates, however, growth in Germany may slow considerably during the course of the year and only reach approximately 1.0%. Even so, Germany would still be well above the EU average. Consumer prices in Germany compared to 2010 rose at an average annual rate of 2.3%, and in this the surge in prices was essentially determined by higher costs for household energy and fuel.

Despite a more evident increase in prices, which in general dampens the consumer's propensity to buy, consumer confidence was almost constant in 2011. Fluctuating only insignificantly over the course of the year, the GfK consumer climate index stood at 5.6 points for December 2011 (December 2010: 5.5 points).

Growth of Gross Domestic Product (GDP) 2011



Development Consumer Prices 2011



Overall, general economic developments are currently characterised by a high level of uncertainty due to the euro debt crisis, on the basis of which even established research institutions are only making forecasts subject to reservations. On the assumption that the euro states successfully contain the debt crisis through appropriate measures and thus remove uncertainties from the market, the economic cooling, however, is not expected to be followed by a recession.

The economies in the other core markets relevant to TOM TAILOR are developing significantly more slowly than in the German home market. In 2011, only Switzerland recorded developments similar to Germany.

Most of the countries in Central and Eastern Europe were more strongly impacted by the effects of the financial and economic crisis than the established national economies of Western Europe. These states showed only minimal growth rates or fell into recession (Romania, Croatia) during the reporting year.

INDUSTRY-SPECIFIC DEVELOPMENTS

Apart from general influencing factors pertaining to the overall economy, in particular the developments in the apparel industry – especially the segment for high-quality, high-value apparel in the medium price range – and developments in the supply markets are particularly decisive for TOM TAILOR's business operations. In 2011, the apparel industry in particular had to struggle with an adverse climate. Sales figures in the German market stagnated during the reporting year (source: Textilwirtschaft 1/2012). The fact that the year did not end with a decline for the industry is due to a good business performance during the Christmas season. With this development, growth for the industry lagged behind the growth of the general economy.

Relief for the textile and apparel industry appeared in the commodities markets. High cotton prices, which in the spring of 2011 were at times estimated at over 200 US cents per pound and thus led to significantly increased pressure for procurement and logistics, have fallen back significantly, and on 31 December 2011 stood at approximately 95 US cents per pound (source: Forward Curve Cotton, nyb-ice Futures us Softs).

GENERAL STATEMENT BY THE MANAGEMENT BOARD ON THE ECONOMIC CONDITIONS

Contrary to the trend, TOM TAILOR was able to record significant increases in sales in all its segments in financial year 2011. In the retail segment (including e-commerce), the Company achieved a like-for-like adjusted growth in sales of 6.8% and thereby clearly distinguished itself from the overall performance of German retail.

Losses in sales due to the weather following the wet summer and very warm early autumn could be offset by the attractive collections, increased consumer confidence and also by price reductions. The price of cotton still affected the Group's sales situation negatively, especially in the first quarter of 2011. Overall, the Board continues to assume stable economic conditions most of all in TOM TAILOR's core markets.

Results of Operations, Financial Position and Balance Sheet Structure

RESULTS OF OPERATIONS

SALES

Development of Sales in Financial Year 2011

In 2011, TOM TAILOR succeeded once again to continue its course of growth and to set itself apart from the development of other companies in the industry. The Company thus increased Group sales in 2011 by 18.4% to EUR 411.6 million (2010: EUR 347.7 million). In the fourth quarter of 2011, Group sales rose by 17.7% to EUR 116.4 million compared to EUR 98.9 million in the same quarter in the previous year. These positive developments affirm TOM TAILOR's strategy of providing high quality casual wear at an attractive price on a systematic monthly changing basis and of rigorous expansion in the retail segment.

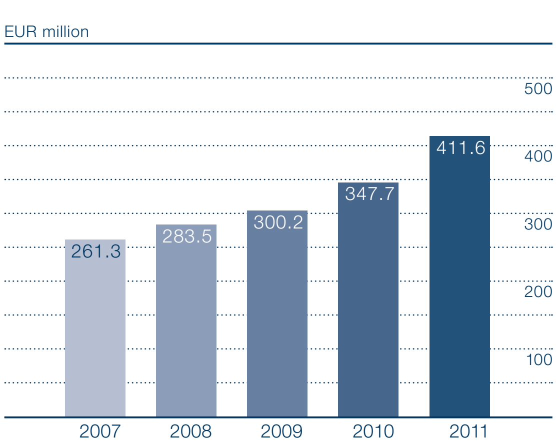
Sales by Region

In the German home market TOM TAILOR increased sales by 12.0% to EUR 267.0 million in 2011 (2010: EUR 238.3 million), which corresponds to a 64.9% share of total sales. This positive trend in the domestic market was even exceeded with respect to the growth of foreign sales. Here, TOM TAILOR was able to increase sales by 32.2% to EUR 144.6 million (2010: EUR 109.4 million). The Company thus generated 35.1% of its sales outside Germany compared to 31.5% in the previous year. This increase in the proportion of sales outside Germany can be attributed to enhanced activities in South-Eastern Europe and accelerated expansion in the core foreign markets. Here, TOM TAILOR achieved sales of EUR 89.6 million compared to EUR 73.3 million in the previous year. The significant growth in sales of 22.2% in the foreign core markets confirms the Company's strategy of becoming less dependent on the German market and expanding further into neighbouring countries.

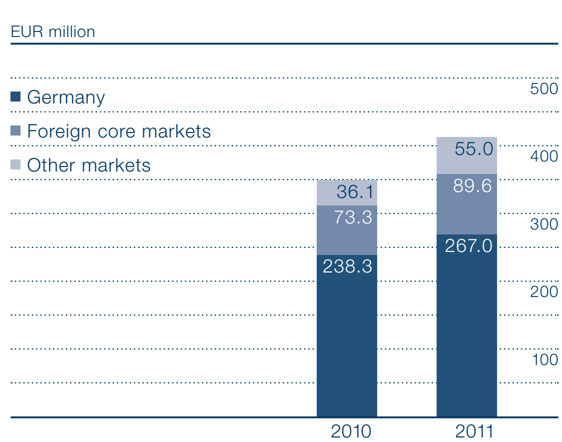
Segment Reporting

The TOM TAILOR Group splits its reporting into the operational segments retail and wholesale. The retail segment consists of the Company's own retail and outlet stores and e-commerce business. The e-commerce area comprises the TOM TAILOR e-shop and the existing e-commerce partnerships with Neckermann and OTTO Versand. In the wholesale segment, the Company supplies commercial customers that sell TOM TAILOR products to end customers via a variety of distribution

Revenue Development



Revenue Development by Region



channels. These include franchise stores, shop-in-shops and multi-label stores. This makes it possible for large volumes to be distributed via established department stores and apparel chains, and also through mail order companies in Germany and abroad.

Development of Sales in the Retail Segment

An essential driver for TOM TAILOR's growth is the significant expansion of business in the retail segment. Sales in this segment increased in 2011 by 44.9% to EUR 154.6 million compared to EUR 106.7 million in 2010. In the fourth quarter, sales grew by 38.3% to EUR 51.8 million (2010: EUR 37.5 million). Alongside the absolute growth in sales driven by expansion, an important factor is the amount of sales generated by the same selling spaces (so-called like-for-like sales). This was increased in 2011 by 6.8% compared to 2010.

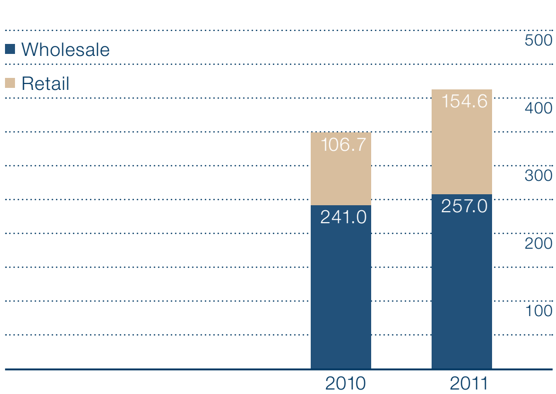
TOM TAILOR has expanded the number of retail stores by 90 to 248 stores since 31 December 2010. These 248 stores comprise 101 retail stores in Germany, 43 in Austria, and 104 in other countries. E-commerce, too, has moved in a very positive direction. This distribution channel recorded sales growth of 13.5% to EUR 24.7 million (2010: EUR 21.8 million).

Development of Sales in the Wholesale Segment

In 2011, TOM TAILOR's sales in the wholesale segment was EUR 257.0 million, 6.6% higher than the previous year (2010: EUR 241.0 million). The segment thus contributed 62.4% to overall sales (2010: 69.3%). In Germany, sales increased in this segment by 5.6%, outside Germany by a total of 8.0%, where TOM TAILOR benefited from a stabilisation in the East European sales markets. The Management Board is expecting continued growth in sales in this region in the future. To a greater extent than planned, TOM TAILOR expanded the number of shop-in-shop selling spaces from 31 December 2010 by 345 (plan: 200 to 250 selling spaces per year) from 1,441 to 1,786 selling spaces. On balance, the number of franchise stores was reduced to 155, despite the opening of further stores, due to the integration of franchise stores into the retail segment. Consequently, sales were shifted from the wholesale to the retail segment. A total of 20 new franchise stores were opened in 2011. The volume of orders booked in the wholesale segment by the beginning of February 2012 for the first six months of 2012 grew by 8.4% compared to the same period in the previous year.

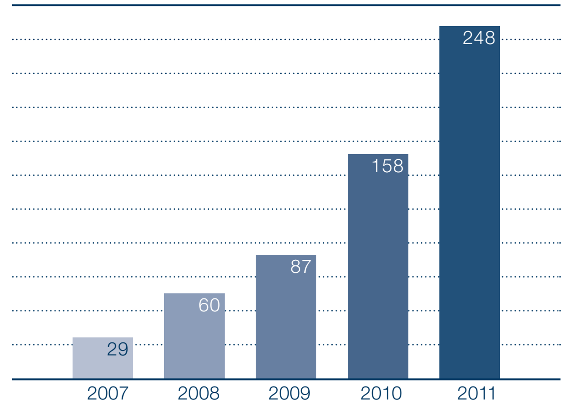
Revenue Development by Segment

EUR million



Retail Store Development

Number of Stores



OTHER OPERATING INCOME

Other operating income compared to the previous year declined by 11.5% to EUR 13.2 million (2010: 14.8 million). This reduction was primarily caused by the decrease in USD exchange rate gains which were reduced to EUR 0.6 million in 2011 after EUR 2.1 million in the previous year. Under other operating income, the licence income received in connection with the licensing of the TOM TAILOR brand should be highlighted in particular. Compared to the previous year, these earnings increased by 23.3% from EUR 2.5 to 3.1 million.

COST OF MATERIALS

In 2011, the cost of materials rose by 11.8% to EUR 210.0 million (2010: EUR 187.9 million). This can largely be attributed to increased sales. The gross profit margin in the reporting period improved by a further 3.0% points to 49.0%, although the Company had to deal with negative effects in the procurement of raw materials, especially in the first quarter of 2011. During this period, high cotton prices, increased wage costs in the procurement countries, and higher freight costs associated with the shortage of resources had a negative effect on the gross profit margin. In contrast, the economies of scale that TOM TAILOR was able to achieve in purchasing as the result of higher order volumes had a positive effect in the subsequent quarters of 2011. In terms of these cost factors, the comparative period in 2010 showed exactly the opposite position. The first half-year of 2010 in particular was marked by below-average prices due to the continuing effects of the financial crisis on the procurement markets during this period.

PERSONNEL COSTS

In 2011, personnel costs rose by 15.8% to EUR 61.0 million. Adjusted for the expenditure incurred in 2010 as a result of the IPO and additional extraordinary items, personnel costs increased by a total of 22.5% to EUR 61.0 million (2010 adjusted: EUR 49.8 million). This rise corresponded to the average number of employees in the TOM TAILOR Group which grew by 42.9%. The number of employees grew as a result of expansion in the retail segment and the targeted strengthening of sales staff in the TOM TAILOR retail spaces. Added to this in 2011 were the expenses as a result of the performance-related remuneration scheme oriented to the Company's long-term objectives to increase the value of the Company, which the Company introduced after going public.

OTHER OPERATING EXPENSES

Other operating expenses increased by EUR 15.4 million to EUR 107.3 million (2010: EUR 91.9 million). This was caused primarily by increased rental costs which grew by EUR 9.6 million due to the Company's ongoing expansion. Since 31 December 2010, the number of retail stores expanded by 90 to 248. The rise in other operating expenses thus reflects the growth strategy of the TOM TAILOR Group. In addition to rental costs, marketing expenses rose by EUR 4.6 million to EUR 14.7 million in 2011. This increase was caused by strategic investments in the TOM TAILOR brand, among others. In addition, a higher budget was invested in 2011 on individual product marketing initiatives.

EBITDA

EBITDA (earnings before interest, taxes, depreciation and amortisation) was EUR 46.4 million in 2011, which was EUR 16.3 million or approximately 54% above earnings for 2010 (EUR 30.1 million). However, the comparable period was in particular affected by one-off factors due to the IPO, so that a comparison of the adjusted EBITDA figures shows a rise of approximately EUR 8.0 million or 20% to EUR 48.1 million (2010: adjusted EBITDA EUR 40.1 million). This increase was achieved despite higher material costs at the beginning of the year, higher upfront costs in connection with the ongoing retail expansion, and further unplanned expenses. The adjusted EBITDA margin thus improved slightly from 11.5% to 11.7%.

The retail segment achieved an adjusted EBITDA of EUR 16.4 million (reported: EUR 16.2 million) following EUR 14.0 million in the previous year (reported: EUR 13.1 million). As a result of the upfront costs connected with the retail expansion, the prevailing unfavourable weather conditions in the third quarter, and growing consumer restraint that led to higher discounts, earnings remained slightly below internal expectations despite a rise of 17.1% over the previous year. In this segment, however, growth in sales and EBITDA is expected to continue at an accelerated rate in the coming years.

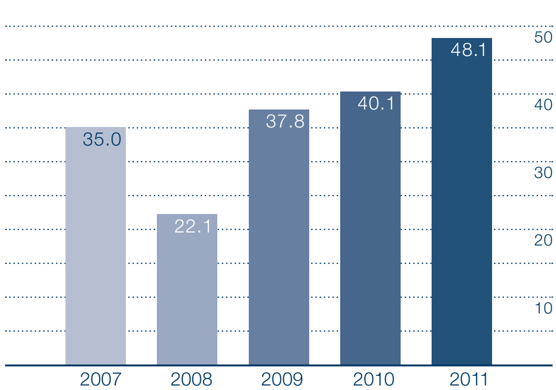
The wholesale segment achieved an adjusted EBITDA of EUR 31.7 million (reported: EUR 30.2 million) following EUR 26.0 million in the previous year (reported: EUR 16.9 million) despite the pressures on the purchasing side that still prevailed in the first quarter. This positive development can be attributed to a normalisation of purchase prices and thus to an improvement in the ratio of material costs as of the second quarter.

DEPRECIATION, AMORTISATION AND IMPAIRMENTS

At around EUR 25.5 million, depreciation/amortisation in 2011 was slightly less than EUR 2.6 million above that of the previous year (2010: EUR 22.9 million). This included an amortisation of EUR 5.2 million (2010: EUR 8.1 million) on the disclosed hidden reserves in the course of the purchase price allocation arising from the acquisition of TOM TAILOR's business operations by the

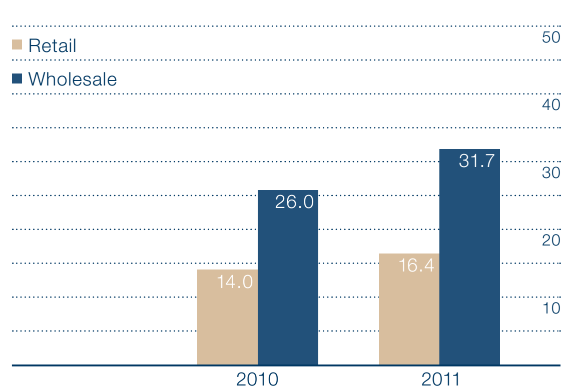
Development Adjusted EBITDA

EUR million



Adjusted EBITDA by Segments

EUR million



Group's holding company in 2005. Without consideration of this purchase-price-related amortisation, the amount of depreciation/amortisation increased by EUR 5.4 million and reflects the increased investment activity in the last few years. The investments were used particularly for the further expansion of the retail business and the selling spaces controlled by TOM TAILOR.

FINANCIAL RESULT

In financial year 2011, the financial result improved significantly by EUR 4.3 million to EUR –7.1 million (2010: EUR –11.4 million). Taking into account the one-off effects of the IPO in the previous year of EUR 3.4 million, the adjusted financial result of EUR –7.1 million (2010: EUR –8.0 million) reflects the improved capital structure of the TOM TAILOR Group. As a consequence of this improved capital structure, the adjusted financial result, despite interim increases in interest rates in the eurozone and greater utilisation of the available bank credit lines, was around 10% above that of the previous year.

INCOME TAXES

In 2011, the taxes payable on income and earnings of approximately EUR – 3.6 million (2010: 6.7 million) correspond to the result before income taxes of approximately EUR 13.6 million (2010: EUR –4.2 million). In the previous year, the tax rate and the result before income taxes were at variance due to the extraordinary items of the IPO and the situation of a loss carryforward. The Group tax rate of 26.2% (2010: –156.3%) reflects the positive economic trend in the year under review.

NET RESULTS FOR THE PERIOD, EARNINGS PER SHARE AND APPROPRIATION

The result for the period improved significantly from EUR 2.4 million to EUR 10.1 million in 2011. This was caused in particular by the increase in sales, the implemented price increases and the normalisation of purchase prices in the procurement markets as of the second quarter of 2011. In contrast, however, some factors had a negative impact on the result: the high prices for cotton and the general increase in procurement costs as a result of increased wage and logistics costs in the first quarter of 2011, the upfront costs in the retail segment for the opening of new stores as of the beginning of 2011, and the higher write-downs as a result of the weather conditions in the third quarter of 2011. Compared to the previous years, higher income taxes of around 26% on the earnings before taxes arose due to the positive business developments.

As a consequence, earnings per share amounted to EUR 0.59 in 2011 (2010: EUR 0.15). Due to this positive development, the Management Board and the Supervisory Board will for the first time recommend to the Annual General Meeting a dividend of EUR 0.17 per share for the financial year 2011.

Reconciliation of Adjusted Net Result for the Period

EUR thousand	2010	2011
Net result for the period	2,406	10,072
Income tax	–6,685	3,584
Earnings before taxes	**–4,279**	**13,656**
Financial result	7,958	7,180
One-off items		
Interest costs for debt restructuring as a result of the IPO	3,405	–
Depreciation on the purchase price allocation (PPA) from 2005	8,064	5,257
Costs arising from the IPO		
Personnel costs	2,344	–
Debt restructuring costs	5,682	–
	8,026	**–**
Severance of former Management Board member	620	–
Set-up sourcing company	–	591
Other one-off items	1,375	1,163
Total of one-off items not including tax effects	**21,490**	**7,011**
Adjusted EBIT	**25,169**	**27,847**
in % of sales	7.2%	6.8%
Depreciation (not including depreciation on PPA)	14,900	20,274
Adjusted EBITDA	**40,069**	**48,121**
in % of sales	11.5%	11.7%
Depreciation (not including depreciation on PPA)	–14,900	–20,274
Financial result	7,958	–7,180
Adjusted results before taxes	**17,211**	**20,667**
Income tax	6,685	–3,584
Imputed tax effects (30%) on total one-off items	–4,840	–2,103
Deferred taxes interest barrier	–6,660	–
Adjusted net result for the period	**12,396**	**14,980**

Multiple Period Summary of the Earnings Position

EUR million	2007	2008	2009	2010	2011
Sales	261.3	283.5	300.2	347.7	411.6
Gross profit margin in %	42.5	41.4	45.9	46.0	49.0
EBITDA	27.0	10.9	37.0	30.1	46.4
Adjusted EBITDA	35.0	22.1	37.8	40.1	48.1
Financial result	– 14.9	– 21.7	– 17.7	– 11.3	– 7.1
Result for the period	**12.8**	**– 25.3**	**– 5.6**	**2.4**	**10.1**

FINANCIAL POSITION

PRINCIPLES OF LIQUIDITY AND FINANCIAL MANAGEMENT

Financial management is carried out centrally by the TOM TAILOR Group's headquarters in Hamburg. This ensures consistent liquidity management across the Group so that the liquidity available is used optimally and the solvency of the TOM TAILOR Group is guaranteed. On this basis, the financial management of TOM TAILOR endeavours to ensure that sufficient liquidity reserves are available for the future growth of the Company. The inflow of cash from current business operations and the existing bank credit lines are an important source of funds in this respect.

TOM TAILOR's financial management is focused in the short and medium term on the demands of the business operations and in the long term on the Company's strategy. Rolling cash flow planning and liquidity reports on a daily basis are used to calculate the liquidity requirements.

By using a broad range of financial instruments and measures and through the positive development of its business, TOM TAILOR is increasing the Group's financial flexibility and reducing its dependence on banks and financial institutions. In addition, TOM TAILOR maintains good business relationships with the syndicating banks, so that both factors contribute to a good negotiating position and the optimisation of financial terms.

TOM TAILOR covers its financing requirements by means of a balanced ratio of equity and liabilities. This ensures both financial stability and sufficient flexibility. In the future as well, the equity ratio should be about 35%.

Particularly since the beginning of the global financial crisis in 2008 and also the current debt crisis in Europe and the present shortfall of capital in the banking sector, TOM TAILOR has been pursuing very closely the financing opportunities in the financial markets and other trends pertaining to the availability of financial resources in order to be able to guarantee secure liquidity in the long term.

At the end of 2011, steps were initiated to adapt the existing leveraged-buyout financing structure to the post-IPO circumstances and to replace the existing bank financing with new bank financing arrangements that are in line with the markets and aligned with the growth of TOM TAILOR. On 3 February 2012 this process was successfully completed, so that, regardless of the European debt crisis, sufficient bank credit lines are also available for TOM TAILOR's future growth for the next three years, with two options to extend for a further year in each case.

In this context, the previously available bank lines of EUR 157 million were increased to EUR 225 million. This is divided into an overdraft line of EUR 85 million (until 3 February 2012: EUR 35 million), a guarantee line of EUR 100 million (until 3 February 2012: EUR 65 million) and remaining term loans of EUR 40 million (until 3 February 2012: EUR 57 million). The effective interest rate for the lines being used is variable and is determined according to the 3- and 6-month EURIBOR rate plus a margin of between 1.35% p.a. and 2.5% p.a. (previously: between 2.5% and 4.25%). However, the final rate is dependent on the ratio between net debt and EBITDA.

The existing bank financial covenants were met in 2011 with sufficient room for manoeuvre.

CASH FLOW

In 2011, the TOM TAILOR Group's cash inflow from operations increased by EUR 5.4 million to EUR 20.4 million (2010: EUR 15.0 million). Despite the expansion of the controlled selling space, which led to an increase in inventory and budget commitments of EUR 17.7 million (2010: EUR 8.3 million), and which will only lead to a cash inflow from operations in the future as the result of sales, the Company was able to record a positive development in the operating cash flow. The increase in sales achieved in December 2011, especially in the wholesale segment, led to a commitment of funds under trade receivables and other assets of EUR –15.9 million (2010: EUR – 2.2 million). Overall, the development in inventories is typical for the retail segment. The disadvantage of a higher capital commitment under inventories will be balanced out by a lower capital commitment under receivables.

The net cash outflow from investing activities in the reporting period was EUR 22.2 million and was below that in the previous year (2010: EUR 26.7 million). The primary focus of investment was the expansion of selling spaces in both segments. In line with the Company's growth strategy, EUR 12.2 million (2010: EUR 14.9 million) was allocated to the retail segment. The investment of EUR 10.3 million in the wholesale segment (2010: EUR 12.5 million) was particularly due to the further expansion of controlled selling spaces. The takeover of an additional 21 stores in 2011 by TOM TAILOR South Eastern Europe Holding GmbH Group, founded in 2010, for expansion into South-Eastern Europe, and the acquisition of 51% of the shares in eight stores of an Austrian partner were non-cash items in 2011. These investments of EUR 6.8 million are therefore not included in the cash outflow from investing activities. Primarily taking these investments into account, the expansion of controlled selling space in the retail segment was higher than in the previous year.

The cash outflow from financing activities amounted to EUR 5.2 million in 2011 and is the result of the seasonal utilisation of existing bank credit lines and the repayment of other financial liabilities. The period of the previous year was influenced by the IPO cash inflow of EUR 27.8 million. Overall, liquid funds were reduced by EUR 13.1 million to EUR 9.3 million in 2011, primarily as a result of the expansion.

Investment

“Act premium, sell volume” – this philosophy applies in particular not only to the Company’s products but also in the area of store design. End customers of TOM TAILOR should feel good when they are in the Company’s selling space, and by making them linger a little longer this should in turn influence their purchase decisions in a positive way. Accordingly, TOM TAILOR is investing a large amount in the fitting out of its selling spaces and thus providing the basis for further growth in sales.

The principal focus of investment in the reporting year was the expansion of controlled selling spaces in both segments. A total of EUR 12.2 million (2010: EUR 14.9 million) were invested in the retail segment and EUR 10.3 million (2010: 12.5 million) in the wholesale segment. Investment in the retail segment was primarily allocated to fitting out the 65 newly opened stores and the 25 franchise stores that were integrated into the Company’s own retail business. In the wholesale segment, EUR 7.9 million were invested in furnishings for the controlled selling spaces and key money sums for new spaces. In 2011, due to higher sales volumes, it was possible to further reduce store construction investment per square metre of selling space. The remaining EUR 2.4 million were allocated primarily to investment for expansions in the area of existing showrooms and IT software infrastructure.

Multiple Period Summary of the Financial Position

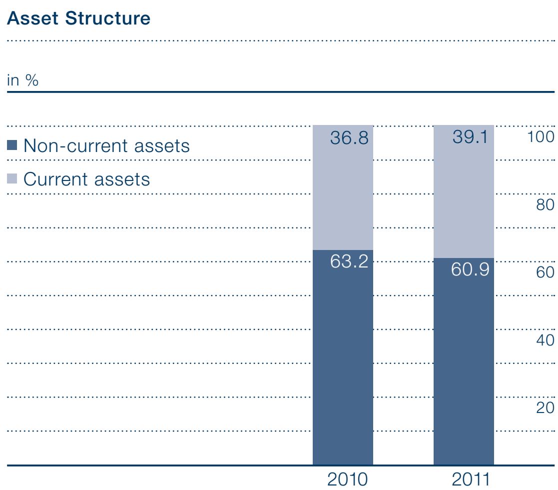
EUR million	2007	2008	2009	2010	2011
Equity	– 52.0	– 62.5	– 68.2	100.2	113.7
Non-current liabilities	208.6	218.5	231.1	99.9	111.1
Current liabilities	74.7	96.7	87.2	87.8	95.7
Total	**231.3**	**252.7**	**250.1**	**287.9**	**320.5**

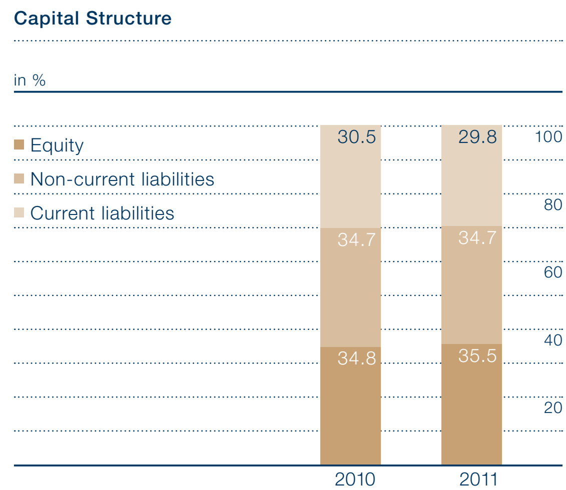
BALANCE SHEET STRUCTURE

INTANGIBLE ASSETS

Alongside goodwill (resulting from acquisitions), the Company records under intangible assets its brands, customer base, and licensing agreements that have arisen in the course of the purchase price allocation from the acquisition of TOM TAILOR business operations in 2005 by the holding company as part of its disclosure of existing hidden reserves. The disclosed brands and goodwill are subjected to an annual impairment test. The customer base is differentiated according to regular customers, franchise partners, shop-in-shop customers, and multi-label customers. The customer base and licensing agreements disclosed at that time are depreciated over their respective useful life. In addition to these hidden reserves disclosed in 2005, intangible assets mainly include key money amounts paid for new selling space and software licences.

Overall, intangible assets were reduced as a result of linear depreciation by EUR 3.5 million to EUR 138.8 million (2010: 142.3 million).





PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment mainly include leaseholds improved in connection with the fitting-out and conversion of the Company's showrooms, and shop fittings and furnishings for the Company's own retail stores. Due to the expansion in 2011, property, plant and equipment has increased from EUR 35.2 million to EUR 49.5 million, despite the annual linear depreciation.

INVENTORIES AND TRADE RECEIVABLES

The item current assets essentially comprises inventories and trade receivables. Due to the further expansion of TOM TAILOR's controlled selling spaces and the positive growth in orders and sales, inventories increased to EUR 57.5 million (31 December 2010: EUR 39.8 million) and trade receivables increased to EUR 45.5 million (31 December 2010: EUR 38.4 million). The increase of inventories is primarily related to the 90 new own operated stores. In addition, the so-called depot business in the wholesale sector grew compared to the previous year, which is accompanied by a corresponding increase in inventories. The increase in trade receivables results primarily from the higher turnover for the Group, which rose by approximately 18% in December 2011 compared to the previous year.

Taking into account the total investment in fixed assets and the increase in inventories and trade receivables, the assets side of the balance sheet improved from EUR 287.9 million to EUR 320.4 million as at 31 December 2011.

ACQUISITIONS

Effective as of 1 April 2011 TOM TAILOR acquired 51% of the shares in TOM TAILOR Retail Joint Venture GmbH, which is headquartered in Bregenz, from its long-term Austrian distribution partner Sagmeister. This is intended to strengthen the strategic expansion of controlled selling spaces and the TOM TAILOR brand in Austria. Following the conclusion of this contract, the eight existing

TOM TAILOR franchise stores (of which six are in Austria, one in Germany, and one in Switzerland) will be managed as the Company's own retail stores. The shareholding was fully consolidated as of 1 April 2011 with no minority interests disclosed. The purchase price that was disclosed under financial liabilities on 31 December 2011, was calculated at approximately EUR 2.2 million. From 1 April to 31 December 2011, this shareholding has generated a positive EBITDA of around EUR 0.9 million.

In addition, as of the middle of 2011, 21 retail stores which had previously been managed under a different brand were acquired from the Company's partner Sportina and integrated into TOM TAILOR South Eastern Europe Holding GmbH. The purchase price, likewise disclosed on 31 December 2011 under financial liabilities, was around EUR 4.5 million. In 2011, TOM TAILOR South Eastern Europe Holding GmbH generated a positive EBITDA of around EUR 2 million in total.

Apart from this, TOM TAILOR did not make any further significant acquisitions in financial year 2011.

LIABILITIES

On the liabilities side, non-current financial liabilities rose to EUR 77.5 million (31 December 2010: EUR 65.9 million) while current financial liabilities were reduced to EUR 6.4 million (31 December 2010: 8.7 million). The increase in non-current financial liabilities is primarily caused by the disclosure of the purchase price liabilities in connection with the acquisition of the 21 retail stores in the South-Eastern Europe market from the Company's partner Sportina and the acquisition of the eight retail stores from its partner Sagmeister in Austria. The current financial liabilities in particular are subject to seasonal changes. Apart from this, trade payables increased due to the expansion of business activities and seasonal factors from EUR 54.3 million to EUR 58.4 million as at 31 December 2011.

OFF-BALANCE-SHEET FINANCING

The Company does not use any off-balance-sheet financing instruments in terms of the sale of accounts receivable, asset-backed securities, sale and leaseback transactions, or entries into liability relationships with special-purpose entities not included in the consolidated financial statements. TOM TAILOR has minor other operational leasing relationships for IT accessories and company cars, for example. Off-balance-sheet financial instruments therefore have no significant influence on the financial position of the Group.

SHAREHOLDERS' EQUITY

The shareholders' equity of the TOM TAILOR Group increased mainly as a result of the earnings for the period in the amount of EUR 10.1 million (2010: EUR 2.4 million) to EUR 113.7 million (2010: EUR 100.2 million). The equity ratio has thus increased further from 34.8% to 35.5%.

No capital measures were carried out in 2011. Solely to balance out the existing loss carryforward in TOM TAILOR Holding AG which resulted from the period of the leveraged-buyout structure, EUR 17.6 million was taken from the capital reserves.

RATING

TOM TAILOR has sufficient bank credit lines and does not utilise financial instruments such as bonds or commercial papers. For this reason, TOM TAILOR also does not have a rating from an external rating agency.

Multiple Period Summary of the Asset Position

EUR million	2007	2008	2009	2010	2011
Non-current assets	157.4	167.9	166.5	181.9	195.1
Current assets	73.9	84.8	83.6	106.0	125.4
Total	**231.3**	**252.7**	**250.1**	**287.9**	**320.5**

OVERALL STATEMENT BY THE MANAGEMENT BOARD ON THE GROUP'S FINANCIAL SITUATION

The Management Board of TOM TAILOR Holding AG assesses the business performance in 2011 and the previous development and the financial position of the TOM TAILOR Group as thoroughly positive. The capital basis, strengthened by the IPO in 2010, and the resulting financial flexibility made it possible to continue accelerated expansion during the reporting year. Financial stability has been noticeably reinforced, and the financing of TOM TAILOR has been secured for the medium term. Moreover, the existing leveraged-buyout financing structure was replaced at the beginning of February 2012 and transferred into a corporate financing structure appropriate to the market. TOM TAILOR is thus well placed for further planned growth.

The sales projections for the 2011 financial year of over EUR 400 million were achieved. TOM TAILOR increased its sales in the reporting year by 18.4% to EUR 411.6 million. The faster than planned expansion in the retail segment made a significant contribution to this result. The number of retail stores rose by 90 to 248 stores. The number of new stores is thus significantly higher than the predicted growth of around 60 to 70 stores for 2011. The expansion in the wholesale segment and thus in the other controlled spaces also progressed faster than planned.

With regard to the other fundamental control parameter, namely adjusted EBITDA, it came in at the lower end of the forecast range of EUR 48 to 51 million at 48.1 million EUR. Determining factors for this were especially the unplanned high price of cotton at the beginning of the year, higher wage and logistics costs, and higher upfront costs for the store openings in the retail segment. Together with the additional provisions for overtime and the unbudgeted strategic investment in the TOM TAILOR brand, these items affected EBITDA to a greater degree than planned.

Target-Performance Comparison

	Target 2011	Performance 2011
Sales (EUR million)	> 400	411.6
Adjusted EBITDA (EUR million)	48–51	48.1
New retail stores (number)	60–70	90
New shop-in-shops (number)	200–250	345
New franchise stores (number)	20–25	20

Aside from the growth in sales and EBITDA, the reduced impact of interest rates had a positive effect on the results for the period. On the other hand, the tax effects that accompany the positive development and higher depreciation as a result of investment activity in 2010 and 2011 have reduced the results for the period.

The Management Board of TOM TAILOR Holding AG sees the Group as well-positioned for the further expansion of the successful TOM TAILOR business model. As a result, the Management Board expects a further increase in growth of both sales and EBITDA.

ACCOUNTING ASSUMPTIONS

No accounting and valuation methods have been used in the 2011 consolidated financial statements which differ from those used in previous years and which, if applied differently, might have had a significant effect on the financial position. Information on the effects of the estimates used and the assumptions and judgments made can be found in the notes to the consolidated financial statements.

Employees

STRUCTURE

As of 31 December 2011, TOM TAILOR employed 1,541 employees (headcount), of whom 467 worked in the wholesale segment and 1,074 in the retail segment. On the reporting date, 799 employees were working in the German home market and 742 were working abroad. Twenty-five employees, including the four members of the Management Board, are employed in the TOM TAILOR Holding AG.

The employees of TOM TAILOR are the Company's most important success factor. The fact that TOM TAILOR was able to grow into a leading brand in the fashion and lifestyle industry is due in large part to their dedication and commitment to performance. For the Company's further expansion, TOM TAILOR will depend on motivated and high-performing employees to whom TOM TAILOR offers interesting developmental and career opportunities.

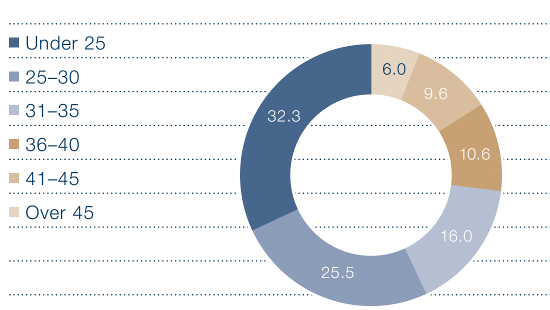
The leadership ranks of the TOM TAILOR Group include 25 employees at the top level of management, of whom 11 are women. This means that at 44% the proportion of women in senior management positions at TOM TAILOR is at a very high level.

Employees According to Regions and Segments (Number as of 31 December)

	2010			2011		
	Retail	Wholesale	Total	Retail	Wholesale	Total
Germany	370	383	753	410	389	799
Foreign core markets	206	84	290	310	78	388
Other countries	164	–	164	354	–	354
Total	**740**	**467**	**1,207**	**1,074**	**467**	**1,541**

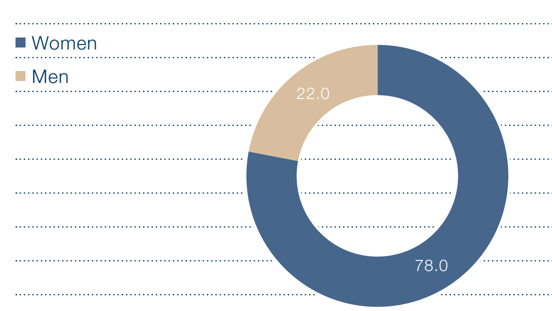
Age Classes of Employees

in % 31/12/2011



Share of Gender

in % 31/12/2011



REMUNERATION

Providing employees with fair pay and performance incentives, and giving them a share in the Company's success are important components in TOM TAILOR's personnel policy. This policy contributes significantly to strengthening the dedication and motivation of employees. At TOM TAILOR, remuneration is based on fixed and variable components that are determined by the attainment of Company objectives as well as personal objectives. The Company's objectives consist of financial performance indicators that vary according to the different Company sectors. The structure of the fixed and variable components varies and, among other things, depends on the employee's functional level within the Company. Decisions on setting goals, the extent to which these have been achieved in the previous year and wage increments are taken in annual assessment interviews. These interviews also include assessment criteria for employees with respect to their superiors.

Apart from remuneration based purely on performance, the Company also places importance on voluntary social benefits. Thus, for example, there is a Company pension plan that is subsidised by the employer, and disability insurance provided via a Group policy.

DIVERSITY

TOM TAILOR respects and promotes diversity. The Company is convinced that the potential that makes a company successful can only be fully utilised through a variety of cultural characteristics, perspectives, opinions and experiences. The workforce at TOM TAILOR is very international: the employees working for TOM TAILOR represent 35 nationalities. The proportion of female employees is around 80%.

NEW RECRUITS

Well-trained and motivated new recruits are a decisive requirement for any company's long-term success. Potential candidates are attracted through partnerships with universities, presentations at trade fairs, the “Employees Recruit Employees” programme and other initiatives. The Company is collaborating with the Akademie für Mode und Design (Academy of Fashion and Design) in order to introduce students to various vocational fields and get them excited about training programmes at TOM TAILOR. Thus the campaign “Speed Dating at TOM TAILOR” took place in October 2011; this will be supplemented by additional campaigns in 2012.

TOM TAILOR pays particular attention to the training of young people. Traditional vocational training, dual work/study programmes in cooperation with universities, internships and training programmes for university graduates are all part of the Company's training strategy. In this way TOM TAILOR wants to position itself as an attractive employer and gain talented and well-trained employees, and so secure their long-term loyalty to the Company. The Company is regularly involved in “Girls' Day – Future Prospects for Girls” (Girls' Day – Mädchen-Zukunftstag). Here, young girls can learn about interesting professions in technology, craftsmanship or IT by taking a close, practical look for themselves.

ADVANCED TRAINING

TOM TAILOR is preparing itself for the foreseeable consequences of demographic changes. Long-term loyalty to the Company and the continuous training of employees therefore plays an important role. TOM TAILOR supports and encourages its employees with their individual careers. The Company focuses here on individual training as needed and on professional training courses. The subject of coaching is becoming increasingly important for employees and management personnel.

FAMILY-FRIENDLY POLICIES

At approximately 30 years, the average age of TOM TAILOR's employees is comparatively low. The work-life balance is thus very important for many employees. By offering flexitime, part-time models and job sharing TOM TAILOR allows for broadly flexible forms of employment.

TEAM SPIRIT AND COMMUNICATION

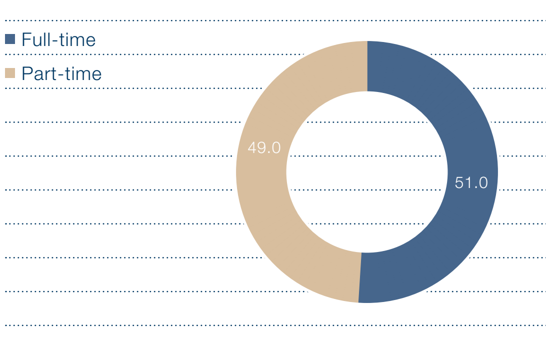
Ensuring that employees speak to each other, exchange ideas, and develop a strong feeling of belonging to the Company is a central part of TOM TAILOR's personnel policy. Employees are regularly kept up-to-date via the intranet about events that are relevant to the Company.

Once every quarter, all employees – national and international – are invited to the so-called TOM's Club which provides for mutual exchange and networking, but is also supposed to be fun. Every year there is a summer festival and a Christmas celebration for all employees of the Group. Participating in shared sporting activities, like the annual Hafencity Run in Hamburg, is also part of the programme.

TOM TAILOR also supports its employees' commitments to social responsibility and participates in fund-raising campaigns, such as in the wake of natural catastrophes, for instance, or for local social facilities.

Full-time/Part-time

in % **31/12/2011**



Innovation and Development

TOM TAILOR develops the collections of its product lines in its own design departments in Hamburg. The Company does not have any production capacity of its own. Production is carried out by a series of manufacturers located abroad. Warehousing and logistics are also assigned to external service providers so that TOM TAILOR can concentrate on its strengths and core competencies, namely the development of fashion, and marketing and sales.

PRODUCT LINE PLANNING AND THE DEVELOPMENT OF THE COLLECTIONS

The product divisions of the TOM TAILOR Group manage the development of the collections in their product lines on their own authority. All the expertise required for the development of the collections is brought together in the relevant division under the direction of a division head. Each division has its own graphics and design department, and specialist personnel in the areas of technical production planning, purchasing and distribution.

Using information provided by market scouts and distribution specialists, attendance at trade fairs and ongoing communication with customers, trends are identified and transformed into new collections. When choosing colours and materials, and regarding capacities, the departments consult with each other across the different divisions in order to attain the largest possible volumes and better prices in the purchase of materials and manufacturing. Following the selection of designs, production and presentation of the relevant samples, the final purchase and sales prices are determined. The Company then presents the samples to its customers (wholesale and retail) in the TOM TAILOR showrooms and takes orders for the respective goods (so-called pre-orders).

PROCUREMENT AND PRODUCTION PROCESS

Following the presentation of the collections, production is initiated and the articles are manufactured according to established design, material and manufacturing specifications in precisely stipulated quantities. Because of the substantial labour cost benefits abroad, all stages of manufacturing, that means in addition to the production of samples the entire production process, are carried out by foreign manufacturers. In this process, production capacities are to some extent notified to manufacturers and scheduled months in advance. The order and delivery phase of the process for the finished products takes up the most time within the value chain. Because the collections change monthly, while the procurement phase for one collection is underway, a new collection is already being designed and presented to customers and/or purchasers and new orders are being placed.

The purchase of fabrics and other materials and the selection of the manufacturers are carried out by the purchasing team within each division in close collaboration with local purchasing agents. This close collaboration also allows for the production of items at short notice. These could be so-called repeat items for which there is an unexpectedly strong demand and that in this way can be resupplied quickly. The outsourcing of the entire production to an international network of purchasing agents and manufacturers allows TOM TAILOR to offer constantly changing collections while maintaining comparatively inexpensive purchase prices. Currently there are approximately 140 manufacturers, mostly in Asia, working for TOM TAILOR. Effective as of 1 November 2011, TOM TAILOR has combined its purchasing activities in Asia within the new purchasing company TOM

TAILOR Sourcing Ltd. in Hongkong in order to control purchasing in Asia directly in the future and realise benefits from bundling of purchasing volumes. For more information, see “Important events during the reporting period” on page 72 of this management report.

Some categories of goods, particularly smaller items, are produced in Europe. Manufacturing in Europe results in significantly shorter transport times and is preferred if the products are required very quickly or if the special expertise and quality assurance, above all with higher-value items, justify the higher production costs.

Sustainability and Responsibility

COMPANY RESPONSIBILITY AND SUSTAINABILITY

TOM TAILOR is a strongly growing fashion group with an increasing international presence. This growth also continually increases the Company's responsibility towards its internal and external interest groups and the environment. The principle of sustainable company management is thus a fundamental part of TOM TAILOR's business policy. For TOM TAILOR, sustainable management includes a balanced social and personnel policy to create long-term loyalty to the Company among its most important resource, namely its employees. In addition, the Company attaches great importance to supplier relationships with its business partners based on trust, high production quality for its customers, decent and fair working conditions at its suppliers, and the reduction of stress on the environment during the production process. TOM TAILOR understands sustainability management to be a process of constant improvement.

RESPONSIBILITIES TOWARDS EMPLOYEES

ATTRACTIVE COMPANY SERVICES

As a socially engaged employer, TOM TAILOR is above all committed to its own employees. This commitment includes, firstly, fair remuneration, which is ensured by means of a variable remuneration system that is supplemented by numerous voluntary subsidies from the Company. These include, for example, payments for the Company's pension plan which go far beyond the statutory provisions, as well as disability insurance for employees. In addition, TOM TAILOR has negotiated a series of discount schemes with its business partners.

VOCATIONAL AND IN-SERVICE TRAINING

As a young and growing company, TOM TAILOR puts a very particular emphasis on training and support. Through its targeted support of vocational training projects, the Company combines its social interest in providing all young people with the best possible access to sustainable vocational training with its own Company interest in being able to permanently gain talented and well-trained employees for TOM TAILOR as an attractive employer. More information on the subject of vocational and in-service training is provided in the section "Employees" on page 91 of this management report.

RESPONSIBILITY IN THE PRODUCTION PROCESS AND TOWARDS THE CUSTOMERS

ACTIVE MEMBER OF THE BSCI

TOM TAILOR is actively working towards ensuring that the working conditions at its supplier companies are decent and fair. In order to implement these standards, the Company has voluntarily undertaken to adhere to the principles of the "Business Social Compliance Initiative" (BSCI). This code of conduct includes all the important standards of the International Labour Organisation (ILO). These principles include the prohibition of improper child labour, secure and decent working conditions, fair wages, regulated working hours, compliance with local laws, the absence of discrimination and freedom of association under labour law to organise and freely negotiate wage rates. As a member of the BSCI, TOM TAILOR is bound to comply with the principles of the BSCI. All producers and supplier companies undertake to allow regular inspections of their companies. TOM TAILOR also plays an active role as a member of the BSCI: every producer is first inspected regarding its compliance with all BSCI standards on-site by so-called social officers – employees of agencies working together with TOM TAILOR – before TOM TAILOR arranges a supply contract with that producer. The ongoing monitoring of working conditions is carried out by accredited auditors.

QUALIFICATION PROGRAMME IN BANGLADESH

Compliance with socially responsible working conditions (social compliance) at production facilities in emerging countries cannot always be attained in practice simply through a commitment to a new body of regulations. Often, local management lacks an awareness of problems and the corresponding management techniques. Therefore, in the summer of 2011, together with the consulting company Systain, TOM TAILOR launched a comprehensive qualification programme at its five main suppliers in Bangladesh in order to achieve an improvement in social compliance by providing the relevant knowledge. On the basis of the BSCI audits and their own local investigations, the companies receive detailed corrective action and qualification plans that provide management with concrete incentives to create socially responsible working conditions. The qualification and health of the employees play a central role in this, for example to reduce work accidents, production errors or overtime. In further follow-up visits, the results of the qualifications are examined and, where necessary, additional support for the improvement of working conditions is provided. With this qualification programme TOM TAILOR is pursuing the goal of establishing good social standards in all participating suppliers. This goal should be achieved with the implementation of final audits in spring 2012.

STIFTUNG WARENTEST: HIGH PRODUCT QUALITY AT TOM TAILOR

Company responsibility for TOM TAILOR also means manufacturing high-quality products. In August 2010, Stiftung Warentest (a product-testing foundation) published a study in which it evaluated the product quality of clothing brands that market their products in Germany. In the analysis, black T-shirts for women from 20 manufacturers were subjected to rigorous testing and graded in categories for durability, fit and harmful substances. Only three T-shirts were given an overall grade of “good”, and among them was also the TOM TAILOR T-shirt. It received an overall grade of 2.3 and thus shared first place with another competitor. For TOM TAILOR, high product quality means living upto its responsibilities to its customers and is an important factor for the Company’s success.

RESPONSIBILITY TO THE ENVIRONMENT

INCREASED DEDICATION TO CLIMATE PROTECTION

With membership in BSCI and the self-commitment to its Code of Conduct, TOM TAILOR is strictly bound to the fulfilment of respective national environmental protection laws. Depending on national regulations, however, local regulations are insufficient from the Company’s point of view to guarantee environmental protection and develop active climate protection. Under the auspices of the foreign trade association AVE and together with eight other trade and brand companies, TOM TAILOR consequently founded the climate protection initiative Carbon Performance Improvement Initiative (CPI2), which is supported with funds from the German Federal Ministry for the Environment (BMU). The goal is to reduce substantial quantities of CO_2 within the supply chain of TOM TAILOR. Above all in emerging economies and developing countries, enormous savings potential can be achieved with increasing awareness of the problem and – in part – simple technical changes. To achieve this, the initiative has developed a management instrument for the local producers, with which specific recommendations for saving energy can be implemented. The project has been in the trial phase since November 2011. Starting in spring 2012, wide-ranging implementation is planned at the suppliers of TOM TAILOR.

PROMOTION OF SUSTAINABLE COTTON PRODUCTION: ECOLOGICAL AND FAIR!

Another project which TOM TAILOR has participated in since its founding is the initiative “Cotton made in Africa” (CmiA), which the foundation “Aid by Trade” created. The initiative works according to the principles of social business. This means that it pursues a business strategy to improve the living and working conditions of cotton farmers in Africa. As a result, the focus of the initiative is not on maximising the profit of individual farmers via donations, but instead to support sustainably grown cotton on the global market via production. The CmiA initiative and the farmers supported by it work according to the principle of sustainability, which is based on the three principles of “Profit, People, Planet”. In addition to income increases for the farmers, another goal of the initiative is to improve the educations and training levels. Thus, especially children are to profit from improved schooling. However, adult education is also important. In training sessions, the small-scale farmers learn how to grow cotton using resource-saving and environmentally friendly methods. This includes proper, dosed handling of pesticides, pests and beneficial animals, measures for maintaining the soil culture and careful use of water to achieve improved harvest quality and quantity.

The project is financed by licence fees, which partner companies such as TOM TAILOR pay to the initiative. To ensure that the fees are really invested in a sustainable sense, the foundation checks compliance with the criteria on site. However, an essential factor for the success of the farmers is also the demand for sustainably produced cotton on the global market. As a result, TOM TAILOR continually increases the number of its products, which are manufactured from CmiA cotton.

Corporate Governance Declaration

The Corporate Governance Declaration pursuant to § 289 a of the German Commercial Code (HGB) can be found in the Corporate Governance Report of this Annual Report and on the website of the TOM TAILOR Holding AG (http://ir.tom-tailor.com).

Remuneration of Management Board and Supervisory Board Members

The remuneration report explains the structure and amount of the remunerations for Management Board and Supervisory Board members. An important aspect of responsible company management is a remuneration system for the Management Board and Supervisory Board members that combines the right elements of incentive and performance recognition.

REMUNERATION OF MANAGEMENT BOARD MEMBERS

The remuneration of Management Board members currently consists of a fixed basic salary and variable, performance-related remuneration. The variable remuneration for the Management Board members Mr Holzer, Dr Rebien, Mr Rosa and Dr Schumacher is linked to the figures for net sales and to the adjusted EBITDA for the TOM TAILOR Group. Additional factors in the remuneration of Dr Schumacher are the sector-specific EBITDA developments in the retail segment. The Management Board members may, as a fringe benefit, use their company vehicles for private purposes. In addition, accident insurance has been taken out for Dr Rebien, Mr Rosa and Dr Schumacher, and an endowment policy has been taken out for Mr Holzer. In the event that a member of the Management Board becomes unable to work or dies, their salary will continue to be paid for six or, in the case of death, twelve months. In the event of the termination of Mr Holzer's employment contract, he is entitled to receive the fixed portion of his remuneration for the remainder of the term of his contract.

In the 2011 financial year, variable remuneration amounted to EUR 1,126 thousand for Mr Holzer, EUR 316 thousand for Dr Rebien, EUR 182 thousand for Mr Rosa and EUR 22 thousand for Dr Schumacher. The fixed portions of their remuneration amounted to EUR 924 thousand for Mr Holzer, EUR 365 thousand for Dr Rebien, EUR 350 thousand for Mr Rosa and EUR 133 thousand for Dr Schumacher. The portions of Dr Schumacher's remuneration relate to the period of his appointment from 1 July 2011 to 31 December 2011.

On 20 January 2010, the Supervisory Board passed a resolution to implement a share-based remuneration system ("matching stock programme" or MSP) for members of the Management Board. The MSP will run for 14 years from the day of its initial listing. The MSP serves to bring about the convergence of similar Management Board and shareholder interests. A detailed description of this remuneration system can be found in the notes. The evaluation of this MSP programme as at 31 December 2011 shows remuneration entitlements for Mr Holzer of EUR 251 thousand and for Dr Rebien of EUR 104 thousand. These entitlements will not be paid out before 2014. The previous remuneration entitlements for Mr Rosa have been cancelled without replacement because his Management Board employment contract has not been extended.

In July 2010, a "long-term incentive programme" (or LTI) was introduced as a remuneration system for management-level employees, with the aim of achieving the loyalty of employees and the realisation of long-term company objectives. The members of the Management Board are also involved in 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 projected and actual sales figures as well as operational earnings over the course of three-year observation periods. Also taken into account here is the development of the share price. An evaluation of this LTI programme as at 31 December 2011 shows remuneration entitlements for Mr Holzer of EUR 473 thousand, for Dr Rebien of EUR 145 thousand and for Dr Schumacher of EUR 93 thousand. Provided that certain requirements are met, payments from this remuneration system will be made for the first time in 2013. The previous remuneration entitlements for Mr Rosa have been cancelled without replacement because his Management Board employment contract has not been extended.

REMUNERATION OF SUPERVISORY BOARD MEMBERS

In accordance with the Articles of Association, the members of the Supervisory Board receive, in addition to the reimbursement of their expenses, a fixed remuneration of EUR 40 thousand, with the Chairperson receiving EUR 150 thousand and the Deputy Chairperson receiving EUR 75 thousand. The remuneration is due following the end of the Annual General Meeting at which the consolidated financial statements for the respective financial year are accepted and a decision is made with respect to their approval.

Information Pursuant to § 315 (4) HGB (Commercial Code) and Management Board Explanations

The management of TOM TAILOR pursues the overarching goal of generating shareholder value. Therefore every recommended change of control and every takeover bid that could reveal hidden reserves and assets of the Company to the benefit of shareholders are carefully analysed with regard to the expected synergies and future potential for creating value. A change in control is deemed to have taken place if, as the result of a takeover, an exchange or other form of transfer, a single shareholder or a group of shareholders acting in concert acquires more than 30% of the outstanding voting rights or if, as a result of a takeover or reverse merger, TOM TAILOR shareholders possess less than 30% of the voting rights in the merged company after such a transaction becomes effective. No specific defensive mechanisms and measures have been established at TOM TAILOR to prevent takeovers.

COMPOSITION OF SUBSCRIBED CAPITAL AND VOTING RIGHTS

As at 31 December 2011, the subscribed capital (nominal capital) of TOM TAILOR Holding AG amounted to EUR 16,528,169 and is composed of 16,528,169 no-par-value registered shares. Every share bestows the same rights upon its holder and entitles the holder to one vote per share at the Annual General Meeting. The Management Board is not aware of any limitation upon the exercise and transfer of the voting rights.

SHAREHOLDINGS EXCEEDING 10% OF VOTING RIGHTS

There is no shareholding in the Company that exceeds 10% of the voting rights. The Company has not received any notifications with respect to this issue and is unaware of any other direct or indirect shareholdings with more than 10% of its nominal capital.

AUTHORITY OF THE MANAGEMENT BOARD TO ISSUE SHARES

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

Authorised capital: Pursuant to § 4 (3) of the Articles of Association, with the approval of the Supervisory Board, the Management Board is empowered to raise the nominal capital of the Company in single or multiple steps, in whole or part amounts, for cash payment and/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 from the authorised capital must be offered to existing shareholders (including by means of indirect subscription as defined in § 186 (5) sentence 1 AktG [German Stock Corporation Act]).

With the approval of the Supervisory Board, the Management Board is, however, empowered to preclude the shareholders' statutory right of pre-emptive subscription in the following cases:
– to remove fractional amounts from the subscription rights;
– in the case of capital increases against contributions in kind, to maintain shares for the purpose of acquiring companies, shares in companies or equity interests in companies, or other assets in connection with such an intended acquisition;

- in the case of capital increases paid for in cash if the issue price of the new shares is not significantly lower than the price of the already listed shares and the shares, issued with the preclusion of pre-emptive subscription rights in accordance with § 186 (3) sentence 4 AktG, do not make up more than 10% of the share capital either at the point in time when this authorisation comes into effect or at the time it is exercised. Included as part of this 10% limitation on nominal capital are those shares which (i) are issued or sold during the effective duration of this authorisation with the preclusion of pre-emptive subscription rights through a direct or corresponding application of § 186 (3) sentence 4 AktG, or (ii) can be issued to service bonds with conversion and/or option rights, provided that the bonds are issued once the authorisation has become effective and the pre-emptive subscription rights are precluded with the corresponding application of § 186 (3) sentence 4 AktG.

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.

Conditional capital: As at 31 December 2011, the Company did not have any conditional capital at its disposal.

During the past three years, TOM TAILOR Holding AG has neither issued convertible bonds nor share option bonds, nor are there any in circulation.

AUTHORISATION OF THE MANAGEMENT BOARD TO ACQUIRE THE COMPANY'S OWN SHARES

As at 31 December 2011, TOM TAILOR was not entitled to acquire its own shares.

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

The procedures for appointing and removing members of the Management Board of TOM TAILOR Holding AG are set out in §§ 84 and 85 AktG in combination with § 6 of the Articles of Association. In accordance with § 6 of the Articles of Association, the Management Board consists of at least two persons. For the rest, the Supervisory Board determines the size of the Management Board. The Supervisory Board can appoint a Chairperson of the Management Board and a Deputy Chairperson. The Articles of Association can be amended by the Annual General Meeting with a resolution passed by a majority of at least three-quarters of the nominal capital represented at the passing of the resolution; §§ 179 ff. AktG are applicable. In accordance with § 15 of the Articles of Association, the Supervisory Board is empowered to make changes to the Articles of Association that only affect their wording.

CHANGE OF CONTROL

TOM TAILOR Holding AG is a contractual partner to the following agreement, which contains certain conditions in the event of a change in control following a takeover bid:

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 for the early repayment of the issued bank financing in the event of a change of control of the Company, that is if one or more persons (collectively) directly or indirectly acquire more than 30% of the voting rights of the Company. In the event of notice being given by one or several loan providers to terminate the loan agreement because of a change of control, the bank financing must be repaid proportionately to the terminating loan providers.

Opportunities and Risks

In the course of its business, TOM TAILOR is exposed to many risks and opportunities that are always associated with entrepreneurial activity. Risks are characterised as events that, should they materialise, have a negative impact on the objectives planned for the future. If these risks become reality, business performance may be permanently impaired, earnings developments may be weakened and the Company's financial situation may be jeopardised. In contrast, opportunities are defined as factors that could have a positive influence on the future development of TOM TAILOR.

The goal of risk and opportunity management is to identify risks early on, to manage them and to reduce them by taking appropriate countermeasures. Risk and opportunity management also serves to systematically exploit any opportunities arising out of market developments without losing sight of the associated risks and to ensure that an acceptable risk profile is maintained. The risk policy is aligned with the objective of securing and expanding TOM TAILOR's position in the market in order to increase its corporate value in the long-term.

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 those risks will lead to an increase in value for TOM TAILOR. The prerequisite for this is always that the risks remain manageable and controllable.

OPPORTUNITY MANAGEMENT

The corporate culture of TOM TAILOR values entrepreneurial thinking and activity. TOM TAILOR appreciates a high level of individual responsibility from its employees. All employees, regardless of their respective area or level of responsibility, are therefore encouraged to seek out and take advantage of opportunities. Group companies are charged with identifying opportunities at their operation level that may arise, for example as part of their operational activities or because of improved market conditions, and are expected to exploit these opportunities with the aim of achieving above-budget earnings. The TOM TAILOR Holding AG identifies strategic opportunities. These are evaluated and measures are developed to be able to exploit them. Also, part of the TOM TAILOR Management Board's responsibility is to regularly discuss strategic opportunities.

RISK MANAGEMENT

TOM TAILOR deals with entrepreneurial risks through a risk management system that is an integral part of its business processes and an important element in entrepreneurial decision-making. Apart from monitoring risks within the Company, the role of the risk management system is also to establish an early-warning system that identifies future risks early on, monitors those risks and allows risk management to react in a timely manner and to limit them through appropriate control measures. TOM TAILOR's risk management system is based on a special software solution. It offers a comprehensive and management-oriented approach based on manual and IT-supported approval processes and system-supported procedures for processing data relating to the Group. This software solution makes up the core of the risk management system with its totality of formal structures and concrete measures that provide the managers responsible with a precise procedural schema for handling risk within the Company. Essential components here are the planning system, the internal reporting system and the risk reporting process.

The Group-wide risk management system is centrally coordinated and controlled from the Company headquarters in Hamburg. Potential risks arising in connection with business activities are identified early on, monitored and kept within limits through appropriate control measures. Decentralised risk management functions in the subsidiary companies implement the guidelines from headquarters and supplement them by means of additional local operational risk management activities. At the same time, the risk management system helps to exploit any opportunities that may arise in the best possible way, understood in terms of the Company strategy.

Risk reporting takes place at regular intervals, and the other reporting process is supplemented by ad hoc reports in order to deal with critical risks promptly. Firstly, all identified risks are measured according to the gross principle, that is without the influence of any measures undertaken against the risk. Relevant risks are assessed as completely as possible, quantitatively and qualitatively in terms of damage potential and probability of occurrence, and they are prioritised accordingly. According to the significance of the respective risks, responsibilities are established with respect to each risk. When controlling risks, TOM TAILOR makes use of several common risk strategies – avoidance while simultaneously forgoing business activities; reduction of operational risk; transfer of operational risk to an insurance provider. This largely neutralises the financial consequences of insurable risk, such as property damage, operational interruptions or bad-debt losses. Other risks in turn are assumed by suppliers and purchasing agents.

For TOM TAILOR, however, risk management means more than just formal compliance with stipulated risk management guidelines. Rather, TOM TAILOR's effective risk management system indicates that company management and employees are sensitized to the risks entailed by their actions, so that they independently identity and evaluate risks and initiate risk management measures on their own accord that conform with the Company's objectives.

The risks relevant to TOM TAILOR can be divided into external – that is market and sector-specific risks – and internal risks. The latter include strategic, financial, operational and business-related risks.

ACCOUNTING-RELATED INTERNAL RISK CONTROL SYSTEM

In order to ensure proper bookkeeping, accounting and the reliability of financial reporting in the consolidated financial statements and Group management report, the Management Board has instituted an accounting-related internal control system for the many organisational, technical and business processes in the Group. As an integral part of the consolidated accounting process, it includes preventative, supervisory and detective security and control measures. An important part is the principle of the separation of duties so that business processes are not held in the same hands. Employees only have access to the processes and information that they need for their work.

With regard to new legal regulations and new or uncommon kinds of business transactions, there is also close contact with the auditors throughout the year. The consolidated financial statements are produced by the Company's own employees with many years of experience and special expertise in matters of consolidation and IFRS accounting, using certified consolidation software. For the reporting by subsidiaries to the parent company, standardised reporting packages are used that include all the information required for complete IFRS-compliant consolidated financial statements.

RISKS

EXTERNAL RISKS

Economic Developments

TOM TAILOR experienced above-average growth in the 2011 financial year compared to the general trend in the apparel industry. A sustained weakness or worsening in the economy, particularly in the German home market, could have a negative impact on overall consumer demand and thus also on the demand for TOM TAILOR products, with resulting reductions in sales and pressures on margins. In addition, the core clothing markets in which TOM TAILOR operates are characterised by intense competition that 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, and with a systematic approach as a vertical system supplier.

Fluctuations in Supply and Demand

Fluctuations in supply and demand in the sourcing markets could lead to supply and capacity bottlenecks with suppliers, increased production costs and higher logistics costs. These cost increases might not be (completely) compensated for by higher prices. Especially important in this context is the availability and price of cotton as a raw material as well as the sufficient availability of production capacities. TOM TAILOR deals with these risks on the one hand by means of a targeted supplier policy that concentrates on reliable business partners and, on the other hand, through the further expansion of its retail business, which provides greater flexibility with respect to margins and an enhanced ability to compensate for price fluctuations in the supply markets. Due to advance purchases and price negotiations for raw materials and production capacities, the Company can react in good time to critical early-warning indicators.

Country Risks

In its position as an internationally established fashion company, TOM TAILOR is also exposed to various country risks. Among others, these include national-economical, political and legal risks.

Compared to Western Europe, in some of the countries in which TOM TAILOR conducts business the general conditions are different and there is less national-economic, political and legal stability. This applies both to countries from which the TOM TAILOR Group procures its products and to countries where these products are distributed (or will be in the future). On the supply side, particular mention should be made of China where some of the TOM TAILOR's producers are situated. On the distribution side, the general conditions that prevail in South-Eastern Europe and Russia, for example, differ from those in Western Europe.

Currently, however, this risk remains manageable, since at the moment TOM TAILOR realises approximately 86.6% of its sales in its core markets (Germany, Austria, Switzerland, the Netherlands, Belgium and France). In the future, this risk will become increasingly significant because of TOM TAILOR's growth strategy.

TOM TAILOR counteracts country risks by means of a targeted expansion in the European markets so that these risks are reduced through diversification.

INTERNAL RISKS

Strategic Risks

One of the reasons why TOM TAILOR has grown so successfully in the market is that current trends are identified quickly, implemented and distributed promptly to the points of sale. Should TOM TAILOR ever fail to identify current trends quickly and match the tastes of its target groups in the target markets it supplies, or fail to set prices properly or not develop and introduce new products successfully, this could have a negative effect on the Group's competitive position, growth opportunities and profitability. However, the intense closeness to consumers in its own retail stores also opens up opportunities for TOM TAILOR, as consumer feedback is used to swiftly identify and implement new trends.

The financial success of TOM TAILOR is based on its brand image and on the long-term strong positioning of its two major brands, TOM TAILOR Casual and TOM TAILOR Denim. In addition, the brand image is being strengthened through secondary brands like TOM TAILOR POLO TEAM, for example. If, despite a careful brand strategy, the further establishment of TOM TAILOR's brand image and reinforcement of its brand are unsuccessful, this could have a long-term negative impact on its growth perspectives.

Moreover, in its wholesale segment, TOM TAILOR maintains trade relations with major customers that could cease to be purchasers, which would lead to losses in revenue. Insolvencies among major customers also constitute risks of default and revenue loss in the wholesale segment. As a consequence of the expansion in the retail segment, the investment and cost risks increase because of investments in store development, long-term rental agreements and the associated necessary increases in fixed costs.

Financial Risks

Liquidity Risks

The management of liquidity risks is one of the central responsibilities of the Group's headquarters. Liquidity risk is the risk that payment obligations cannot be met or met on time because of the insufficient availability of liquid assets. In order to ensure both the ability to pay and financial flexibility, a revolving liquidity plan as well as daily liquidity reports are created that show the inflow and outflow of liquidity in both the short and medium term.

Currency Risks

The currency risks faced by the TOM TAILOR Group result from the international orientation of TOM TAILOR's business activities. Thus, risks may arise due to currency exchange rate fluctuations.

Most of TOM TAILOR's invoicing is in euros, so the risk of exchange rate fluctuations on the revenue side is currently of minor significance. Since this risk will become increasingly more significant because of TOM TAILOR's growth strategy, the exchange rate risk is managed centrally, whereby intra-Group orders are settled in the local currency as a basic principle. The exchange rate risk, therefore, arises from the fact that the payment streams are in the local currency of the subsidiaries and the euro is the functional currency of the TOM TAILOR Group.

An overall higher risk is constituted by the currency exchange fluctuations on the supply side. TOM TAILOR procures a large part of its supply volume in US dollars. The exchange rate between the US dollar and the euro is sometimes exposed to considerable fluctuations. Disadvantageous developments in the exchange rate between foreign currencies and the euro, in particular a substantial (and possibly rapid) increase in the value of the US dollar compared to the euro, could have significant negative effects for the asset, financial and earnings situation of the TOM TAILOR Group. For the financial years 2011 and 2012, the TOM TAILOR Group has concluded forward exchange transactions in order to cover the risk due to exchange rate fluctuations. A large part of the risk resulting from exchange rate fluctuations can be minimised by means of these forward exchange transactions.

Interest Rate Risks

The Group is subject to interest rate risks primarily in the eurozone. The risk of changing interest rates arises as a result of market-related fluctuations in interest rates. On the one hand, they affect the interest expenditure in the TOM TAILOR Group and, on the other hand, they influence the market value of financial instruments. Substantial interest rate changes can therefore influence the profitability, liquidity and financial situation of the Group. Some of the financial obligations of the TOM TAILOR Group are charged interest at a variable rate and are subject to short-term interest rates. They are therefore especially exposed to the risk of changing interest rates and constitute a cash flow risk. 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 utilised bank loans in order to limit the risks of interest rate changes. A detailed table showing the interest rate cap and swap transactions that have been concluded can be found in the notes to the consolidated financial statements.

Credit Risks

Credits 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 through the investment of liquid funds as a part of liquidity management. With financial instruments, TOM TAILOR is exposed to a risk of default which can arise from the possible non-performance by a contractual partner. In order to minimise this risk, transactions involving financial instruments are only concluded with financial institutions with a good credit standing. However, because of TOM TAILOR's growth strategy and the resulting investment in spaces controlled by the Company, this risk is currently of minor significance. The primary credit risk on the part of TOM TAILOR is with regard to customers due to the granting of payment periods and the associated counterparty default risk. In order to minimise the default risk in operational business, outstanding payments are monitored centrally on an ongoing basis. The Group only undertakes business transactions with creditworthy third parties. All customers that would like to do business with the Group on a credit basis are subject to a credit assessment. In addition, the risk is countered by concluding credit insurance policies and obtaining collateral.

Operational Risks

Sales and Inventory Risks

As a consequence of expanding its own selling space in the retail segment, outlet store sales and the revenue-sharing model in the wholesale segment, TOM TAILOR is exposed to an increasing sales and inventory risk. Additionally, the opening of new stores is linked to increased expenditure and uncertainty with regard to future profitability. The Company cannot rule out incorrect assessments when forecasting actual customer demand and expected sales. To the degree that goods delivered to the Company's own stores at the beginning of the month are not sold steadily before new goods are brought onto the selling space, this can result in an inventory surplus, which would lead to a reduction in revenue or to lower selling space productivity (revenue per square metre, or "net selling space", i.e. selling space excluding changing areas, till areas, lounges, showcases).

The opening of company-owned stores as part of retail expansion also requires additional investment and increases the running costs for rent and personnel. There is no guarantee that this increased expense compared to the wholesale segment can be compensated for with higher margins and that new company-owned stores can be operated at a profit. To this extent, the expansion in the retail segment leads to an increase of entrepreneurial risk for the TOM TAILOR Group.

In the wholesale segment, the sales risk is firstly borne by the wholesale customers, particularly with respect to so-called pre-order business. Depending on the wording of a contract, however, TOM TAILOR may also have to bear the sales risk (in whole or in part). The TOM TAILOR Group bears the sales risk in particular in relation to the growing so-called outlet store sales and revenue-sharing models. In addition, there is in particular the de facto goodwill-related obligation to accept the return of goods from major customers.

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 with 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 commit themselves to 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 of 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 are manufactured under humane working conditions. Inspections are regularly performed at all production units in order to ensure compliance with high quality standards, labour law provisions and internationally recognised standards with respect to working conditions. Each manufacturer is responsible for quality control in the first instance, manufacturing and checking the goods according to precise quality benchmarks.

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

Business-Related Risks

IT Risks

The availability and functionality of modern IT systems are essential for the management of business processes and effective cost control. In particular, the IT systems for both merchandise management/logistics and also especially the sales of TOM TAILOR products through the Internet (e-shop) and the related service providers are of major importance to TOM TAILOR. A failure of these IT systems could result in an impairment of the business processes and result in higher costs. Even though the IT systems are secured in a number of ways, it is not possible to rule out data and sales losses in the event of damage caused by, for example, fire, power failure, system errors, attacks by hackers, fraud or terrorism, and which can thus have an effect on the earnings of the TOM TAILOR Group.

TOM TAILOR will also in future make targeted investments in the expansion and further development of its IT systems in order to secure and increase the continuous functional capability of the systems and the effectiveness of the processes.

Legal Risks

Legal risks typically arise from issues connected with labour 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 legal regulation may occur as a result of ignorance or negligence. In order to counter these risks in an appropriate and timely manner, potential risks are analysed thoroughly with the involvement of the legal department and also involving external specialists, where necessary. Despite these measures, the outcome of any ongoing or future proceedings cannot be predicted with certainty. At present, only a few companies within the Group are involved in legal proceedings. Even in the event that the Company's cases are upheld, legal disputes can be costly and could damage TOM TAILOR's image. In order to protect its trademark rights, the TOM TAILOR Group has the global markets monitored for trademark registrations that could be mistaken for its brands or the T logo. If a confusingly similar brand is discovered or the TOM TAILOR brand name is used without permission, the necessary legal measures – in the first instance registering objections – are initiated.

Employee Risks

Employee risks arise primarily through employee recruiting, lack of qualifications and employee turnover. As a successful mid-sized corporate group, TOM TAILOR counteracts these risks with advanced training measures, remuneration that is commensurate with performance, and timely succession planning as well as by fostering a corporate culture that largely thrives and prospers from the respectful treatment of all employees. TOM TAILOR is nonetheless also especially dependent on its Management Board members and other management personnel. A loss of management personnel could have a negative impact on business developments. TOM TAILOR counters this risk by creating a good working environment and by offering attractive remuneration agreements that take into consideration long-term-oriented objectives.

GENERAL STATEMENT BY THE MANAGEMENT BOARD REGARDING THE RISK SITUATION OF THE GROUP

At present there are no individual or aggregate risks that could jeopardise the continued existence of the TOM TAILOR Group in the foreseeable future. Overall, there have been no significant changes to the risk situation of the TOM TAILOR Group since the end of the 2010 financial year.

Report on Post-Balance-Sheet Events

As of 3 February 2012, the TOM TAILOR Group successfully concluded banking negotiations underway since the end of 2011 with the signing of a new syndicated loan agreement. Under the direction of BNP Paribas, Commerzbank AG and IKB Deutsche Industriebank AG, a total volume of EUR 225 million was successfully syndicated to a pool of banks consisting of a total of ten banks. The previously existing leveraged buyout financing structure (until 3 February 2012 of EUR 157 million) was thus converted into a corporate financing structure and thus appropriately reflects TOM TAILOR's financial circumstances and future growth. The EUR 225 million is divided into an overdraft facility of EUR 85 million (until 3 February 2012: EUR 35 million), a guarantee line of EUR 100 million (until 3 February 2012: EUR 65 million) and existing term loans of EUR 40 million (until 3 February 2012: EUR 57 million). In a financially difficult banking environment, TOM TAILOR has managed through these measures to conclude a financing structure for the coming years that is in keeping with the market. In total, the financing has a three-year term, with an option to extend for another two years.

Apart from the change in the financing structure, as at 10 February 2012 there were no further noteworthy operational and structural changes or business transactions in the TOM TAILOR Group that have significantly changed the asset, financial and earnings situation since 31 December 2011.

Outlook

STRATEGIC OUTLOOK

TOM TAILOR has a clearly defined vision: the Company seeks over the medium term to become one of the large fashion companies in Europe. To achieve this goal, TOM TAILOR must attain an above-average increase in the growth of sales and earnings compared to the industry. The Company will therefore purposely develop and multiply its proven and profitable business model in Germany and especially in the foreign core markets of Austria, Switzerland, the Benelux countries and France. This should reduce country-specific dependencies. As part of its continued expansion, TOM TAILOR is testing entries into the markets in other countries, such as China, for example.

TOM TAILOR will continue systematically to develop its controlled selling spaces, such as its own retail stores, franchise stores and shop-in-shops. In addition, TOM TAILOR intends to systematically expand and promote its strongly growing e-commerce business through additional investment in marketing.

A further central element of the Company strategy is the targeting of economies of scale in the ongoing growth process. In recent years, TOM TAILOR has optimised its own organisation with regard to staffing and technological facilities, logistics, procurement and distribution in such a way that additional growth can be targeted without a proportional increase in the costs for employees, administration and developmental organisation.

FUTURE ECONOMIC ENVIRONMENT AND SECTOR DEVELOPMENTS

In January 2012, the International Monetary Fund (IMF) again corrected its prognosis downward, warning that the debt crisis in the eurozone was threatening economic recovery worldwide and that the global financial system could start to waver. For Germany in 2012, the IMF expects growth in the gross domestic product (GDP) of 0.3%; the economy of the 17 eurozone countries is expected to shrink by 0.5%. Critical in this respect are primarily the anticipated developments in Italy and Spain. The IMF predicts slightly positive economic developments in TOM TAILOR's core markets of France, Austria and Belgium.

Worldwide, the GDP is expected to grow by 3.3%. This economic growth will be supported in particular by India (+7.0%) and China (+8.2%), which with their sustained boom will also boost the German export economy. The IMF also predicts growth in 2012 for the Central and Eastern Europe region (+1.1%), which is becoming increasingly important for TOM TAILOR, as well as for Russia (+3.3%). Poland, Serbia and Slovenia are also predicted to continue to demonstrate solid growth rates.

For 2013, in its current prognosis the IMF anticipates a growth rate for Germany of 1.5%. In addition, the experts expect a growth rate for the eurozone of 0.8%. Worldwide, GDP is expected to increase by 3.9% in 2013.

The mood in the German economy is admittedly uncertain, but much more positive than in the rest of the eurozone. In December 2011 and January 2012, the GfK consumer climate index reached a figure of 5.6 points and thus registered a slight increase compared to autumn.

Despite the uncertainty in the global markets and weak economic developments in Germany, the consumer climate will probably continue to remain stable. For 2011 as a whole, the consumer climate index stood at approximately 5.6 points; in February 2012 the figure rose slightly to 5.7 points. However, the noticeable acceleration of price increases continued. The consumer price index in Germany registered an increase of 2.3% in 2011 (2010: 1.1%). The development in January 2012 compared to the same month of the previous year was at – 0.4%. In the eurozone, prices rose by 2.7% in 2011 (2010: 2.2%). This may lead the European Central Bank (ECB) to raise the base interest rate in the medium term in the eurozone, which is driven in particular by accelerated inflation due to the sharp increase in oil prices. For 2012, the ECB is expecting a lower inflation rate for Europe of 1.7%.

Relief for the textiles and apparel industry is expected in the raw materials markets. The high cotton prices, which in the spring of 2011 were at times estimated at over 200 US cents per pound and thus led to significant additional expenses for procurement and logistics, have fallen significantly again, and at the editorial deadline stood at approximately 100 US cents per pound. Many countries significantly expanded their cotton production in 2011; a few reports mentioned 2011 as a year of record harvests. Predictions have cotton prices holding steady below 100 US cents per pound until the middle of 2014 (source: Forward Curve Cotton, nyb-ice Futures us Softs).

Apart from the upsurge in prices for raw goods, the textile industry must prepare itself for increasing wage cost developments in the Asian manufacturing countries where wage levels are following the general growth in prosperity. In contrast to the relief with respect to cotton prices, the wage developments will be permanent in nature.

In 2011, TOM TAILOR combined its purchasing activity together with Asmara International Ltd. into a new company, TOM TAILOR Sourcing Ltd. in Hongkong. The first collections are expected to be procured through this purchasing company in the second half of 2012. After a transition period of approximately fifteen months, the purchasing of all goods from Asia shall be processed directly through TOM TAILOR Sourcing Ltd. With the help of the new purchasing company, TOM TAILOR is not only closer to the procurement market but is also ensuring the procurement of cotton and its processing over the long term. In addition, the Company expects advantages from the bundling of purchasing volumes.

TOM TAILOR has not been as strongly affected as companies in other industries by the worsening economic predictions. Especially because of end-users' consumption patterns and the stable developments in the German home market, TOM TAILOR sees good preconditions for continued profitable growth and a sustained increase in the value of the Company.

EXPECTED DEVELOPMENT OF BUSINESS OPERATIONS

FUTURE COMPANY DEVELOPMENT

TOM TAILOR is currently presented by the brands TOM TAILOR Denim and TOM TAILOR Casual 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 in terms of age. Both brands are presented to the markets as completely separate brands. This clear diversification will also be systematically pursued in the future.

In the 2011 financial year, the Denim brand contributed approximately 19% to Group sales. On the basis of the brand's potential, TOM TAILOR is convinced that Denim will make an above-average contribution to sales growth in the next few years.

In 2012, the Company will introduce a third division. In autumn, the TOM TAILOR POLO TEAM brand will be introduced as its own independent brand with a new logo. The target group for this sporty collection, which reflects enthusiasm and passion for the equestrian sport of polo, are men and women between the ages of 25 and 45 as well as children. In the past, various POLO TEAM articles were offered on a quarterly basis within the TOM TAILOR CASUAL division. There will be now six comprehensive collections per year and these include T-shirts, polo shirts, button-down shirts, blouses, as well as sweatshirts and softshell jackets with decorative appliqués. The plan is to distribute the collections through wholesale, for example in shop-in-shops, and through selected retail stores.

INVESTMENT AND EXPANSION

TOM TAILOR Holding AG will continue along its course of profitable growth and expansion in the years 2012 and 2013. The focus of further expansion lies primarily in the retail segment and thus with the opening of additional own stores. Specifically, TOM TAILOR plans to open around 60 to 70 additional retail stores in each of the years 2012 and 2013.

Beyond that, the Company will continue to invest in the development of its online shops and increase related marketing efforts due to the competitive environment. After changing a service provider, the Company also plans to develop a Europe-wide online shop in 2012. The goal is to make the TOM TAILOR brand available also in countries where the Company is not represented by any fixed locations and to provide customers with the kind of in-store, online and mobile purchasing flexibility that they expect from a multi-channel retailer.

TOM TAILOR will also continue to grow its controlled wholesale segment and further expand the number of shop-in-shops and franchise stores. In the next two years, the Management Board plans to open another 200 to 250 shop-in-shop spaces and 20 to 25 franchise stores per year.

Since the effects of the sustained European debt crisis on the consumer climate in many European countries are difficult to assess, the expansion will be advanced in particular in the German home market and the foreign core markets of Austria and Switzerland. Because of positive labour market data, experts anticipate continued stable consumption in these countries.

Overall, in the 2012 and 2013 financial years, EUR 23 to 25 million will be invested per year in additional expansion.

SALES

From today's point of view, the Management Board of TOM TAILOR Holding AG expects sales of at least EUR 470 million for 2012. This corresponds to an increase of at least 14% compared to the 2011 financial year. The Company anticipates that both segments, both divisions and all regions will contribute to the growth in sales. Due to the expansion in the retail segment and the whole year sales effect resulting from the 90 new retail stores in 2011, the proportion of retail sales in Group sales will further increase in 2012.

EBITDA

In the 2012 financial year, TOM TAILOR will generate an adjusted EBITDA of between EUR 51 and 53 million. Factors that will have a positive impact on the EBITDA will include increased sales and an improved gross profit margin as a result of lower cotton prices and the new sourcing set-up in Asia. Operational expenditure will increase primarily because of the further development of own selling spaces. In addition, strategic investments in the TOM TAILOR brand and investments in product quality will put pressure on the EBITDA. The EBITDA prognosis is adjusted for one-off expenses of EUR 3 million for refinancing, which was successfully concluded in February 2012.

For the year 2013, the Management Board anticipates a continued significant increase in sales and in relative profitability.

FINANCING

Corresponding to the increased operating result, TOM TAILOR expects an increasing operational cash flow for 2012, despite additional expenses from the refinancing and payable income taxes. The optimisation of working capital and investments to the levels of the previous year will help to ensure that the free cash flow in 2012 is expected to be in the single-digit millions range.

TOM TAILOR anticipates that net indebtedness at year end 2012 will be at about the same level as in 2011.

GENERAL STATEMENT BY THE MANAGEMENT BOARD REGARDING OUTLOOK

The Management Board of TOM TAILOR Holding AG assesses the Group's situation as unchangingly positive and anticipates positive developments for the Group's asset, financial, and earnings situations for the financial years 2012 and 2013. The Management Board views the good performance in 2011 as a validation of the strategy that was implemented and refined in the past few years. The following aspects are important for the continued increase in sales and profitability:

– multiplication of the successful current business model
– accelerated organic growth through further development and profitable management of the controlled selling spaces in retail and wholesale, with a special focus on the retail segment
– increase in selling-space productivity
– international expansion in selected markets such as China and Turkey
– below-proportional-cost increases through positive scale effects
– possible introduction of new product lines

TOM TAILOR intends also in future to grow primarily organically. Where appropriate, the Group will enter into strategic partnerships in order to gain access to new markets and customers and advance expansion in established markets.

The outlook for 2012 and 2013 takes into account all events known at this time that could influence the business development of TOM TAILOR. However, political and economic uncertainties over which the TOM TAILOR Group has no influence could result in actual business developments that deviate from the prognoses.

Hamburg, 10 February 2012

The Management Board

Dieter Holzer
Chief Executive Officer

Dr Axel Rebien
Chief Financial Officer

Christoph Rosa
Chief Product Development and Procurement Officer

Dr Marc Schumacher
Chief Retail Officer

Consolidated Financial Statements

Smart. Results.

Consolidated Statement of Profit and Loss

Consolidated Statement of Profit and Loss for the Financial Year from 1 January to 31 December 2011

EUR thousand	Note	2011	2010
Sales	1	**411,650**	**347,728**
Other operating income	2	13,163	14,884
Cost of materials	3	– 210,076	– 187,926
Personnel costs	4	– 61,085	– 52,733
Depreciation, amortisation and impairments	5	– 25,531	– 22,964
Other operating expenses	6	– 107,285	– 91,905
Profit from operating activities		**20,836**	**7,084**
Financial result	7	**– 7,180**	**– 11,363**
Result before income tax		**13,656**	**– 4,279**
Income tax	8	– 3,584	6,685
Net result for the period		**10,072**	**2,406**
thereof			
shareholders of TOM TAILOR Holding AG		9,820	2,153
minority shareholders		252	253
Earnings per share in EUR	9		
Basic earnings per share (in EUR)		0.59	0.15
Diluted earnings per share (in EUR)		0.59	0.15

Consolidated Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income for the Financial Year from 1 January to 31 December 2011

EUR thousand	2011	2010
Net result for the period	**10,072**	**2,406**
Currency effects from foreign operations	– 104	– 519
Change in cash flow hedging reserve	5,128	– 774
Deferred taxes on hedging mark-to-market changes	– 1,620	232
Other comprehensive result	**3,404**	**– 1,061**
Comprehensive income after tax	**13,476**	**1,345**
thereof		
shareholders of TOM TAILOR Holding AG	13,224	1,092
minority shareholders	252	253

Consolidated Statement of Cash Flows

Consolidated Statement of Cash Flows for the Financial Year from 1 January to 31 December 2011

EUR thousand	2011	2010
Net result for the period	**10,072**	**2,406**
Depreciation and amortisation	25,531	22,964
Income tax expense/income	3,584	–6,685
Interest income and expenses	7,180	11,363
Change in non-current provisions	947	905
Change in current provisions	318	–2,279
Loss/gain on the disposal of intangible assets and property, plant and equipment	14	–455
Change in inventory	–17,782	–8,388
Change in receivables and other assets	–15,904	–2,212
Change in liabilities	1,786	1,839
Income taxes paid/received	–753	–512
Other non-cash changes	5,464	–3,952
Net cash flow from (used in) operating activities	**20,457**	**14,994**
Interest paid	–6,263	–7,987
Interest received	172	51
Net cash flow from (used in) current activities	**14,366**	**7,058**
Capital expenditures on intangible assets and property, plant and equipment	–22,623	–25,394
Additions from changes in the basis of consolidation	359	–2,057
Proceeds from disposal of intangible assets and property, plant and equipment	–2	776
Net cash flow from (used in) investing activities	**–22,266**	**–26,675**
IPO proceeds	–	143,000
Transaction costs (IPO)	–	–5,356
Repayment of shareholder loans	–	–32,612
Repayment of other financial liabilities	–5,231	–77,231
Net cash flow from financing activities	**–5,231**	**27,801**
Effect of exchange rate changes	24	208
Change in cash and cash equivalents	–13,107	8,392
Cash and cash equivalents at beginning of period	22,483	14,091
Cash and cash equivalents at end of period	**9,376**	**22,483**
Composition of cash and cash equivalents		
Cash balances at banks and cash in hand	9,376	22,483

Consolidated Balance Sheet

Consolidated Balance Sheet as of 31 December 2011

ASSETS

EUR thousand	Note	2011	2010
Non-current assets			
Intangible assets	10	138,832	142,301
Property, plant and equipment	11	49,578	35,187
Other assets	13	4,089	842
Prepaid expenses and deferred charges	13	2,580	3,533
		195,079	**181,863**
Current assets			
Inventories	14	57,582	39,800
Trade receivables	15	45,512	38,432
Income tax receivables		1,181	1,140
Other assets	13	9,397	1,496
Cash and cash equivalents	16	9,376	22,483
Prepaid expenses and deferred charges	13	2,363	2,687
		125,411	**106,038**
		320,490	**287,901**

Consolidated Balance Sheet as of 31 December 2011

LIABILITIES AND SHAREHOLDERS' EQUITY

EUR thousand	Note	2011	2010
Shareholders' equity			
Subscribed capital	17	16,528	16,528
Capital reserve	17	187,856	205,433
Accumulated deficit	17	–95,793	–123,215
Accumulated other comprehensive result	17	2,150	–1,254
Shareholders of TOM TAILOR Holding AG		**110,741**	**97,492**
Minority shareholdings		3,001	2,749
		113,742	**100,241**
Non-current liabilities			
Pension provisions	19	281	255
Other provisions	20	1,882	961
Deferred income tax	21	26,889	26,496
Financial liabilities	22	77,503	65,881
Other liabilities	24	3,082	3,537
Unearned income	25	1,446	2,775
		111,083	**99,905**
Current liabilities			
Other provisions	20	13,826	12,156
Current income tax liabilities		10,123	5,898
Financial liabilities	22	6,477	8,728
Trade payables	23	58,338	54,335
Other liabilities	24	5,584	5,440
Unearned income	25	1,317	1,198
		95,665	**87,755**
		320,490	**287,901**

Consolidated Statement of Changes in Equity

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

	Number of shares in thousand	Subscribed capital in EUR thousand	Capital reserve in EUR thousand	Accumulated deficit in EUR thousand
1 January 2011	**16,528**	**16,528**	**205,433**	**−123,215**
Changes in group of consolidated companies	–	–	–	–
Comprehensive income after tax	–	–	–	9,820
Withdrawal from the capital reserve	–	–	−17,602	17,602
Personnel costs due to share-based remuneration	–	–	25	–
31 December 2011	**16,528**	**16,528**	**187,856**	**−95,793**

Consolidated Statement of Changes in Equity

Consolidated Statement of Changes in Shareholders' Equity for the Financial Year from 1 January to 31 December 2010

	Number of shares in thousand	Subscribed capital in EUR thousand	Capital reserve in EUR thousand	Accumulated deficit in EUR thousand
1 January 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	–
31 December 2010	**16,528**	**16,528**	**205,433**	**−123,215**

Accumulated other comprehensive result					
Currency-related changes in EUR thousand	Cash flow hedging reserve (IAS 39) in EUR thousand	Deferred taxes on hedging mark-to-market changes in EUR thousand	Shareholders of TOM TAILOR Holding AG in EUR thousand	Minorities in EUR thousand	Total in EUR thousand
–712	**–774**	**232**	**97,492**	**2,749**	**100,241**
–	–	–	–	–	–
–104	5,128	–1,620	13,224	252	13,476
–	–	–	–	–	–
–	–	–	25	–	25
–816	**4,354**	**–1,388**	**110,741**	**3,001**	**113,742**

Accumulated other comprehensive result					
Currency-related changes in EUR thousand	Cash flow hedging reserve (IAS 39) in EUR thousand	Deferred taxes on hedging mark-to-market changes in EUR thousand	Shareholders of TOM TAILOR Holding AG in EUR thousand	Minorities in EUR thousand	Total in EUR thousand
–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**

Notes to the Consolidated Financial Statements for the Financial Year 2011

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 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 as well as the TOM TAILOR POLO TEAM brand have their own brand profile and are aimed at different target groups.

The ultimate parent company of the TOM TAILOR Group is TOM 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 2011 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 balance sheet 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 euros. Unless otherwise indicated, all amounts are given in thousands of euros (EUR thousand). Rounding differences may occur as a result of addition. The consolidated financial statements have been prepared using the acquisition cost method as a basic principle. Excepted thereof are certain financial instruments, which have been assessed at their fair value.

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

a) New regulations applicable for the year 2011

In the financial year 2011, 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 of IAS 24: Related Party Disclosures	01/01/2011	19/07/2010
Amendment of IAS 32: Classification of Subscription Rights	01/02/2010	23/12/2009
Amendment of IAS 1: Limited Exemption for First-Time Adopters from Comparative Disclosures pursuant to IFRS 7	01/07/2010	30/06/2010
Annual improvements to various standards (2010)	01/01/2011	18/02/2011
insofar as pertaining to IFRS 3	01/07/2010	18/02/2011
New or changed interpretations:		
Amendment of IFRIC 14: Advance Payments in the Context of Minimum Funding Requirements	01/01/2011	19/07/2010
IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments	01/07/2010	23/07/2010

In May 2010 the IASB published the third group of standards "Improvements to IFRSs" as part of the annual improvement process. Smaller amendments to six standards and one interpretation have been made as a result. The application of a majority of amendments is mandatory for the first time, retroactively for the financial years starting on or after 1 January 2011. The amendments to IFRS 3 "Business Combinations", contained in the group of standards, are already mandatory for application in the financial years starting on or after 1 July 2010.

Annual improvements to IFRS 3 "Business Combinations" regarding:

IFRS 3 (revised) introduces significant changes regarding the reporting of business combinations. Several effects result for the valuation of shares without controlling influence, as well as for the reporting of transaction costs, the initial recognition and the measurement subsequent to initial recognition of a conditional counter service, as well as business combinations achieved in stages. These new regulations affect the fair value for goodwill, the result of the reporting period in which a business combination takes place, and future results.

The amendments to IFRS 3 (revised) were taken into consideration in the acquisitions made during the reporting year. In the context of the purchase of the TOM TAILOR South Eastern Europe Holding GmbH, Wörgl/Austria, the new regulations have already been applied in the previous year.

The new reporting regulations have no or no significant influence on the presentation of the Group's net assets, financial position and results of operations.

b) The standards, interpretations and amendments to published standards endorsed by the IASB, which have not been adopted yet by the EU as of 31 December 2011

In the 2011 financial year, the following new or amended reporting principles already approved by the IASB, but largely not yet adopted by the EU, were not taken into consideration, as they were not yet mandatory:

Future New Regulations and Changes in Accounting

	Effective date	Date of EU endorsement
New standards or interpretations:		
IFRS 9: Financial Instruments	01/01/2015	open
IFRS 10: Consolidated Financial Statements	01/01/2013	open
IFRS 11: Joint Arrangements	01/01/2013	open
IFRS 12: Disclosures of Interests in Other Entities	01/01/2013	open
IFRS 13: Fair Value Measurement	01/01/2013	open
IFRIC 20: Stripping Costs in the Production Phase of a Surface Mining	01/01/2013	open
Amendments of standards:		
Amendment IFRS 7: Financial Instruments: Disclosures – Transfer of Financial Assets	01/07/2011	22/11/2011
Amendment IAS 1: Presentation of Financial Statements – Presentation of Items and Other Comprehensive Income	01/07/2012	open
Amendment IAS 12: Deferred Taxes – Recovery of Underlying Assets	01/01/2012	open
Amendment IAS 19: Employee Benefits	01/01/2013	open
Amendment IAS 27: Consolidated and Separate Financial Statements	01/01/2013	open
Amendment IAS 28: Investments in Associates	01/01/2013	open
Amendment IFRS 1: Severe Hyperinflation	01/07/2011	open

IFRS 9: Financial Instruments

IFRS 9 is to completely replace the present IAS 39 "Financial Instruments: Recognition and Measurement". In November 2009, initially IFRS 9 "Financial Instruments – Classification and Measurement of Financial Assets" was published. According to the method of IFRS 9, financial assets are to be carried either at amortised cost or at fair value. The classification to one of the two valuation categories depends on how a company steers its financial instruments and on the type of contractually agreed payment flows of the financial assets. The standard was amended by the regulations published in October 2010 regarding the reporting of financial liabilities as well as the derecognition of financial assets and liabilities. In December 2011 the mandatory first application of IFRS 9 was postponed by the IASB from 1 January 2013 to financial years that start on or after 1 January 2015.

On the basis of the postponement of the time of first application to 1 January 2015 and the still absent recommendation for the adoption by the EU, the Group has not yet performed a detailed review of the potential effects of IFRS 9.

IFRS 10: Consolidated Financial Statements

IFRS 10 introduces a uniform definition for the term of control, which is applicable to all companies, and therefore creates a uniform basis for the determination of a parent-subsidiary relation and the consequent inclusion in the basis of consolidation. The standard includes comprehensive application guidelines for the determination of a controlling relationship. The new standard completely replaces SIC-12 "Consolidation – Special Purpose Entities" and in part also IAS 27 "Consolidated and Separate Financial Statements".

IFRS 11: Joint Arrangements

IFRS 11 regulates the financial reporting of situations wherein a company exercises joint leadership of a joint venture or a joint operation. For the financial reporting of joint ventures, only the equity method will be permissible from now on. The thus far alternatively applicable quota consolidation will be dispensed with. The new standard replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers".

IFRS 12: Disclosures of Interests in Other Entities

IFRS 12 summarises all disclosures in the notes to the financial statements, which must be fulfilled by a company with interests in or a stake in other entities; included therein are shares in subsidiaries, shares in associated companies, shares in joint arrangements as well as shares in structured entities. The new standard replaces the present regulations on the notes to the financial statements in IAS 27, IAS 28, IAS 31 and SIC-12.

Amendment IAS 27: Consolidated and Separate Financial Statements

In consequence of the new release of IFRS 10, the amended IAS 27 now only contains regulations which are relevant for individual financial statements prepared separately according to IFRS.

Amendment IAS 28: Investments in Associates

The amended IAS 28 regulates the reporting of shares in associated companies as well as the requirements for the application of the equity method in the financial reporting of interests in associated companies and joint ventures.

The Group is currently reviewing the effects of the first application of IFRS 10, IFRS 11 and IFRS 12 for future consolidated financial statements.

IFRS 13: Fair Value Measurement

In May 2011 the IASB published the new standard IFRS 13 "Fair Value Measurement". IFRS 13 contains a definition of the fair value to be measured as well as regulations how it is to be determined, if other IFRS regulations mandate the assessment in the fair value as the measure of value. The standard itself does not contain any requirements as to the cases in which the assessed fair value has to be used. With the exception of the standards explicitly excluded in IFRS 13, IFRS 13 defines uniform disclosures in the notes to the financial statements for all assets and liabilities that are measured at fair value, as well as for all assets and liabilities that require disclosure of the measured fair value in the notes to the financial statements; thereby the disclosure obligations are expanded in particular in relation to non-financial assets.

The Group currently expects that the application of the new standard, insofar as it is adopted by the EU in this form, will lead to expanded disclosures in the notes.

Amendment IAS 19: Employee Benefits

In June 2011 the IASB published amendments of IAS 19 "Employee Benefits". The amendments essentially pertain to the abolishment of the postponed recording of actuarial profits and losses (so-called corridor method) in favour of an immediate reporting under Other Comprehensive Income in equity, immediate entry of expended work time that is to be passed to account, presentation of changes in net liabilities/assets from benefit-oriented pension plans, as well as the reporting of a net interest expense or income from net liabilities or net assets of a pension plan. Moreover, additional disclosures in the notes regarding the characteristics of the pension plans and the associated risks for the Company are required.

The Group is currently reviewing which effects the application of the amendments of IAS 19 will have. The first application will in particular lead to a change of the cumulative other comprehensive income, besides the expanded disclosures in the notes regarding actuarial profits/losses.

The Group currently does not expect that the first application of the other new reporting regulations, insofar as they will be adopted by the EU in this form, will have a significant effect on the consolidated financial statements.

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
- Tom Tailor (Switzerland) AG, Baar/Switzerland

Indirect subsidiaries:

- Tom Tailor Retail GmbH, Hamburg
- TOM TAILOR E-Commerce GmbH & Co. KG, Munich
- TOM TAILOR Verwaltungs-GmbH, Munich
- TOM TAILOR Gesellschaft m.b.H., Wörgl/Austria
- TOM TAILOR Retail Gesellschaft m.b.H., Wörgl/Austria
- TOM TAILOR Retail Joint Venture GmbH, Bregenz/Austria
- TT RETAIL GmbH, Lindau
- TT Franchise AG, Buchs/Switzerland
- Tom Tailor International Holding B.V., Oosterhout/the Netherlands
- Tom Tailor Benelux B.V., Oosterhout/ the Netherlands
- Tom Tailor (Schweiz) Retail AG, Dietikon/Switzerland
- Tom Tailor Showroom AG, Glattbrugg/Switzerland
- TOM TAILOR FRANCE SARL, Paris/France
- TOM TAILOR Retail Kft., Budapest/Hungary
- TOM TAILOR South Eastern Europe Holding GmbH, Wörgl/Austria
- TT Beta d.o.o., Sarajevo/Bosnia-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
- TOM TAILOR Retail Poland Sp. z o.o., Warsaw/Poland
- TOM TAILOR Sourcing Ltd., Hongkong/China
- TOM TAILOR Asia Ltd., Hongkong/China

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

In the financial year 2008, TT OFF SALE (NI) LTD., Belfast/United Kingdom of Great Britain and Northern Ireland was established. Tom Tailor GmbH as founding shareholder holds 49.0% of the shares in TT OFF SALE (NI) LTD. as well as its 100% subsidiary TT OFF SALE (Ireland) LTD., Dublin/Ireland.

The interest in TT OFF SALE (NI) LTD. and its subsidiary TT OFF SALE (Ireland) LTD. is included in the consolidated financial statements by means of the equity method. The reporting date of these companies coincides with that of the consolidated financial statements. We refer to Chapter D "Financial Investments" for further details.

CHANGES TO THE GROUP OF CONSOLIDATED COMPANIES

TOM TAILOR Retail Poland Sp. z o.o., Warsaw/Poland was established on 8 February 2011 and reflects the Retail Expansion in Poland. The 100% share in the share capital in the amount of EUR 12 thousand is held by Tom Tailor GmbH, Hamburg.

With effectiveness as of 1 April 2011, the TOM TAILOR Group took over 51% in TOM TAILOR Retail Joint Venture GmbH based in Bregenz/Austria and its subsidiaries TT RETAIL GmbH, Lindau, as well as TT Franchise AG, Buchs/Switzerland from Sagmeister which has been the Group's Austrian distribution partner of many years. Thereby, the strategic expansion of the controlled selling spaces and the TOM TAILOR brand are to be accelerated in Austria. By the close of contract, the eight existing TOM TAILOR franchise stores (six of them in Austria, one each in Germany and Switzerland) are managed as own retail stores. The purchase price effective for payment for the already acquired 51% of the shares initially amounts to EUR 18 thousand of the entire share capital of EUR 36 thousand. On the basis of the controlling influence as well as the certain acquisition of the remaining 49% of the shares by 2016 due to the existing put/call options and the other contractual agreements, a full consolidation of the acquired group of companies in the TOM TAILOR Group will become effective as early as 1 April 2011 without disclosure of minority interests. The purchase price for the acquisition of the remaining shares is essentially flexible in this process, depending on the development of results at the acquired companies. In consideration of the concluded agreements and the planning assumptions until 2016, preliminary purchase costs for the acquisition were assessed in the amount of approx. EUR 2.2 million. The preliminary assessment of the purchase price liability is reported as a non-current financial liability at fair value.

The fair values of the identifiable assets and liabilities of TOM TAILOR Retail Joint Venture GmbH are as follows at the time of the acquisition on a preliminary basis:

Fair Value

EUR thousand	Adjusted current value at purchase time
Intangible assets	1,177
Fixed assets	279
Trade receivables	348
Other current assets	117
Liquid funds	377
Accounts receivable trade	–53
Payables to other associates	–623
Other current liabilities	–450
Deferred tax liabilities	–353
Net assets	**820**
Purchase Price	**2,196**
Goodwill	**1,376**

In the context of the first consolidation on 1 April 2011, the revaluation method was applied and the entire existing hidden reserves were disclosed. In the context of the purchase price allocation, hidden reserves were attributed to the eight store locations taken over in the form of "key money", which is commonly used in the sector. At the time of initial consolidation, key money totalling EUR 1.2 million was reported in intangible assets. Key money is depreciated over the average duration of eight years according to the rental contracts for the various stores. For the intangible assets assessed in the context of the purchase price allocation, deferred tax liabilities amounting to approx. EUR 0.4 million were created, resulting in revalued equity of EUR 0.8 million. Netting out acquisition costs (EUR 2.2 million) against the proportional revalued equity of EUR 0.8 million results in goodwill of around EUR 1.4 million. Thus far only EUR 18 thousand of the purchase price have become effective for payment.

The acquired stores of the TOM TAILOR Retail Joint Venture GmbH have contributed to the Group figures with sales revenues of EUR 3.4 million and a result for the period amounting to EUR 0.5 million since the time of the acquisition. The effects from the business combination as early as the beginning of the financial year 2011 cannot be reported on the basis of the previously existing customer relationships and a lacking comparability of the supply and service conditions in the wholesale segment.

The 100% subsidiary BRS Purchase Consultants GmbH, Hamburg, was merged into the 100% subsidiary Tom Tailor GmbH, Hamburg, as of 1 January 2011, maintaining the carrying amounts.

TOM TAILOR Asia Ltd., Hongkong/China, which is to reflect distribution purposes in China, was established on 5 December 2011. The 100% share in the registered capital is held by Tom Tailor GmbH, Hamburg. The Company has not exercised operative business as of the balance sheet date.

With the contract from 1 November 2011, TOM TAILOR established a cooperation with its long-time partner, Asmara International Ltd. based in Hongkong. The aim of this strategic joining of forces is to bundle procurement in Asia from now on. Asmara International commands an established, efficient network of suppliers in the most important Asian procurement markets and is today already the biggest partner of TOM TAILOR in the region. TOM TAILOR holds the majority with 51% in TOM TAILOR Sourcing Ltd., Hongkong, which was established on 21 December 2011. 49% of the shares are held by the partner, Asmara International Ltd. On the basis of the controlling influence, the company is included in the disclosure of minority interest in the context of the full consolidation into the TOM TAILOR Group.

A purchase option for the acquisition of the minority share of 49% exists in favour of Tom Tailor GmbH. The option can be exercised for the first time as of 1 January 2016 and has an indefinite period. The purchase price to be paid for the remaining shares is oriented by the respective current market value of the shares. Since a reliable valuation of the purchase option was not possible at the time of the first consolidation, no value has been reported here.

With the purchase and pledge agreement from 26 October 2011, Tom Tailor Retail GmbH has acquired all limited partnership shares in TOM TAILOR E-Commerce GmbH & Co. KG, Munich, for a purchase price in the amount of EUR 2 thousand. Also with the purchase and pledge agreement from 26 October 2011, Tom Tailor Retail GmbH acquired all shares in the general partner, TOM TAILOR Verwaltungs-GmbH, Munich, for a purchase price of EUR 27 thousand. The companies had no operating business with exception of the assumption of the general partner role by TOM TAILOR Verwaltungs-GmbH. Both the 100% interest in the limited liability capital of TOM TAILOR E-Commerce GmbH & Co. KG in the amount of EUR 0.5 thousand, as well as the registered capital in TOM TAILOR Verwaltungs-GmbH in the amount of EUR 25 thousand are held by Tom Tailor Retail GmbH.

REPORTING DATE AND GROUP FINANCIAL YEAR

The consolidated financial statements were prepared as of 31 December 2011 as the reporting date (2010: 31 December 2010). The Group's financial year comprises the period from 1 January 2011 to 31 December 2011 (2010: 1 January 2010 to 31 December 2010).

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 uniform accounting and valuation principles.

CONSOLIDATION POLICIES

Capital is consolidated in accordance with IFRS 3 using the purchase method. The acquired pro rata assets and liabilities of subsidiaries are assessed at fair value at the time of acquisition. Any transaction costs are included through profit and loss.

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

Earnings from intra-Group transactions are eliminated. Revenues, expenses and income, as well as receivables and liabilities or provisions existing between Group companies are offset against each other. Interim results in fixed assets and inventories on the basis of the group-internal delivery transactions are also eliminated.

The required tax accruals or deferrals on temporary differences arising from consolidation transactions are made pursuant to IAS 12.

In the reporting year, the consolidated group was expanded by the following companies and their subsidiaries:
– TOM TAILOR E-Commerce GmbH & Co. KG, Munich
– TOM TAILOR Verwaltungs-GmbH, Munich
– TOM TAILOR Retail Joint Venture GmbH, Bregenz/Austria
– TOM TAILOR Retail Poland Sp. z o.o., Warsaw/Poland
– TOM TAILOR Sourcing Ltd., Hong Kong/China
– TOM TAILOR Asia Ltd., Hongkong/China

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 reported.

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) 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 reported in the financial statements of subsidiaries, which have been prepared in foreign currencies, are converted at the average rate for the year, while assets and liabilities are converted at the mean rate on the reporting day. The currency difference arising from the translation of equity at historical rates is recognised directly in other comprehensive income, as are the translation differences arising from the profit and loss statement.

In the separate financial statements of the companies included in the consolidation, foreign currency receivables and liabilities are valued at the rate of the purchase price at the time of addition. Foreign exchange gains and losses at the reporting date are included as affecting net income.

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

Important Exchange Rates

	Current rate		Average rate	
EUR	31/12/2011	31/12/2010	2011	2010
US dollar	1.29	1.34	1.39	1.33
Swiss franc	1.22	1.25	1.23	1.38

RECOGNITION OF INCOME AND EXPENSES

Revenue from sales of products is recorded when ownership/risks are transferred to the customer, provided a price has been agreed or is determinable and payment can be assumed. Sales revenues are reported net of discounts, write-downs, customer bonuses or rebates after the elimination of group-internal sales.

In the context of its online business, the Group has a customer loyalty programme, wherein the customers can collect loyalty points with each purchase in the online shop, depending on the amount of their transacted turnover. If a certain point score is reached, the points are exchanged for a gift coupon. The received purchase price is split over the sold products and granted points, while the counter service is attributed in the equivalent of the points at their current value. The counter service will only be included in the revenues when the gift coupon used by the customer and the Company has fulfilled its obligation for performance.

Licence agreements and other income are included on an accrual basis according to the terms of the underlying agreements.

Operating expenses affect net income upon the use of the service or at the time of their economic causation.

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

BUSINESS COMBINATIONS

Business combinations are reported according to the acquisition method, wherein the purchase price is netted out against the revalued, proportional net assets of the acquired company (consolidation of capital). In the process, the value ratios 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 in values are disclosed in full amount, i.e. assets, liabilities and contingent liabilities of subsidiaries that can be measured are reported in their fair values in the consolidated financial statements, irrespective of existing minority interests. The fair value determination for individual assets is arrived at by means of publicly quoted stock exchange or market prices at the time of acquisition or valuation assessments conducted externally. If stock exchange or market prices cannot be obtained, the fair values are calculated using the most reliable information available that is based on market prices or comparable assets and transactions or suitable measurement procedures. Intangible assets have to be recognised separately, if they can be clearly separated or if their measurement is based on a contractual or other right. They are not included in the goodwill. Provisions for restructuring measures may not be newly created as part of the purchase price allocation. If the paid purchase price is higher than the revalued pro rata net assets at the time of the acquisition, the positive difference is capitalised as goodwill. Any negative difference is immediately dissolved as affecting net income.

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. A review will also be carried out when events or circumstances (triggering events) arise, which indicate a possible reduction of values.

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 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, they are amortised on a straight-line basis as scheduled over their useful life, which ranges between three and 17 years.

Intangible assets with indefinite useful lives are tested for impairment on a regular basis, at least once a year, and, if they are found to be impaired they are adjusted to their recoverable amount. If the reason for a previously applied impairment has been eliminated, an addition to the amortised costs will be made.

The depreciations and value reductions are shown in the profit and loss statement in the item “Depreciation, amortisation and impairments”.

Development costs are recorded as current expenses, since they do not meet the conditions for capitalisation under IAS 38. These are mostly the costs for development of collections and creating new product lines.

PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment is valued in the purchasing or manufacturing costs according to IAS 16 less depreciation and, if applicable, impairment losses. Depreciation on property, plant and equipment is made on a straight-line basis corresponding with the pattern of use. If depreciable items of property, plant and equipment have different useful lives, they are depreciated separately as scheduled.

Low-value assets with purchase costs of up to EUR 150.00 are included under criteria of relevance in the full amount of their costs in the year of their addition.

The scheduled depreciations are based on the following useful lives throughout 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 might 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 indication of a possible impairment. The value is assessed by comparing the carrying amount to the recoverable amount. The recoverable amount corresponds to the greater of the two values resulting from the fair value less costs to sell and the present value of the attributable future cash flows due to the continued use of the asset. If the carrying amount is greater than the recoverable amount, the asset will be impaired by the resulting difference. If the reasons for an impairment made in previous years are eliminated, the corresponding additions will be made.

The annual impairment test for goodwill from the first-time consolidation and from other intangible assets with an indefinite useful life is conducted on the level of the cash-generating unit that is relevant for the test. The value is determined by comparison of the carrying amount of the cash-generating unit including the attributable goodwill, or the carrying amount of the other intangible assets with an indefinite useful life, to the recoverable amount. If the carrying amount exceeds the recoverable value of the unit, an impairment equal to the difference is present, which has to be recorded as affecting net income. An impairment of goodwill will not be adjusted again by additions 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). The assets classified as held under finance leases are capitalised in their market value or the lower cash value of the sum of minimum lease payments.

Depreciation is made on a straight-line basis for the expected useful life or the shorter contract period. The future payment liabilities resulting from leasing payments are treated as deferred items under financial liabilities at their present values.

The interest portion of the lease liabilities is recorded 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 below EUR 1 thousand.

The interest of 49% in the registered capital of TT OFF SALE (NI) LTD. and TT OFF SALE (Ireland) LTD. is included in the consolidated financial statements by means of the equity method.

FINANCIAL INSTRUMENTS

(a) General

Financial instruments are reported according to IAS 39 – insofar as it is relevant for the TOM TAILOR Group – and are 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 balance sheet items or future cash flows.

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

Financial instruments are recognised at amortised cost or at 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 payments from the investment have expired or have been transferred and the Group has essentially transferred all risks and rewards associated with ownership, or respectively at the time of settlement in the case of loans and receivables.

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 accepted financial mathematical methods on the basis of the market parameters valid as of the relevant reporting date as well as by confirmations from banks.

On each reporting date, it is reviewed 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 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, it is regularly assessed whether there is substantial evidence suggesting that an impairment of a financial asset or a portfolio of assets has taken place. After an impairment test is performed, a required impairment loss is included in the result.

(b) Derivative financial instruments and hedge accounting

Derivative financial instruments are recognised at fair value pursuant to IAS 39 in the scope of the valuation of the addition on the day of the close of contract. The subsequent valuation is also made at the fair value applicable on the respective reporting date. Insofar as derivative financial instruments are not part of hedge accounting, they are classified as fair value through profit and loss according to IAS 39. The method for recording profit and loss depends on whether the derivative financial instrument was classified as hedge accounting and on the type of the hedged item.

Derivative financial instruments were used in the Group in the reporting year for hedging interest and currency risks from the operative business, in particular for purposes of hedging the planned product purchases in foreign currency.

TOM TAILOR Holding AG hedges cash flows on the basis of specified minimum hedging rates. At the level of individual companies, exchange rate risks are hedged against for future transactions that are very likely to materialise within a 12-month period. For this purpose, a rolling budget planning is employed. These hedges are reported as cash flow hedges according to IAS 39 in the financial year 2011.

Derivative financial instruments used in the scope of the cash flow hedge accounting are recognised at fair value. The valuation result is divided into an effective and ineffective portion. The effective portion of the profit or loss from the hedging instruments is shown directly in other comprehensive income with deferred taxes taken into account, and it is reclassified in the Group's profit and loss statement as soon as the hedged cash flows also affect the profit and loss statement, or when a hedged future transaction does not materialise. The ineffective portions of the hedging relationship are immediately recorded in profit or loss.

DEFERRED TAXES

Deferred tax assets and liabilities are created according to IAS 12 for all temporary differences between the tax and IFRS balance sheet valuations (balance sheet liability method) as well as for certain consolidation measures, with exception of deferred taxes from the first-time inclusion of goodwill or from initial recognition of an asset or a liability from a transaction, which is not a business combination and which has neither influenced the balance sheet nor the tax result at the time of the transaction.

Deferred tax assets and deferred tax liabilities are balanced when the Group holds legal claim that can be filed in court for the offsetting of the actual tax reimbursement claims against actual tax liabilities, and if these relate to the taxes on profit of the same tax subject that are claimed by the same tax office.

Deferred tax liabilities also include tax reduction claims, which result from the expected use of existing loss carryforwards, in particular from interest losses that can be carried forward on the basis of the thus far applicable interest barrier. Deferred taxes are calculated using the tax rates that are applicable or expected according to the current legal situation in the individual countries at the time of realisation.

Deferred taxes for domestic companies are assessed with a total tax rate of 30% (2010: 30%). Therein, besides the corporation tax of 15% (2010: 15%), the solidarity surcharge of 5.5% (2010: 5.5%) on the corporation tax and the average trade tax rate of 14% (2010: 14%) are included by the Group. For foreign companies, the respective national tax rates are used.

Deferred taxes are reported as non-current items and are not discounted by interest.

Changes of deferred taxes in the balance sheet generally lead to a deferred tax loss or tax profit. Insofar as facts, which are entailed by a change in the deferred taxes, are directly recorded in equity capital or in other comprehensive income, the change in the deferred taxes will be directly included in equity or other comprehensive income.

RECEIVABLES AND OTHER ASSETS

Receivables and other assets are recognised at cost. All identifiable risks are accounted for by means of appropriate value adjustments. Non-interest earnings or low-interest receivables with a term of more than one year are discounted, for which purpose the effective interest method is used by TOM TAILOR. 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 purchase costs.

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

For the consideration of inventory risks, individual write-downs are made for certain inventories on the basis of materials mobility analysis and the analysis of the coverage of requirements.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are measured at their nominal value.

COST OF RAISING EQUITY

In accordance with IAS 32 the directly attributable costs relating to the public offering were offset against the capital reserve without affecting net income and less income tax advantages associated to them. Insofar as these were additional costs that would have been avoided otherwise, an entry affecting net income was made. The costs that could not be definitively attributed to the public offering were divided by means of a reasonable key into costs that are to be directly offset against equity and the costs that are to be reported as expenses in the reporting period.

DIVIDEND DISTRIBUTION

The entitlements of the shareholders for dividend distributions are recorded as liability in the period in which the corresponding resolution is passed.

EMPLOYEE BENEFITS

Pension obligations

Pension provisions are created using the projected unit credit method according to IAS 19, based on conservative estimates of the relevant parameters. The calculations are based on actuarial reports taking biometric data into account. 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 included in full in profit and loss in the respective year. The expenditures resulting from compounding the pension obligations as well as the expected asset returns from the reinsurance policies are recognised in the financial result. All other expenses related to the assessment of pension obligations are allocated to personnel costs.

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 performance-based benefit obligation in accordance with IAS 19. The cash value of the performance-based benefit obligation is calculated by discounting the benefit earned using the projected unit credit method. The payment obligation resulting from the programme is calculated based on how the programme participants perform their duties in exchange for the payments expected to be made by TOM TAILOR in subsequent reporting periods. The expenses are recorded in personnel costs with the exception of interest expenses, which are allocated to the net financial result.

SHARE-BASED PAYMENT

The calculation of the obligations from the matching stock programme (MSP) for the Management Board members follows from IFRS 2 by means of financial mathematical 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 instruments at the time when the benefit is granted. Further information on how the fair value of equity-settled share-based payments is calculated, is provided in section H “Other Disclosures and Notes”.

The fair value of the equity instruments is recorded incrementally over the earning period as personnel costs with a corresponding increase in the equity capital. It is based on various assessment 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 profit and loss statement. A corresponding adjustment is subsequently made in equity.

OTHER PROVISIONS

Other provisions are created if a present legal or de facto obligation exists toward a third party, which is likely to lead to a future outflow of funds and if the amount of the provision can be estimated reliably. The measurement is made in full cost amount. Non-current provisions with a remaining term of more than one year are recognised at the present of their settlement amount as of the balance sheet date.

Insofar as the possibility of an outflow of funds is not highly probable, but not very unlikely, either, a description of these contingent liabilities is provided in the notes to the consolidated financial statements.

FINANCIAL AND OTHER LIABILITIES

Financial liabilities are initially recognised at cost, which is equivalent to the fair value of the received counterservice. In this process, the transaction costs are also taken into account. Consequently, the liabilities with exception of derivative financial instruments are assessed in their maintained purchase costs in application of the effective interest method. Other liabilities are assessed in their repayment amount.

SIGNIFICANT JUDGMENTS, 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 recoverability of receivables, when measuring and balancing and assessing provisions accounts, and when assessing the realisability of future tax benefits. Specifically when recognising business combinations, the acquired assets and liabilities are measured at fair value. For this purpose, DCF-based procedures are frequently used, the result of which depend on the expected future cash flows and other assumptions. Although these estimates reflect the management's current knowledge, actual results may differ from these estimates. Changes on the basis of retrospective better knowledge within a period of 12 months after the initial consolidation date are included by adjustment of goodwill. Changes in excess thereof will be recorded through profit and loss at the time of better knowledge.

BORROWING COSTS

Borrowing costs, which can be directly attributed to the acquisition, construction or production of an asset, and for which a considerable amount of time is necessary to achieve a functional condition for the intended use, are capitalised as part of the acquisition and production costs of the relevant asset. Other borrowing costs are recorded as expenses in the period when they were incurred.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the balance sheet date, which provided additional information about the Group's situation on the balance sheet date (adjusting events) are taken into consideration for the balance sheet.

If they are significant, events after the balance sheet date that do not qualify for inclusion (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 segment reporting shows the breakdown of revenues by business segments as well as by region.

2. OTHER OPERATING INCOME

Other operating income consists of the following:

Other Operating Income

EUR thousand	2011	2010
Royalties	3,108	2,521
Shopfitting commissions/bonuses	2,894	3,510
Recharged freight and other costs	1,680	1,834
Income from recharged marketing expenses	1,579	1,614
Foreign exchange gains	644	2,124
Income from the reversal of provisions	211	50
Insurance proceeds	130	204
Income from the reversal of allowances for impairment	–	3
Other operating income	2,917	3,024
	13,163	**14,884**

The increased income from licences is due to new licence products on the one hand, and on the other this income corresponds to the revenue development and the increasing brand awareness for TOM TAILOR.

The significant reduction of exchange rate gains was caused both by the USD currency development as well as by the inclusion of the market valuation of the completed currency hedging transactions directly in equity.

3. COST OF MATERIALS

Cost of materials mainly consists of expenditures for purchased goods.

4. PERSONNEL EXPENSES

Personnel expenses are composed as follows:

Personnel Expenses

EUR thousand	2011	2010
Wages and salaries	52,139	42,468
Non-recurring remuneration for IPO/ discharge of Management Board members	–	2,964
Social security, pension and other benefit expenses	8,946	7,301
	61,085	**52,733**

The wages and salaries item includes expenditures in the amount of EUR 164 thousand (2010: EUR 331 thousand) for the stock-based remuneration system MSP, as well as in the amount of EUR 692 thousand (2010: EUR 753 thousand) for the LTI programme granted to executives.

The expenditures for personnel correspond to the risen number of employees. The increase of the number of employees compared to the previous year's balance sheet date is largely due to the expansion in the retail segment.

The average number of employed staff (without Management Board and temporary workers) is:

Number of Employees

	2011	2010
Blue-collar staff	14	15
White-collar staff	1,401	975
	1,415	**990**

Included in the expenses for wages and salaries are severance payments in the amount of EUR 459 thousand (2010: EUR 295 thousand). The personnel expenses, aside from additions to the performance-based compensation plans in the amount of EUR 16 thousand (2010: EUR 93 thousand) also include defined contribution in the form of contribution payments by the employer to the statutory pension insurance in the amount of EUR 2.9 million (2010: EUR 2.5 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 of depreciation, amortisation and impairments results in particular from the investments made in previous financial years and in the reporting year in context of the expansion activity of TOM TAILOR.

6. OTHER OPERATING EXPENSES

Other operating expenses consist of the following:

Other Operating Expenses

EUR thousand	2011	2010
Distribution expenses	25,789	21,017
Administrative expenses	16,107	18,305
Operating and other expenses	65,389	52,583
	107,285	**91,905**

The increase of the distribution expenses is due to the expansion of marketing activities on the basis of a higher marketing budget in the financial year 2011.

In the area of operating and other expenses in particular rental expenses increased due to the further expansion in 2011.

7. NET FINANCIAL RESULT

Net Financial Result

EUR thousand	2011	2010
Interest income	613	50
Interest expense	–7,793	–11,413
	–7,180	**–11,363**

Interest expenses are essentially due to bank loans taken out.

The reduction in interest expenses is mostly due to the repayment of financial debt following the successful public offering in 2010.

By the replacement of the former financing structure, the structuring costs paid in previous years for the duration of the redeemed loans have become effective for net income in 2010 in the amount of around EUR 3,379 thousand for the last time in the previous year.

In the previous year, interest expenses additionally included the interest payable to mezzanine investors in the amount of EUR 912 thousand as well as to shareholders in the amount of EUR 801 thousand originating from the time of the IPO, which were not incurred again in the current financial year.

Besides the described effects, the interest expenses include expenditures from compounding pension provisions in the amount of EUR 84 thousand (2010: EUR 81 thousand). Furthermore, interest expenses were incurred in the amount of EUR 167 thousand (2010: EUR 141 thousand) on the basis of compounding financial liabilities in the context of the purchase of shares.

8. INCOME TAXES

The significant components of the income taxes are as follows:

Tax Expense

EUR thousand	2011	2010
Current taxes		
Current income taxes for the financial year	–5,326	–535
Adjustments to previous year's figures	272	237
	–5,054	**–298**
Deferred taxes		
Utilisation of loss/interest carried forward	–1,393	–
Loss carryforwards	–	7,080
Creation and reversal of temporary differences	2,863	1,510
Tax effect on the cost of raising equity with no effect on profit and loss	–	–1,607
	1,470	**6,983**
	–3,584	**6,685**

In the financial year 2010, due to the option for offsetting against future tax results, deferred tax assets of altogether EUR 6,660 thousand were taken into account for cumulative interest carryforwards in the amount of EUR 24,189 thousand. The interest carryforwards result from the so-called "interest barrier", which limits the deductibility of interest expenses to a maximum of 30% of the taxable EBITDA.

In the reporting year, a part of the interest carryforwards could be used in terms of tax so that the cumulative interest carryforwards amount to EUR 19,710 thousand at the end of 2011. The deferred tax assets created for this now amount to EUR 5,601 thousand.

The deferred income taxes from the creation and reversal of temporary differences result from different value measurements for assets and liabilities in the consolidated financial statements and the tax balance sheets as well as from consolidation measures.

No deferred taxes have been created for the perpetual tax loss carryforwards existing for TOM TAILOR FRANCE SARL in the amount of EUR 5.7 million (2010: EUR 4.5 million). Due to the start-up phase, the Company currently does not expect that it will be possible to use the loss carryforwards in the medium term.

In the Group tax loss carryforwards and interest carryforwards existed at the balance sheet date in the total amount of EUR 25.7 million (2010: EUR 33.1 million). Because there are no offsetting options, no deferred taxes have been created for the loss carryforwards in the amount of EUR 6.0 million (2010: EUR 7.3 million).

The transition from the expected to the reported tax expense is as follows:

Statement of Reconciliation for Taxes

EUR thousand	2011	2010
Earnings before taxes	13,656	–4,279
Average total tax rate	30%	30%
Expected income tax expense	–4,097	1,284
Reconciliation:		
Interest loss carryforward	322	6,660
Interest loss 2010 (included unexpected tax expense)	–	–1,523
Utilisability of other loss carryforwards	–115	138
Difference in tax rates	1,017	137
Other non-deductible expenses and non-taxable income	–1,416	–582
Previous period adjustments	528	237
Other	176	334
Tax income/expense recognised	**–3,584**	**6,685**
Income tax burden	**26%**	**156%**

In the calculation of deferred taxes, a uniform tax rate of 30.0% (2010: 30.0%) was taken as a basis in simplification. Regarding the derivation of the tax rate, we refer to our explanations in the section “B. Accounting, Consolidation and Measurement Policies”.

Effects from differences in tax rates resulted from deviations of the trade tax collection rate used to calculate deferred taxes and the actual mixed trade collection rate.

Tax effects from deviations in the tax assessment base resulted in a relevant part from expenses that cannot be deducted from tax and from additions made under trade tax principles.

The non-periodic effects result from subsequent tax payments or subsequent tax refunds for previous years.

9. EARNINGS PER SHARE

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

There were no outstanding shares, neither as of 31 December 2011 nor as of 31 December 2010, which diluted earnings. Thus, the diluted earnings per share are identical with the undiluted earnings per share.

The results and the average weighted number of registered shares that are included in the calculation of the earnings per share are shown in the table below:

Earnings per Share

	31/12/2011	31/12/2010
Total shares as of reporting date	16,528,169	16,528,169

	2011	2010
Share of consolidated earnings attributable to owners of the parent company (in EUR thousand)	9,820	2,153
Weighted average number of ordinary shares (in thousands of shares)	16,528	13,905
Basic earnings per share (in EUR)	0.59	0.15
Diluted earnings per share (in EUR)	0.59	0.15

D. NOTES TO THE BALANCE SHEET

10. INTANGIBLE ASSETS

Intangible assets consist of the following:

Intangible Assets

EUR thousand	31/12/2011	31/12/2010
Hidden reserves disclosed as part of first-time consolidations		
Brand	62,221	62,221
Customer basis	28,031	31,350
Licence agreements and similar rights	18,474	19,959
	108,726	**113,530**
Other		
Shopfitting contributions	14,794	18,480
Other usage rights	4,037	1,795
Software	1,743	737
	20,574	**21,012**
Software leased under finance leases	479	–
	129,779	**134,542**
Goodwill		
from the acquisition of the minority interest in TOM TAILOR Gesellschaft m.b.H., Wörgl	3,361	3,361
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	2,025
from the first-time consolidation of TOM TAILOR Retail Joint Venture GmbH, Bregenz	1,376	–
	9,053	**7,677**
Advance payments made		
Licences	–	82
	138,832	**142,301**

The presentation for the shop allowances granted in the reporting year was changed compared to the previous year. The granted allowances are now reported under other non-current assets and are recognised in rental expenses through profit and loss for the duration of the underlying contractual relationships. The adjustment of the previous year values could not be made, since the corresponding data in earlier periods was not recorded in a way and manner that allows for a retroactive application of the changed entry (IAS 8.50).

With the contract from 29 April 2011, the successful co-operation with the owner of Sportina Bled D.O.O, Lesce/Slovenia ("Sportina") was expanded. In the scope of the concluded agreements, TOM TAILOR gradually took over the 21 existing retail stores, which have until now been run under a third-party brand, into the group of companies TOM TAILOR South Eastern Europe Holding GmbH that was established in October 2010. The purchase price for the 21 existing retail stores depends on the economic development of the stores until September 2012 and initially amounts to EUR 4.1 million. The range of the purchase price is between 60% and 120% of the original assessment base of EUR 6.8 million depending on the development of the stores. The purchase price to be paid depends on the liquidity generated by the acquired stores.

All stores were taken over by the end of September 2011. The assessed purchase price liability (including sales tax) is shown as non-current financial liability. Therein, the purchase price is in the amount of EUR 1.7 million for the taken-over carrying amounts of the existing store furniture and in the amount of EUR 1.8 million for the industry's common "key money" amounts of the sites. The key money is depreciated over the average duration of the sites' rental agreements of about six years and is recognised in intangible assets. No purchase price payments have been made yet in the reporting period.

The group of companies TOM TAILOR South Eastern Europe Holding GmbH has contributed to the Group figures with sales revenues of EUR 16.7 million and a net result for the period amounting to EUR 0.5 million since the time of the acquisition.

Impaired intangible assets do not exist.

The brand as well as the goodwill are not amortised on a straight-line basis. As of the balance sheet date, the impairment tests for the brand, as relevant intangible asset, as well as for the existing goodwill were performed by means of a DCF-based value in the use value calculation. The intangible assets are attributed to the respective cash-generating units and are subjected to an impairment test on this level. Unchanged to the previous year, the cash-generating units in the TOM TAILOR Group are the segments wholesale and retail.

Within the scope of the impairment test the brand value allocated to the wholesale segment is EUR 44.8 million and to the retail segment EUR 17.4 million. Goodwill is assigned to the wholesale segment at EUR 4.9 million and at EUR 4.1 million for the retail segment.

Basis for the impairment test is the Company's planning with a detailed planning period of three years and a subsequent perpetual growth period.

For the determination of the fair value, cash inflows were forecasted for the next three years based on the experiences of the past, current operative results and the best estimate given by the management for future developments as well as market assumptions.

The DCF-based value in use calculation is made on the assumption of sustainable sales growth in the detailed planning period. In part, risk discounts were applied to the revenues for regional particularities or Company-specific market share developments.

For the extrapolation of the future cash flows during the perpetual growth period a growth rate of 0.5% was applied. The weighted average cost of capital (WACC) applied for discounting future cash flows was determined on the base of market data. As of 31 December 2011 WACC before taxes was calculated as 9.4% (2010: 9.1%) and WACC after tax of 6.6% (2010: 6.4%)

The impairment tests did not result in any impairment losses. The goodwill from the acquisition of TOM TAILOR Retail Joint Venture GmbH, Bregenz, which is attributed to the retail segment, is based on a transaction that has only been executed recently, so that here as well no indications of a potential impairment are present.

The customer bases, 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 on a straight-line basis over the respective useful life duration. As of the reporting date, there were no indications (triggering events) of an impairment of these intangible assets.

Intangible assets changed as follows in 2011:

Intangible Assets 2011

EUR thousand		Brand	Goodwill	Customer basis	Licence agreements and similar rights	Other	Advance payments made	Total
Acquisition cost	1 January 2011	62,221	7,677	67,074	31,421	42,847	82	211,322
Foreign exchange differences		–	–	–	–	24	–	24
Changes in group of consolidated companies		–	1,376	–	1,175	4	–	2,555
Additions		–	–	–	–	8,538	186	8,724
Reclassifications		–	–	–	–	– 14	– 268	– 282
Disposals		–	–	–	–	– 841	–	– 841
Acquisition cost	**31 December 2011**	**62,221**	**9,053**	**67,074**	**32,596**	**50,558**	**–**	**221,502**
Amortisation and impairments	1 January 2011	–	–	35,724	11,462	21,835	–	69,021
Foreign exchange differences		–	–	–	–	23	–	23
Changes in group of consolidated companies		–	–	–	–	2	–	2
Additions		–	–	3,319	2,660	8,476	–	14,455
Disposals		–	–	–	–	– 831	–	– 831
Amortisation and impairments	**31 December 2011**	**–**	**–**	**39,043**	**14,122**	**29,505**	–	**82,670**
Net carrying amounts	1 January 2011	62,221	7,677	31,350	19,959	21,012	82	142,301
Net carrying amounts	**31 December 2011**	**62,221**	**9,053**	**28,031**	**18,474**	**21,053**	**–**	**138,832**
including leased assets of								**479**

Additions from the change in the group of consolidated companies resulted from the acquisition of TOM TAILOR Retail Joint Venture GmbH, Bregenz, as of 1 April 2011. We refer to our explanations regarding the change in the group of consolidated companies in section B.

Customer basis changed as follows in 2011:

Development of Activated Customer Basis

EUR thousand		Regular customers	Franchise partners	SIS customers	Multi-label customers	Total customer basis
Acquisition cost	1 January 2011	46,873	1,705	8,498	9,998	67,074
Additions		–	–	–	–	–
Disposals		–	–	–	–	–
Acquisition cost	**31 December 2011**	**46,873**	**1,705**	**8,498**	**9,998**	**67,074**
Amortisation and impairments	1 January 2011	16,084	1,658	8,262	9,720	35,724
Additions		2,758	47	236	278	3,319
Disposals		–	–	–	–	–
Amortisation and impairments	**31 December 2011**	**18,842**	**1,705**	**8,498**	**9,998**	**39,043**
Net carrying amounts	1 January 2011	30,789	47	236	278	31,350
Net carrying amounts	**31 December 2011**	**28,031**	**–**	**–**	**–**	**28,031**

Intangible assets changed as follows in the financial year 2010:

Intangible Assets 2010

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

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	1 January 2010	46,873	1,705	8,498	9,998	67,074
Additions		–	–	–	–	–
Disposals		–	–	–	–	–
Acquisition cost	**31 December 2010**	**46,873**	**1,705**	**8,498**	**9,998**	**67,074**
Amortisation and impairments	1 January 2010	13,326	1,373	6,846	8,054	29,599
Additions		2,758	285	1,416	1,666	6,125
Disposals		–	–	–	–	–
Amortisation and impairments	**31 December 2010**	**16,084**	**1,658**	**8,262**	**9,720**	**35,724**
Net carrying amounts	1 January 2010	33,547	332	1,652	1,944	37,475
Net carrying amounts	**31 December 2010**	**30,789**	**47**	**236**	**278**	**31,350**

11. PROPERTY, PLANT AND EQUIPMENT

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

Property, plant and equipment changed as follows:

Property, Plant and Equipment 2011

EUR thousand		Land and buildings including buildings on third-party land	Other equipment, furniture and fixtures	Advance payments made	Total
Acquisition cost	1 January 2011	2,333	64,130	887	67,350
Foreign exchange differences		–23	–72	–	–95
Change in group of consolidated companies		–	882	–	882
Additions		2,030	23,410	159	25,599
Reclassifications		–	970	–688	282
Disposals		–	–956	–225	–1,181
Acquisition cost	**31 December 2011**	**4,340**	**88,364**	**133**	**92,837**
Depreciation and impairments	1 January 2011	304	31,848	11	32,163
Foreign exchange differences		–2	1	–	–1
Changes in group of consolidated companies		–	605	–	605
Additions		341	10,725	10	11,076
Disposals		–	–584	–	–584
Depreciation and impairments		**643**	**42,595**	**21**	**43,259**
Net carrying amounts	1 January 2011	2,029	32,282	876	35,187
Net carrying amounts	**31 December 2011**	**3,697**	**45,769**	**112**	**49,578**
including leased assets of					**13,190**

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

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

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

There were no impairments or impairment reversals on fixed assets in the reporting year and neither in the previous year.

Please refer to 22. (c) "Disclosures on assets pledged as securities for liabilities" for details of the chattel mortgage on fixed assets.

Details on 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	31/12/2011	31/12/2010
Minimum lease payments		
up to 1 year	4,939	3,708
1 to 5 years	9,811	7,089
more than 5 years	–	152
	14,750	**10,949**
Interest component		
up to 1 year	869	708
1 to 5 years	1,059	836
more than 5 years	–	1
	1,928	**1,545**
Present value of minimum lease payments		
up to 1 year	4,070	3,000
1 to 5 years	8,753	6,253
more than 5 years	–	151
	12,823	**9,404**

None of the lease agreements can be cancelled prematurely.

Operating Leases

Besides the finance leases, the Company also concluded lease agreements and rental agreements that are classified as operating leases by their economic content according to IAS 17, so that the affected lease objects are 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

In the financial year 2008, TT OFF SALE (NI) LTD., Belfast/UK was established. Tom Tailor GmbH holds an interest of 49.0% in TT OFF SALE (NI) LTD. The shareholding was included in the consolidated financial statements by means of the equity method.

The contribution was paid in cash and amounted to GBP 100 (equivalent to EUR 104). The company has suffered an annual deficit in the amount of GBP 287 thousand (equivalent to EUR 330 thousand) in the reporting year with sales revenues of GBP 799 thousand (equivalent to EUR 920 thousand). Because the loss share allocated to the Group in the amount of EUR 162 thousand exceeds the carrying amount of the shareholding, the proportional losses in the Group are only included up to the amount of the carrying amount of the shareholding (EUR 0 thousand). The cumulative loss share of EUR 1,373 thousand therefore was not considered in the consolidated financial statement.

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

Tom Tailor GmbH delivered goods to TT OFF SALE (NI) LTD. in a value of EUR 1,024 thousand. The gross profit realised by these deliveries of goods was cancelled out in the consolidated financial statements of TOM TAILOR Holding AG, as far as these goods had not yet been resold to third parties by TT OFF SALE (NI) LTD. as of the balance sheet date. In absence of a carrying amount of this interest, which is sufficient for the elimination of the interim result, the entries to account were made against trade receivables. Sales revenues are lessened accordingly. Deferred taxes are created on the consolidation entry.

In the financial year 2009 TT OFF SALE (Ireland) LTD., Dublin/Ireland, was established. Tom Tailor GmbH holds 49.0% of the shares in the company indirectly through TT OFF SALE (NI) LTD.

From the company's annual financial statements, sales revenues in the amount of EUR 1,269 thousand result for the reporting year and a deficit for the year in the amount of EUR 337 thousand. The TT OFF SALE (Ireland) LTD. has non-current assets in the amount of EUR 145 thousand, current assets of EUR 427 thousand as well as current liabilities of EUR 967 thousand. On the basis of the results of the previous years and the deficit for the year, negative equity of EUR 395 thousand results.

There is no market value of the share.

13. OTHER ASSETS/PREPAYMENTS AND DEFERRED INCOME

Other assets contain:

Other Assets

EUR thousand	31/12/2011	31/12/2010
Market value of forward exchange contracts	4,624	–
Creditors with debit balances	2,840	514
Security deposits	2,176	829
Shop subsidies	1,913	–
VAT (value added tax) receivables	1,243	532
Receivables from Management Board members	–	146
Market value of interest cap	–	13
Other assets	690	304
	13,486	**2,338**
of which non-current	4,089	842
of which current	9,397	1,496

For the first time, the other assets include payments made in the business year 2011 for shop furnishings in the wholesale segment separated asset-side as shop subsidies. They are reversed over the contract period as rental expenses. Refer to the explanations under 10. "Intangible Assets".

The prepayments and deferred income of the reporting year in the amount of EUR 4,943 thousand (2010: EUR 6,220 thousand) essentially contain a commission paid to an Asian purchasing agency.

14. INVENTORIES

The inventories are composed of the following:

Inventories

EUR thousand	31/12/2011	31/12/2010
Raw materials and supplies	1,105	223
Merchandise	56,477	39,577
	57,582	**39,800**

Allowances for write-downs to the lower net realisable value increased by EUR 420 thousand compared to the previous year (2010: reduction by EUR 36 thousand). The changes were recognised in profit and loss. Probable sales costs still to be incurred were considered in this. Reversal of impairment recognised in profit and loss was realised within the scope of sales in an immaterial amount.

The carrying amount of the net realisable values of the reported inventories was EUR 56,477 thousand (2010: EUR 39,577 thousand) on the balance sheet date. Variable goods in the amount of EUR 13,502 thousand (2010: EUR 10,408 thousand) are included in inventories. The increase of inventories is essentially due to the expansion of controlled areas and the positive development of sales. The expansion in the retail segment is especially related to a corresponding increase of inventories.

With respect to the transfer of ownership of the inventories by way of security, refer to 22. (c) "Disclosures on assets pledged as securities for liabilities".

15. TRADE RECEIVABLES

Trade Receivables

EUR thousand	31/12/2011	31/12/2010
Trade receivables	42,977	35,320
Receivables from an associated company	2,535	3,112
	45,512	**38,432**

Trade receivables have a remaining term of below one year as in the previous year. Their carrying amount corresponds to their fair value. With respect to global assignment of receivables, refer to 22. (c) "Disclosures on assets pledged as securities for liabilities".

The following table shows the changes of the valuation allowance for the current receivables within the financial assets of the (carried forward) procurement costs:

Valuation Allowance of Current Receivables

EUR thousand	31/12/2011	31/12/2010
Balance at beginning of year	3,452	5,675
Additions recognised in profit and loss	1,170	1,123
Utilisation	–990	–3,343
Reversal	–	–3
Balance at end of year	**3,632**	**3,452**

The receivables shown above contain amounts (see ageing structure analysis), which were overdue as of balance sheet date, but for which the Group has not entered any valuation allowances. This is due to the fact that the credit rating of the customers has not undergone any essential changes and the receipt of the outstanding amounts is still expected. As a basis for this assessment, the Group has for the most part collateral, instalment payment agreements, documents about the economic situations as well as off-setting options with the counter-party.

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

Ageing Structure of Trade Receivables

				Overdue but not impaired		
EUR thousand	Total	Not overdue and not impaired	Carrying amount of impaired receivables	< 30 days	30–90 days	> 90 days
2011	45,512	28,294	6,630	3,918	3,342	3,328
2010	38,432	24,769	4,673	3,643	4,401	946

In determining the value of trade receivables, every change of credit rating is considered since granting of the payment deadline until the balance sheet date. Supplier credit granted to customers is not classified as due. As of the balance sheet date, there is no significant concentration of a credit risk due to the large customer base.

Expenses for receivable losses and value adjustments of receivable amount to a total of EUR 1,935 thousand (2010: EUR 3,479 thousand).

16. CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents

EUR thousand	31/12/2011	31/12/2010
Overnight money and other cash at banks	8,515	21,579
Cash on hand	861	904
	9,376	**22,483**

For pledged bank credit, refer to 22. (c) “Disclosures on assets pledged as securities for liabilities”.

17. EQUITY

The development of equity is shown in the consolidated statement of changes in shareholders’ equity.

The subscribed capital of the Group amounts to EUR 16,528,169 and is divided into 16,528,169 registered no-par-value bearer shares.

The capital reserves contain primarily the payments from the shareholders as well as the amounts achieved (EUR 132,000 thousand) exceeding the nominal amount at issue of shares within the scope of the IPO.

EUR 17,602 thousand was taken from the capital reserves in favour of the accumulated deficit.

In the Extraordinary General Meeting on 24 March 2010, the Management Board was empowered to increase the capital stock of the Group as of 24 March 2015 with approval of the Supervisory Board. This can be via issue of new registered stocks against cash and/or capital subscribed in kind or in partial amounts once or several times up to a total of EUR 8,264,084 (Authorised Capital I).

The cumulated remaining equity contains the foreign currency translation reserves as well as reserves for collateral transactions under consideration of tax effects.

In 2010, the currency derivatives recognised in equity capital at their fair values of a total of EUR 774 thousand minus applicable deferred taxes of EUR 232 thousand were completely reclassified in the net result for the period in 2011, because the hedged items (underlying) were settled and recognised in profit or loss. The Group concluded new currency derivatives within the scope of its hedging strategy during the reporting year. In this context, an amount of EUR 4,237 thousand was put into the reserves for hedging transactions. The deferred taxes on the valuation of the derivative financial instruments amount to EUR 1,271 thousand. The reserves for hedging transactions amount to EUR 2,966 thousand taking into account deferred taxes as well as the amount entered in the result for the period as of 31 December 2011.

The accumulated deficit changed as follows:

Accumulated Deficit (Changes)

EUR thousand	2011	2010
1 January	–123,215	–125,368
Consolidated net earnings before minority interests	10,072	2,406
less minority interests	–252	–253
after minority interests	9,820	2,153
Withdrawal from the capital reserve	17,602	–
31 December	**–95,793**	**–123,215**

The reserves for foreign currency conversion contain exchange rate differences from the conversion of the Swiss subsidiaries included in the consolidation group, the Hungarian subsidiary as well as subsidiaries of TOM TAILOR South Eastern Europe Holding GmbH, Wörgl/Austria.

18. DIVIDEND PER SHARE

The Management Board and Supervisory Board propose distributing a dividend in the amount of EUR 0.17 per share to shareholders for the past business year. These dividends must first be approved by the shareholders in the Annual General Meeting and consequently are not carried in the balance sheet as liability in this Annual Report. The proposed dividends would amount to EUR 2,809,789. The dividend payment does not have any tax consequences for the Group.

19. PENSION PROVISIONS

Pension provisions are created for obligations from legal right to future benefits. Beneficiaries are former top managers and managing directors/Management Board members as well as their survivors.

Pension provisions solely concern performance-oriented pension plans. The pension plans are financed by provisions and consequently not by funds. The Company has reimbursement insurance for the pension commitments granted.

The amount of the pension obligation (present value of the pension obligations or defined benefit obligation) is calculated according to actuarial methods, which necessitates estimates. The following premises were used as a basis:

Pension Provisions: Premises

in %	2011	2010
Discount rate	5.40	5.40

Because solely set pension amounts were promised, retirement and salary trends do not affect the amount of the future pension payments and were entered at 0.0%. The basic fluctuation is 0.0% due to the – in part – no longer working employees with a right to payments. The expected returns for the plan assets is approx. 7% on average.

The pension obligations were calculated by Prof. Dr Heubeck under consideration of biometric accounting principles according to the 2005 reference tables.

From increases or reductions either of the present value of the performance-oriented obligation or the current market value of the employer's pension plans, actuarial profits and losses can occur, the causes of which can be changes of the calculation parameters, estimation changes with respect to the risk course of pension obligations and deviations between the actual and the expected return from the insurance policy, among other things.

Under conditions of the calculation principles pursuant to IAS 19, the following financing status results from pension obligations:

Pension Provisions

EUR thousand	31/12/2011	31/12/2010
Defined benefit obligation entirely unfunded	1,650	1,550
less reimbursement insurance	–1,369	–1,295
Net obligations	281	255
Recognised pension provisions	**281**	**255**

The defined benefit obligations developed as follows:

Pension Provisions: Changes in the Defined Benefit Obligation

EUR thousand	31/12/2011	31/12/2010
Defined benefit obligation as of 1 January	1,550	1,376
Service cost	20	18
Interest cost	84	81
Actuarial gains and losses	–4	75
Defined benefit obligation as of 31 December	**1,650**	**1,550**

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

Pension Provision: Changes in Reimbursement Insurance

EUR thousand	31/12/2011	31/12/2010
Reimbursement insurance assets as of 1 January	1,295	1,200
Contributions to reimbursement insurance assets	66	45
Return on reimbursement insurance assets	21	36
Other changes	–13	14
Reimbursement insurance assets as of 31 December	**1,369**	**1,295**

The fair value of the employer's pension plan, which the insurance company communicated, amounted to EUR 1,796 thousand (2010: EUR 1,708 thousand) as of the balance sheet date. Due to the maximum limit of deduction of the asset value of the employer's pension plan up to the amount of the present value of the pension obligations, EUR 427 thousand (2010: EUR 413 thousand) was not deducted as of the balance sheet date.

The expenses arised from compounding the pension obligations are shown in the financial result. All other components of pension expenses are shown in personnel expenses.

The total expected returns are calculated from the weighted average of the expected revenue of the plan assets held. The estimation of the revenue expected by management is based on historic revenue sequences and market forecasts by analysts for the assets for the duration of the corresponding obligations.

20. OTHER PROVISIONS

Other provisions have developed as follows:

Other Provisions

EUR thousand	1/1/2011	Use	Reversal	Addition	31/12/2011
Personnel-related provisions	4,358	3,298	211	5,121	5,970
Customer bonuses	3,081	2,846	–	3,009	3,244
Returns	2,982	2,947	–	3,133	3,168
Accrued expenses	1,069	1,069	–	1,246	1,246
Other	1,627	1,298	–	1,751	2,080
	13,117	**11,458**	**211**	**14,260**	**15,708**
of which non-current	**961**				**1,882**
of which current	**12,156**				**13,826**

The personnel-related provisions mainly concern provisions for the Management Board and management, bonuses and the long-term incentive system of managers as well as outstanding vacation and overtime claims.

In July 2010, a long-term incentive programme (or LTI) was introduced as a remuneration system for management-level employees of TOM TAILOR. It has the aim of achieving the loyalty of employees and the realisation of long-term company objectives. This incentive system has a term of eight years (starting with business year 2010) and grants a possible bonus instalment per business year. Based on a comparison between planned and achieved sales as well as operating result during a period considered of three years, it is possible to receive an individual bonus payment. In addition to sales and operating result, the share price development is also considered as another component to be included. Based on a Monte Carlo model, the share price was simulated for the previously given two blocks of shares under consideration of the expected volatility (26.33% and 33.44%), risk-free interest rate (2.89% and 3.1%) as well as the expected dividend distribution (2.5%). In the year under review, an adjustment with respect to the fluctuation of employees was undertaken due to improved understanding from past experience. The members of the Management Board are also involved in this programme. Due to the non-renewal of a Management Board contract past 31 January 2013, the previously existing incentive claims from Mr Rosa have been eliminated without replacements, which resulted in a corresponding liquidation of the provision. Disbursement from this incentive system is possible in 2013 for the first time.

The provisions for customer bonuses cover rebates dependent on the order volume, which have not been paid as of the balance sheet date, and contractually agreed-upon incentives.

The provisions for returns are based on values from past experience with respect to the return rate and the time period until they are received. Average margins and average return rates were considered for determining the provision amount.

With exception of the provision for the long term incentive programme (LTI) for management and semi-retirement, it is assumed that processing of provisions takes place within 12 months.

21. DEFERRED TAXES

The deferred tax assets are allocated to the following positions:

Deferred Tax Assets 2011

EUR thousand	31 December 2011 Basis of assessment	Deferred tax assets
Tax loss carryforwards and interest carry-forwards	19,710	5,601
Valuation of interest rate hedging transactions	3,082	925
Consolidation measures (consolidation of liabilities, elimination of intercompany earnings)	1,254	376
Pension provisions	493	148
Other	957	287
	25,496	**7,337**
Set off against deferred tax liabilities	–25,496	–7,337
	–	–

The deferred tax assets basically result from the future utility of cumulated interest carried forward from the time of the IPO. This leads to deferred tax assets in the amount of EUR 5,601 thousand.

In addition to deferred tax assets on losses carried forward, deferred tax assets were created for valuation differences in interest hedging transactions and existing finance lease contracts.

The recognition of deferred tax assets was changed in the financial year 2011. The deferred tax assets, which exist with respect to the same tax subject and the same tax authority and for which an enforceable legal claim to offsetting exists, were offset with deferred tax liabilities. For the previous year, the prerequisites for offsetting the deferred tax assets with the liabilities were also fulfilled, so that the previous year statement was adjusted. Management believes that a more precise depiction of assets is achieved with the change above and that those, to whom the report is addressed, are provided with a better picture and explanation of the actual tax burden of the Group.

Deferred Tax Assets 2010

EUR thousand	31 December 2010 Basis of assessment	Deferred tax assets
Tax loss carryforwards and interest carry-forwards	26,845	7,080
Valuation of interest rate hedging transactions	3,536	1,061
Leasing	1,743	523
Valuation of forward exchange transactions	774	232
Other	743	223
	33,641	**9,119**
Set off against deferred tax liabilities	–33,641	–9,119
	–	–

Deferred Tax Liabilities 2011

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

In connection with the recognition of intangible assets within the context of initial consolidation of TOM TAILOR Retail Joint Venture GmbH, Bregenz, deferred tax liabilities were recorded under “Non-current intangible assets” in the amount of EUR 823 thousand, which show a residual carrying amount of EUR 790 thousand as of the balance sheet date.

The deferred taxes related to forward exchange transactions were recognised in other comprehensive income insofar as they are part of an effective hedging transaction.

As of 31 December 2010, the deferred tax liabilities in the balance sheet were allotted in recognition and valuation differences as follows:

Deferred Tax Liabilities 2010

	31 December 2010	
EUR thousand	Basis of assessment	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	–33,641	–9,119
	85,073	**26,496**

22. FINANCIAL LIABILITIES

(a) Composition

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

Financial Liabilities in the Reporting Year

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

The current and non-current financial liabilities were composed of the following in the previous year:

Financial Liabilities in the Previous Year

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

(b) Explanation

Liabilities to Banks

The effective interest on non-current loans is variable and was based in 2011 on the three-month EURIBOR plus a margin between 2.50% p.a. and 4.25% p.a., the amount of which depends on the ratio between the net debt and the EBITDA adjusted by one-off items.

The loans are due at the end of January 2014 under consideration of repayments in the amount of EUR 53.7 million in 2012 and 2013.

As of the balance sheet date, current account liabilities exist in the amount EUR 3,195 thousand (2010: EUR 0 thousand).

At the end of 2011, adaptation to the relations after the IPO of the previously existing leveraged-buy out financing structure was begun to replace the existing bank financing with new bank financing oriented to market conditions and the growth of TOM TAILOR. On 3 February 2012, this process was completed successfully, so that independent of the debt crisis in Europe sufficient credit lines from banks exist for future growth for the next three years plus a renewal option for another two years.

In this context, the previous credit lines from banks was increased from EUR 157 million to EUR 225 million. The EUR 225 million are divided into an open credit line of EUR 85 million (until 3 February 2012: EUR 35 million), a guaranteed credit line of EUR 100 million (until 3 February 2012: EUR 65 million) as well as existing term loans of EUR 40 million (until 3 February 2012: EUR 57 million).

The effective interest on the credit lines used is variable and is based on the three- or six-month EURIBOR plus a margin between 1.35% p.a. and 2.5% p.a. (previously: between 2.5% and 4.25%), the amount of which, however, depends in the end on the ratio between the net debt and the EBITDA.

The continuation of the granting of loans depends on compliance with financial covenants (EBITDA/interest result, net debt/EBITDA as well as an equity ratio > 30%), for the calculation of which the Group Financial Statements prepared according to international accounting regulations (IFRS) is to be used.

The existing financial covenants were observed with sufficient leeway in 2011.

(c) Disclosures on assets pledged as securities for liabilities

Up to 3 February 2012, the liabilities to banks in the amount of EUR 57,380 thousand were secured by the pledging of all bank credit of TOM TAILOR Holding AG, Hamburg, Tom Tailor GmbH, Hamburg, as well as Tom Tailor Retail GmbH, Hamburg, the pledging of shares of 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, the chattel mortgage on inventory and assets of Tom Tailor GmbH and Tom Tailor Retail GmbH as well as the assignment of security of the brands and trademarks of Tom Tailor GmbH. With the participation loan agreement concluded on 3 February 2012, the previously existing securities were released and solely securities in the form of pledging the shares to the subsidiaries Tom Tailor GmbH, Hamburg, Tom Tailor Retail GmbH, Hamburg, TOM TAILOR Gesellschaft m.b.H, Wörgl/Austria and TOM TAILOR Retail Gesellschaft m.b.H. Wörgl/Austria were provided. The right to the liquidation of the securities is triggered if there is a reason for notice of termination pursuant to the existing credit agreements.

(d) Liabilities to third parties

Liabilities to third parties contain the purchase price obligation with the present value discounted at 6.5% from the acquisition of the 51% share in TOM TAILOR South Eastern Europe Holding GmbH, Wörgl/Austria in the amount of EUR 2,732 thousand. Thereof EUR 469 thousand are payable within one year and EUR 2,263 thousand in the long term.

The purchase price in the amount of EUR 4,520 thousand from the take-over of additional retail stores into the collaboration with the owner of Sportina Bled. D.O.O., Lesce/Slovenia ("Sportina") is shown in the amount of EUR 3,591 thousand under non-current financial liabilities and with EUR 929 thousand under current financial liabilities corresponding to the due date of the purchase price payments.

From the purchase of minority shares in TOM TAILOR Gesellschaft m.b.H., Wörgl/Austria by C&C Schreder GmbH, a purchase price liability (incl. interest) of EUR 1,009 thousand is shown under the current financial liabilities.

The non-current financial liabilities also cover the purchase price for 51% of the shares in TOM TAILOR Retail Joint Venture GmbH, Bregenz.

23. TRADE PAYABLES

The trade payables have a term to maturity of up to one year without exception, as in the previous year. Their carrying amount corresponds to their fair value.

The usual retentions of title exist.

24. OTHER LIABILITIES

The other liabilities are composed of the following:

Other Liabilities

EUR thousand	31/12/2011	31/12/2010
Other taxes (primarily value added tax)	3,498	2,595
Market value of interest rate hedges	3,082	3,537
Personnel liabilities	580	428
Debtors with credit balances	466	842
Market value of forward exchange contracts	–	774
Miscellaneous liabilities	1,040	801
	8,666	**8,977**
of which non-current	3,082	3,537
of which current	5,584	5,440

25. PREPAID INCOME

Prepaid Income

EUR thousand	31/12/2011	31/12/2010
Prepaid income	2,763	3,973
of which non-current	1,446	2,775
of which current	1,317	1,198

For the spin-off of the logistics segment to DHL, the company received an upfront payment in the amount of EUR 5.9 million in 2008, which is shown as prepaid income and dissolved on a straight-line basis.

E. MANAGEMENT OF FINANCIAL RISKS AND FINANCIAL DERIVATIVES

CAPITAL MANAGEMENT

Capital management of TOM TAILOR Group serves for safeguarding continued operation of the Company, ensuring adequate interest payments on equity, and optimisation of the capital structure.

The Group manages its capital structure under consideration of economic and legal framework conditions by the taking up and repayment of liabilities via the equity measures stipulated by shareholders and use of financing instruments for safeguarding future payment flows.

The granting of loans by banks depends on compliance with financial covenants, for the calculation of which the Group Financial Statements prepared according to international accounting regulations (IFRS) is authoritative.

The capital structure is primarily monitored by key figures relevant to cash flow (adjusted EBITDA/interest result affecting liquidity, net debt/adjusted EBITDA).

As a result, the ability of the Group to pay interest and make repayments serves as an essential capital management instrument.

The equity amounts to EUR 113,742 thousand (2010: EUR 100,241 thousand) and was influenced in the previous years by a business combination concluded in 2006, which resulted in an equity refund of EUR 93,806 thousand.

In the previous year, the equity was influenced both by the IPO, in which TOM TAILOR received total gross proceeds from the issue of EUR 143.0 million, as well as the conversion of company loans into equity in the total amount of EUR 25.0 million.

In the financial year 2011, equity is essentially characterised by the result for the period 2011 and the withdrawal from capital provisions in the amount of EUR 17.6 million.

The financial strategy of the TOM TAILOR Group is to further reduce debt by the operating cash flow and to further strengthen the equity base.

USE AND MANAGEMENT OF FINANCIAL INSTRUMENTS

Financial liabilities especially include bank loans, finance leasing relations and trade payables. The main purpose of these financial liabilities is the financing of the business activities of the Group. The Group has various financial assets such as trade receivables as well as cash and short-term investments, which result directly from its business activities.

The Group also has derivative financial instruments. These include above all interest hedging transactions (interest cap and interest swap agreements) and forward exchange transactions. The purpose of these derivative financial instruments is hedging against interest and currency risks, which result from the business activities of the Group and its financing sources. Use of derivative financing instruments is subject to internal guidelines and control mechanisms.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table shows the carrying amount and fair values of financial instruments recognised in the Group Financial Statements:

Fair Value of Financial Instruments

EUR thousand	IAS 39 category	Carrying amount 2011	Carrying amount 2010	Fair value 2011	Fair value 2010
Financial assets					
Trade receivables and other assets	lar	56,061	46,260	56,061	46,260
Cash and cash equivalents	lar	9,376	22,483	9,376	22,483
Derivatives used to hedge interest and foreign exchange risk excluding hedging transactions	fvtpl	387	13	387	13
Derivatives used to hedge interest and foreign exchange risk including hedging transactions	n. a.	4,237	–	4,237	–
Financial liabilities					
Liabilities to banks					
Acquisition loan	flac	57,380	59,612	57,380	59,612
Other bank liabilities	flac	3,195	–	3,195	–
Obligations under finance leases	flac	12,823	9,404	12,823	9,404
Liabilities to third parties	flac	3,741	5,593	3,741	5,593
Liabilities to third parties	fvtpl	6,840	–	6,840	–
Derivatives used to hedge interest and foreign exchange risk excluding hedging transactions	fvtpl	3,082	3,537	3,082	3,537
Derivatives used to hedge interest and foreign exchange risk including hedging transactions	n. a.	–	774	–	774
Trade payables and other liabilities	flac	62,456	59,803	62,456	59,803

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

The market values of the derivative financial instruments related to the nominal amounts do not consider any current value developments from underlying transactions. They do not necessarily correspond to the amounts which the Group will achieve or must pay under real market conditions in the future.

The hedging transactions as of the balance sheet date comply with the hedge accounting requirements cited in IAS 39 with the exception of derivatives concluded for interest hedging purposes. All market value changes of derivatives, which are based on an effective hedging relation, are entered not affecting the result in cumulated other equity (EUR 4,237 thousand; 2010: EUR 774 thousand). Derivatives without effective hedging relation are recognised straightaway in profit and loss (EUR 387 thousand).

The market values of cash and cash equivalents, trade receivables as well as other receivables, trade payables, other current financial liabilities as well as revolving credit facilities correspond to carrying amounts. This is above all due to the short terms of such instruments.

The Group mainly valuates trade receivables based on the creditworthiness of individual customers. Based on this valuation, value adjustments are made to do justice to the expected defaults. As of 31 December 2011 the carrying amounts of these claims minus value adjustments do not essentially differ from their assumed fair values.

TOM TAILOR determines the market value of liabilities to banks and other financial debts, liabilities under finance leases as well as other non-current financial liabilities by discounting the expected future cash flows with the interest applicable for similar financial debts with comparable term to maturity. Interest is paid on the syndicated bank loan at current market conditions, so that its carrying amount and fair value correspond to a great extent as of the balance sheet date.

For financial instruments, which are measured at the fair values and for which no listed prices exist in an active market, the fair value is calculated using standardised actuarial methods. The discounted cash flow method is above all used for this. This is based on forecasts and assumptions of management for development of sales and results, investments, growth rates and discount rates.

The category of financial liabilities measured at fair value through profit or loss included the purchase price liabilities from the acquisition of the 51% interest in TOM TAILOR Retail Joint Venture GmbH headquartered in Bregenz/Austria, as well as from the taking over of stores in TOM TAILOR South Eastern Europe Holding GmbH, Wörgl/Austria and their subsidiaries. This deals with conditional purchase price payments, the level of which is based on the current market value of the shares.

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 forwards 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 or 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

The following tables show the financial instruments for financial years 2011 and 2010, for which the subsequent valuation is performed at fair value.

Fair Value of Financial Instruments

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

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

The financial liabilities that are based on a fair value valuation at level 3 are the conditional purchase price payments from the acquisition of the majority interest in TOM TAILOR Retail Joint Venture GmbH, Bergenz/Austria and the takeover of 21 retail stores in TOM TAILOR South Eastern Europe Holding GmbH, Wörgl/Austria.

No profit or loss was recorded in the consolidated statement of profit and loss in connection with these conditional payments during the reporting period.

Net Gains and Net Losses from Financial Instruments:

EUR thousand	2011	2010
Loans and receivables	–2,740	–2,976
of which net cash interest	181	221
Financial liabilities measured at amortised cost	–5,276	–8,660
of which net cash interest	–4,405	–9,460
Financial assets/liabilities measured at fair value through profit or loss	–1,502	–1,696
of which net cash interest	–2,343	–3,150

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 assets/liabilities measured at fair value through profit or loss" includes only 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 articles of clothing mostly produced in Asia.

– Interest rate swaps/caps to reduce the risk of rising interest rates in case of liabilities at variable rates of interest.

The sensitivity analyses in the following sections relate to the situation as of 31 December 2011 and 2010 respectively.

The sensitivity analyses were prepared on the basis of the hedging relationships in place as of 31 December 2011 and on the assumption that net debt, the proportion of fixed and variable-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.

In order to minimise default risk in operational business, outstanding payments are monitored centrally on an ongoing basis. The Group only makes business transactions with creditworthy third parties. All customers that would like to do business with the Group on a credit basis are subject to a credit assessment. In addition, the risk is countered by concluding credit insurance policies and obtaining securities. 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 risks

In order to ensure the ability to pay and financial flexibility, a revolving liquidity plan has been created that projects the inflow and outflow of liquidity in both the short and medium term. If necessary, a liquidity reserve is held in the form of credit lines and cash 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 2011

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

Analysis of Maturity 2010

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

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 in the reporting year, enabling the futures contracts concluded 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. The fair value of the EUR 4,624 thousand for hedges in place as of the reporting date (2010: EUR 774 thousand) was recognised directly in equity and reported in the hedging reserve without effect on profit and loss and correspondingly in other comprehensive income, after accounting for deferred taxes of EUR 1,388 thousand (2010: EUR 232 thousand). The amounts for the previous year were recognised in the result for the period. The hedged future purchases of merchandise and therefore the cash flows are all expected to take place during the year 2012.

Futures transactions not designated as part of a hedging relationship accounted for an earnings contribution of EUR 270 thousand in the reporting year (2010: EUR 1,254 thousand)

In addition, the Swiss companies in the Group are exposed to an exchange rate risk due to their transactions in euros with the TOM TAILOR Group.

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

Currency Risk 2011

	31 December 2011			
	Amount in local currency CHF thousand	**Current rate CHF/ EUR 1.25** EUR thousand	**Amount in local currency** USD thousand	**Current rate USD/ EUR 1.29** EUR thousand
Trade receivables	1,202	988	–	–
Trade payables	–	–	11,392	8,809
	1,202	**988**	**11,392**	**8,809**

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

Currency Risk 2010

	31 December 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 balance of foreign exchange gains and losses (without derivatives) came to EUR –871 thousand in the reporting year (2010: EUR 800 thousand).

According to 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 euros 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 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 768 thousand higher or EUR 939 thousand lower respectively (2010: EUR 978 thousand higher or EUR 1,196 thousand lower). Compared to this the hedging reserve for futures contracts in US dollars shown in equity would have been EUR 7,081 thousand lower or EUR 8,620 thousand higher respectively (2010: EUR 3,911 thousand lower or EUR 3,407 thousand higher).

An increase or decrease of 10% in the value of the euro against the Swiss franc would have resulted in a EUR 178 thousand higher or EUR 217 thousand lower reserve for translation differences for financial statements not prepared in the functional currency (2010: EUR 493 thousand higher or EUR 602 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 variable-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 variable 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	2011	2010
Nominal amount	72,380	94,612
Carrying amount	–3,082	–3,523
Fair value	–3,082	–3,523

The financial result for the reporting year includes net interest income of EUR 454 thousand (2010: net interest income of EUR 1,454 thousand) from interest rate hedges held at fair value through profit or loss.

In accordance 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 they 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 variable-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 1,061 thousand higher or EUR 1,084 thousand lower (2010: EUR 1,530 thousand higher or EUR 1,524 thousand lower).

e) Other price risks

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

F. NOTES TO 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.

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 22.3 million in the financial year 2011, in comparison with EUR 26.7 million in the previous year. The decrease was due largely to payments for intangible assets and items of property, plant and equipment, which resulted from the further expansion of the sales areas in both the wholesale and retail segments in line with the growth strategy.

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 outflows from financing activities totalled EUR 5.2 million for the reporting period, compared with a cash inflow of EUR 27.8 million in the previous year. The cash outflow resulted from the seasonally based use of available bank lines of credit, as well as the repayment of other financial liabilities. The cash inflow in the previous year resulted from the successful IPO of TOM TAILOR Holding AG and the resulting gross issue proceeds of EUR 143.0 million, offset against transaction costs of raising capital of EUR 5.4 million and special repayments on bank loans, as well as shareholder loans.

As of 31 December 2011, financing activities also included unused credit lines of EUR 33.1 million (2010: EUR 26.3 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 “effect of exchange rate changes”.

G. SEGMENT REPORTING

Segment Results 2011 (2010)

EUR thousand	Wholesale	Retail	Consolidation	Group
Third-party sales	257,002 (241,018)	154,648 (106,710)		411,650 (347,728)
Sales from other segments	64,139 (39,400)		–64,139 (–39,400)	– (–)
Total sales	**321,141** (280,418)	**154,648** (106,710)	**–64,139** (–39,400)	**411,650** (347,728)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**31,219** (16,850)	**16,182** (13,104)	**–1,034** (94)	**46,367** (30,048)
Material non-cash expenses	**12,080** (7,630)	**1,933** (1,490)		**14,013** (9,120)

Informations by Region 2011 (2010)

EUR thousand	Germany	Other countries	Group
Sales	**267,025** (238,310)	**144,625** (109,418)	**411,650** (347,728)
Non-current assets	**157,802** (158,775)	**30,608** (18,713)	**188,410** (177,488)

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 segments’ 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, as well as the brand TOM TAILOR POLO TEAM.

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 consumers 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 consumers 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 8,609 thousand (2010: EUR 8,109 thousand). These costs related to the development of the collections.

CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

(a) Contingent receivables and liabilities

The following contingent receivables and liabilities of significance to the net assets, financial and earnings position existed as of the reporting date:

A purchase option in favour of Tom Tailor GmbH exists with regard to the acquisition of a 49% minority interest in TOM TAILOR South Eastern Europe Holding GmbH, Wörgl/ Austria. The option can be exercised for the first time three years after the conclusion of the agreement and then has a duration of two years.

In addition, a purchase option exists in favour of Tom Tailor GmbH with regard to the acquisition of a 49% minority interest in TOM TAILOR Sourcing Ltd., Hongkong/China. This option can be exercised for the first time on 1 January 2016 and has an unlimited duration.

The purchase price of the two purchase options to be paid for the remaining interest will be based on the current market value of the interest. As a result of the fact that it was not possible to value the purchase options reliably as of the balance sheet date, no amount was entered for this.

(b) Other financial obligations

Other financial obligations within the Group relate mainly to rental and operating lease agreements within the following scope:

Other Financial Obligations 2011

	31 December 2011			
EUR thousand	Within one year	Between one and five years	More than five years	Total
Rentals	32,093	113,251	60,592	205,936
(thereof logistics centre Nordport)	(1,513)	(6,051)	(252)	(7,816)
Claims from subleasing logistics centre Nordport	–1,513	–6,051	–252	–7,816
Other operating lease	1,713	2,470	–	4,183
Other	1,780	2,680	60	4,520
	34,073	**112,350**	**60,400**	**206,823**

Other Financial Obligations 2010

	31 December 2010			
EUR thousand	Within one year	Between one and five years	More than five years	Total
Rentals	25,508	91,884	61,635	179,027
(thereof logistics centre Nordport)	(1,513)	(6,051)	(1,765)	(9,329)
Claims from subleasing logistics centre Nordport	–1,513	–6,051	–1,765	–9,329
Other operating lease	1,424	2,439	40	3,903
Other	2,211	5,284	–	7,495
	27,630	**93,556**	**59,910**	**181,096**

The increase in financial obligations from rentals is the result of the renting of new retail and outlet stores.

The other financial obligations relate mainly to minimum commitments under a logistics outsourcing agreement.

ADDITIONAL DISCLOSURES ON RENTAL AND LEASING RELATIONSHIPS

Payments of EUR 6,199 thousand under leasing agreements were recognised in expenses for the reporting year (2010: EUR 5,130 thousand). These are solely minimum lease payments. Contingent rent payments in the reporting year totalled EUR 520 thousand (2010: EUR 217 thousand). No leasing rates for subleases of any significance were incurred either during financial year 2011 or 2010.

In the reporting year, expenses of EUR 1,225 thousand (2010: EUR 1,063 thousand) were recognised for other operating leases.

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

BORROWING COSTS

No borrowing costs were recognised as expenses during the reporting period as a result of the lack of a qualifying asset, for which a considerable period of time is necessary in order to get it into a condition in which it is ready for use or sale.

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 under 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., Belfast/UK, and its completely owned subsidiary TT OFF SALE (Ireland) LTD., Dublin/Ireland, in which Tom Tailor GmbH holds a 49% direct and indirect interest as part of a franchise cooperation. The franchise partner is responsible for the operational management of TT OFF SALE (NI) LTD. In the reporting year, goods and services were supplied to the Company for EUR 1,024 thousand (2010: EUR 1,052 thousand). Receivables against the Company came to EUR 2,535 thousand and EUR 3,112 thousand as of 31 December 2011 and 31 December 2010 respectively.

Associated Individuals

(a) Management Board

- Mr Dieter Holzer, businessman, Ravensburg, Germany (Chairman of the Management Board)
- Dr Axel Rebien, businessman, Quickborn, Germany
- Mr Christoph Rosa, businessman, Schweinfurt, Germany
- Dr Marc Schumacher, businessman, Hamburg, Germany (from 1 July 2011)

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

Remuneration of Management Board Members

Share-Based Remuneration Systems

On 20 January 2010, the Supervisory Board passed a resolution to implement a share-based remuneration system (matching stock programme or MSP) for members of the Management Board. The MSP will run for 14 years from the day of its initial announcement. The MSP serves to bring about the convergence of Management Board and stockholder interests in the same area.

The MSP includes a total of five tranches. The first tranche was assigned on the date of the initial notice, the others are each assigned one year after the previous tranche. The board members must have an employment or appointment contract with TOM TAILOR Holding AG, must not have handed in or received notice to quit, and must be owners of shares in TOM TAILOR Holding AG (the “MSP shares”) at the time of assignment of each tranche. Each MSP share gives entitlement to the drawing of 0.4 (Chairman of the Board) or three (other board members) phantom stocks per tranche. The exercise of the assigned phantom stocks options is subject to a lock-up period of four years from the date of assignment for each tranche. It will occur automatically within defined exercise windows when the exercise threshold is reached, an MSP profit exists and the participant to the exercise has not objected to it within a given deadline. The exercise threshold is reached if the TOM TAILOR Holding AG share has outperformed the SDAX® since the assignment of the relevant tranche. When exercised, the members of the Management Board are paid the value of the difference between the exercise price and the base price of all exercised phantom stocks, with income tax and other charges deducted, in the form of TOM TAILOR Holding AG shares. The amount paid, before deduction of income tax and other charges, is capped per tranche at 2.5% of the operating profit (EBITDA) in the last consolidated financial statements of TOM TAILOR Holding AG.

The MSP has been defined and evaluated as a stock-based remuneration paid out in the form of equity instruments. Cash payment is not allowed, except for rounding amounts. The fair value to be assigned to the equity instruments was estimated for all tranches on the basis of a Monte Carlo model, taking into account the conditions under which the phantom stocks were awarded. This takes into account the modelling of the exercise threshold as well as the simulation of future strike rates and base prices. The following parameters were used as the basis for the calculation of the fair values:

Fair Value Parameters

	Tranche 2010	Tranche 2011
Dividend yield	2.50%	2.50%
Term to maturity (in years)	7.5 – 11.5	8.5 – 11.5
Expected volatility	31.65% – 32.90%	29.25% – 29.70%
Risk-free interest rate	3.10% – 3.54%	2.90% – 3.26%
Share price on measurement date	EUR 12.85	EUR 13.91
SDAX® price on measurement date	3,832.91	5,466.82
Expected volatility SDAX®	19.23% – 19.56%	19.05% – 19.46%

The time period selected in each case was the time period from the evaluation date to the end of the waiting period for each tranche. The expected volatility of the stock, given a lack of available historical data, was derived on the basis of comparable listed companies. The expected volatility is based on the assumption that future trends can be extrapolated from historic volatility, so the actual volatility which occurs may deviate from the assumptions made. At each balance sheet date, the company checks its estimates in relation to both the quantity of equity instruments and the parameters. Deviations from the initial evaluation of the options are adjusted for and captured in the statement of profit and loss. In the reporting year a change in valuation was carried out, based on new information, in relation to the fluctuation assumptions under IAS 8. The changes resulting from this were taken in the statement of profit and loss.

The weighted average of the fair values calculated on the basis of these parameters for the phantom stocks assigned during the reporting period is EUR 3.12 or EUR 3.14 for the phantom stocks issued the previous year.

As part of the MSP the boards have declared a total of 282,000 MSP shares under the programme, of which 72,500 MSP shares were declared in the current financial year. 209,500 MSP shares were declared in 2010 at a base price of EUR 13.00 as well as the 72,500 newly declared MSP shares at a base price of EUR 13.63. These declared MSP shares give entitlement to the exercise of a total of 925,000 phantom stocks (including 220,000 phantom stocks which relate to the MSP shares declared for 2011).

On the balance sheet date all phantom stocks are outstanding and not exercisable. The remuneration claims which existed for Mr Rosa are cancelled due to the fact that the Supervisory Board has been informed that his Management Board contract is not being renewed past 31 January 2013. The share of the provision created on 31 December 2010 for Mr Rosa was taken back in full in the current financial year.

The MSP results in an annual expense for stock-based remuneration paid out in the form of equity instruments of EUR 25 thousand.

In relation to the long-term incentive programme (LTI) remuneration system please see the explanation under 20. “Other provisions”.

Committee Remuneration

EUR thousand	2011	2010
Salaries and current benefits	3,418	3,326
Non-recurring payments as part of the IPO	–	2,155
Other non-current benefits (LTI)	477	304
Non-current share-based payments (MSP)	164	331
	4,059	**6,116**

The fixed and variable remunerations were either paid during the course of the year or became due for payment shortly after the closure of the annual accounts. Long-term performances are variable and include entitlements by the members of the board at the balance sheet date under the MSP and LTI programmes of a total of EUR 1,066 thousand (2010: EUR 635 thousand). These entitlements will be paid out at the earliest in 2013 or 2014. Presentation of data for individual payments to board members is made, as required by § 314 (1) No. 6a sentences 5–8 of the Commercial Code (HGB), in the Group Management Report: please see there for more details.

Relations With Associated Persons

With a contract document dated 28 November 2008, Tom Tailor GmbH has agreed on a contract with Mr Georg Michael Rosa, the father of board member Christoph Rosa, relating to the rental of business premises with the purpose of running a direct retail store in Schweinfurt from 1 January 2009. These are sales areas including office and adjoining rooms with an area of approx. 550 m^2. The lease term is five years. The annual net rent from 2011 is EUR 230 thousand.

A provision has been made of EUR 108 thousand as determined under IAS 19 for pension commitments for past members of management and their survivors (2010: EUR 98 thousand).

Shares Held by Members of the Management Board

As of 31 December 2011 and 31 December 2010 respectively, the board held the following number of shares:

Shares Held by Members of the Management Board

	Number of shares 31/12/2011	Number of shares 31/12/2010
Dieter Holzer	260,610	259,010
Christoph Rosa	21,000	16,500
Dr Axel Rebien	12,000	11,000

(b) Supervisory Board

At the extraordinary General Meeting on 4 March 2010 the new wording of the statutes for TOM TAILOR Holding AG was agreed. With this change to the statutes, the Supervisory Board was expanded by three members to six members.

It consists of the following members:
- Mr Uwe Schröder, businessman, Hamburg, Germany (Chairman)
- Mr Thomas Schlytter-Henrichsen, businessman, Königstein/Taunus, Germany (deputy chairman)
- Mr Andreas W. Bauer, businessman, Munich, Germany
- Mr Andreas Karpenstein, lawyer, Düsseldorf, Germany
- Mr Dr Christoph Schug, company owner, Mönchengladbach, Germany
- Mr Gerhard Wöhrl, businessman, Munich, Germany

In accordance with the Articles of Association, the members of the Supervisory Board receive, in addition to the reimbursement of their expenses, a fixed remuneration of EUR 40 thousand, with the Chairperson receiving EUR 150 thousand and the Deputy Chairperson receiving EUR 75 thousand (in each case plus VAT, if applicable). This remuneration is due following the end of the Annual General Meeting at which the consolidated financial statements for the respective financial year is accepted, or a decision is made with respect to its approval.

Mr Uwe Schröder (chairman) has direct shares in TOM TAILOR Holding AG. Schröder Consulting GmbH as an associated person of Mr Uwe Schröder draws sponsorship payments from Tom Tailor GmbH in the context of polo sports and the brand presence of TOM TAILOR. In 2011 sponsorship payments were made for a total of EUR 350 thousand.

An employment relationship exists between TOM TAILOR Holding AG and the son of Supervisory Board Chairman Uwe Schröder, Mr Oliver Schröder. Mr Oliver Schröder has been employed by the TOM TAILOR Group since 1998.

Mr Thomas Schlytter-Henrichsen (Deputy Chairman) has indirect shares in TOM TAILOR Holding AG.

As of 31 December 2011, the following Supervisory Board members had direct shares: Dr Christoph Schug 18,400 shares and Mr Bauer 2,000 shares.

Mr Gerhard Wöhrl is majority shareholder of Rudolf Wöhrl AG, for whom he has also acted as Chairman of the Management Board until 31 March 2010. In 2011 the TOM TAILOR Group had a sales turnover of around EUR 3.9 million with Rudolf Wöhrl AG. The level of outstanding trade debtors in this respect at 31 December 2011 was EUR 249 thousand.

Additional Board Seats held by Supervisory Board Members

The Supervisory Board members for TOM TAILOR Holding AG are also members of an official body at the following companies:

Uwe Schröder (Chairman of the Supervisory Board)
- Member of the Advisory Board at eterna Mode GmbH, Passau, Germany
- Managing Director of Schröder Consulting GmbH, Flensburg, Germany
- Member of the Advisory Board of Kassenhalle Restaurant GmbH & Co. KG, Hamburg, Germany
- Chairman of the Management Board of the Association of Finished Goods Importers (VFI) (non-profit), Hamburg, Germany
- Member of the Supervisory Board (Chairman) for Hansischen Treuhand AG, Hamburg, Germany

Thomas Schlytter-Henrichsen (Deputy Chairman of the Supervisory Board)
- Managing Director of ALPHA Beteiligungsberatung (Investment Consultancy) GmbH & Co. KG, Frankfurt am Main, Germany
- Managing Director of ALPHA Management GmbH, Frankfurt am Main, Germany
- Managing Director of ACapital Beteiligungsberatung GmbH, Frankfurt am Main, Germany
- Managing Director of Agrippina S.à.r.l., Luxembourg
- Managing Director of Bulowayo GmbH, Königstein/Taunus, Germany
- Member of Supervisory Board of ALPHA ASSOCIES Conseil SAS, Paris, France
- Member of Supervisory Board of Nero AG, Karlsbad, Germany

Andreas W. Bauer
- Partner Roland Berger Strategy Consultants, Munich, Germany

Andreas Karpenstein
- Partner and Managing Director Raupach & Wollert Elmendorff Rechtsanwaltsgesellschaft mbH (lawyers), Düsseldorf, Germany
- Managing Director of Herceus Grundstücks-Vermietungsgesellschaft mbH, Düsseldorf, Germany

– Member of the Supervisory Board (Deputy Chairman) for Trusted Advice AG, auditors and accountants, Düsseldorf, Germany

Dr Christoph Schug
– Managing Director of Consulta Verwaltungs- und Treuhand GmbH, Mönchengladbach, Germany
– Member of the Supervisory Board of Baden-Baden Cosmetics Group AG, Baden-Baden, Germany
– Member of the Supervisory Board of Norma Group AG, Maintal, Germany

Gerhard Wöhrl
– Managing Director of Gerhard Wöhrl Beteiligungsgesellschaft mbH, Reichenschwand, Germany
– Managing Director of GOVAN Beteiligungs GmbH, Reichenschwand, Germany
– Managing Director of GOVAN Holding GmbH & Co. KG, Reichenschwand, Germany
– Managing Director of GOVAN Verwaltungs GmbH, Reichenschwand, Germany
– Managing Director of GVC Gesellschaft für Venture Capital Beteiligungen mbH, Munich, Germany
– Member of the Advisory Board for the Nuremberg Savings Bank (Sparkasse Nürnberg), Nuremberg, Germany
– Member of the Advisory Board (Chairman) of TETRIS Grundbesitz GmbH & Co. KG, Reichenschwand, Germany
– Member of the Advisory Board (Chairman) for TETRIS Grundbesitz Beteiligungsgesellschaft mbH, Reichenschwand, Germany

DISCLOSURES ON SHAREHOLDINGS IN TOM TAILOR HOLDING AG

On 6 January 2011, TOM TAILOR Holding AG received voting right notifications as required by § 21(1) of the Securities Trading Act (WpHG), in respect of the following companies, with the following contents:

Fidelity Securities Fund

Fidelity Securities Fund, Boston, Massachusetts, USA, on 5 January 2011 informed us as required by § 21 (1) of the Securities Trading Act (WpHG), that on 4 January 2011 their share of voting rights exceeded 3% and at this date represented 3.02%. This represents 498,549 votes.

On 26 January 2011, TOM TAILOR Holding AG received voting right notifications as required by § 21 (1) of the Securities Trading Act (WpHG), in respect of the following companies, with the following contents:

Artisan Partners Limited Partnership

Artisan Partners Limited Partnership, Milwaukee, Wisconsin, USA, informed us as required by § 21 (1) of the Securities Trading Act (WpHG), that on 19 January 2011 their share of voting rights exceeded 3% and at this date represented 3.02%. This represents 499,061 votes. This 3.02% (representing 499,061 votes) is assigned to them under § 22 (1) sentence 1 no. 6 of the Securities Trading Act (WpHG).

Artisan Investments GP LLC

Artisan Investments GP LLC, Milwaukee, Wisconsin, USA, informed us as required by § 21 (1) of the Securities Trading Act (WpHG), that on 19 January 2011 their share of voting rights exceeded 3% and at this date represented 3.02%. This represents 499,061 votes. This 3.02% (representing 499,061 votes) is assigned to them under § 22 (1) sentence 1 no. 6 in combination with sentences 2 and 3 of the Securities Trading Act (WpHG).

Artisan Partners Holdings LP

Artisan Partners Holdings LP, Milwaukee, Wisconsin, USA, informed us as required by § 21 (1) of the Securities Trading Act (WpHG), that on 19 January 2011 their share of voting rights exceeded 3% and at this date represented 3.02%. This represents 499,061 votes. This 3.02% (representing 499,061 votes) is assigned to them under § 22 (1) sentence 1 no. 6 in combination with sentences 2 and 3 of the Securities Trading Act (WpHG).

Artisan Investment Corporation

Artisan Investment Corporation, Milwaukee, Wisconsin, USA, informed us as required by § 21 (1) of the Securities Trading Act (WpHG), that on 19 January 2011 their share of voting rights exceeded 3% and at this date represented 3.02%. This represents 499,061 votes. This 3.02% (representing 499,061 votes) is assigned to them under § 22 (1) sentence 1 no. 6 in combination with sentences 2 and 3 of the Securities Trading Act (WpHG).

ZFIC, INC.

ZFIC, Inc., Milwaukee, Wisconsin, USA, informed us as required by § 21 (1) of the Securities Trading Act (WpHG), that on 19 January 2011 their share of voting rights exceeded 3% and at this date represented 3.02%. This represents 499,061 votes. This 3.02% (representing 499,061 votes) is assigned to them under § 22 (1) sentence 1 no. 6 in combination with sentences 2 and 3 of the Securities Trading Act (WpHG).

Mr Andrew A. Ziegler

Andrew A. Ziegler, USA, informed us as required by § 21 (1) of the Securities Trading Act (WpHG), that on 19 January 2011 his share of voting rights exceeded 3% and at this date represented 3.02%. This represents 499,061 votes. This 3.02% (representing 499,061 votes) is assigned to him under § 22 (1) sentence 1 no. 6 in combination with sentences 2 and 3 of the Securities Trading Act (WpHG).

Ms Carlene M. Ziegler

Ms Carlene M. Ziegler, USA, informed us as required by § 21 (1) of the Securities Trading Act (WpHG), that on 19 January 2011 her share of voting rights exceeded 3% and at this date amounted to 3.02%. This represents 499,061 votes. This 3.02% (representing 499,061 votes) is assigned to her under § 22 (1) sentence 1 no. 6 in combination with sentences 2 and 3 of the Securities Trading Act (WpHG).

TOM TAILOR Holding AG received on 15 March 2011 voting right notifications as required by § 22 (1) of the Securities Trading Act (WpHG), in respect of the following companies, with the following contents:

Morgan Finance S.A.

Morgan Finance S.A., Luxembourg, Luxembourg, informed us on 14 March 2011, as required by § 21 (1) of the Securities Trading Act (WpHG), that on 8 March 2011 their voting rights in TOM TAILOR HOLDING AG went below the threshold of 10%, and at this date amounted to 8.96%. This represents 1,481,256 votes.

Ar Mor 1 S.A.

Ar Mor 1 S.A., Luxembourg, Luxembourg, informed us on 14 March 2011, as required by § 21 (1) of the Securities Trading Act (WpHG), that their voting rights in TOM TAILOR HOLDING AG on 8 March 2011 went below the threshold of 10%, and at this date amounted to 8.96%. This represents 1,481,256 votes. These votes are assigned to them under § 22 (1) sentence 1 no. 1 of the Securities Trading Act (WpHG) by Morgan Finance S.A.

ADWAY Corp.

ADWAY Corp., Panama City, Panama, informed us on 14 March 2011, as required by § 21 (1) of the Securities Trading Act (WpHG), that their voting rights in TOM TAILOR HOLDING AG on 8 March 2011 went below the threshold of 10%, and at this date amounted to 8.96%. This represents 1,481,256 votes. These votes are assigned to them under § 22 (1) sentence 1 no. 1 of the Securities Trading Act (WpHG) by Morgan Finance S.A. and Ar Mor 1 S.A.

TOM TAILOR Holding AG received on 25 March 2011 voting right notifications as required by § 21 (1) of the Securities Trading Act (WpHG), in respect of the following companies, with the following contents:

FIL Investment Management Limited

FIL Investment Management Limited, Hildenborough, Kent, England, UK, informed us on 23 March 2011 as required by § 21 (1) of the Securities Trading Act (WpHG), that on 1 January 2011 their share of voting rights in TOM TAILOR HOLDING AG fell below 3% and at this date amounted to 0.00%. This represents 0 votes.

TOM TAILOR Holding AG received on 26 April 2011 voting right notifications as required by § 21 (1) of the Securities Trading Act (WpHG), in respect of the following companies, with the following contents:

Allianz Global Investors Kapitalanlagegesellschaft mbH

Allianz Global Investors Kapitalanlagegesellschaft mbH, Frankfurt am Main, Germany, informed us on 21 April 2011, as required by § 21 (1) of the Securities Trading Act (WpHG), that on 21 April 2011 their share of voting rights in TOM TAILOR Holding AG fell below 5% and at this date amounted to 4.96%. This represents 820,136 votes. No voting rights were acquired in the sense of § 17 (1) no. 7 of the Disclosure of Securities Trading and Insider Dealing Act (WpAIV).

TOM TAILOR Holding AG received on 28 April 2011 voting right notifications as required by § 21 (1) of the Securities Trading Act (WpHG), in respect of the following companies, with the following contents:

Artisan Partners Limited Partnership

Artisan Partners Limited Partnership, Milwaukee, Wisconsin, USA, informed us as required by § 21 (1) of the Securities Trading Act (WpHG), that on 20 April 2011 their share of voting rights in TOM TAILOR HOLDING AG fell below 3% and at this date amounted to 2.93%. This represents 484,676 votes. This 2.93% (representing 484,676 votes) is assigned to them under § 22 (1) sentence 1 no. 6 of the Securities Trading Act (WpHG).

Artisan Investments GP LLC

Artisan Investments GP LLC, Milwaukee, Wisconsin, USA, informed us as required by § 21 (1) of the Securities Trading Act (WpHG), that on 20 April 2011 their share of voting rights in TOM TAILOR Holding AG fell below 3% and at this date amounted to 2.93%. This represents 484,676 votes. This 2.93% (representing 484,676 votes) is assigned to them under § 22 (1) sentence 1 no. 6 in combination with sentences 2 and 3 of the Securities Trading Act (WpHG).

Artisan Partners Holdings LP

Artisan Partners Holdings LP, Milwaukee, Wisconsin, USA, informed us as required by § 21 (1) of the Securities Trading Act (WpHG), that on 20 April 2011 their share of voting rights in TOM TAILOR Holding AG fell below 3% and at this date amounted to 2.93%. This represents 484,676 votes. This 2.93% (representing 484,676 votes) are assigned to them under § 22 (1) sentence 1 no. 6 in combination with sentences 2 and 3 of the Securities Trading Act (WpHG).

Artisan Investment Corporation

Artisan Investment Corporation, Milwaukee, Wisconsin, USA, informed us as required by § 21 (1) of the Securities Trading Act (WpHG), that on 20 April 2011 their share of voting rights in TOM TAILOR Holding AG fell below 3% and at this date amounted to 2.93%. This represents 484,676 votes. This 2.93% (representing 484,676 votes) is assigned to them under § 22 (1) sentence 1 no. 6 in combination with sentences 2 and 3 of the Securities Trading Act (WpHG).

ZFIC, Inc.

ZFIC, Inc., Milwaukee, Wisconsin, USA, informed us as required by § 21 (1) of the Securities Trading Act (WpHG), that on 20 April 2011 their share of voting rights in TOM TAILOR Holding AG fell below 3% and at this date amounted to 2.93%. This represents 484,676 votes. This 2.93% (representing 484,676 votes) is assigned to them under § 22 (1) sentence 1 no. 6 in combination with sentences 2 and 3 of the Securities Trading Act (WpHG).

Mr Andrew A. Ziegler

Mr Andrew A. Ziegler, USA, informed us as required by § 21 (1) of the Securities Trading Act (WpHG), that on 20 April 2011 his share of voting rights in TOM TAILOR Holding AG fell below 3% and at this date amounted to 2.93%. This represents 484,676 votes. This 2.93% (representing 484,676 votes) is assigned to him under § 22 (1) sentence 1 no. 6 in combination with sentences 2 and 3 of the Securities Trading Act (WpHG).

Ms Carlene M. Ziegler

Ms Carlene M. Ziegler, USA, informed us as required by § 21 (1) of the Securities Trading Act (WpHG), that on 20 April 2011 her share of voting rights in TOM TAILOR Holding AG fell below 3% and at this date amounted to 2.93%. This represents 484,676 votes. This 2.93% (representing 484,676 votes) is assigned to her under § 22 (1) sentence 1 no. 6 in combination with sentences 2 and 3 of the Securities Trading Act (WpHG).

TOM TAILOR Holding AG received on 20 May 2011 voting right notifications as required by § 21 (1) of the Securities Trading Act (WpHG), in respect of the following companies, with the following contents:

Allianz Global Investors Luxembourg S.A.

Allianz Global Investors Luxembourg S.A., Senningerberg, Luxembourg, informed us on 18 May 2011 as required by § 21 (1) of the Securities Trading Act (WpHG), that on 16 May 2011 their share of voting rights in TOM TAILOR Holding AG fell below 3% and at this date amounted to 2.92%. This represents 482,821 votes. Of this, 0.45% (representing 74,000 voting rights) is to be assigned to Allianz Global Investors Luxembourg S.A. under § 22 (1) Sentence 1 no. 6 of the Securities Trading Act (WpHG). No voting rights were acquired in the sense of § 17 (1) no. 7 of the Disclosure of Securities Trading and Insider Dealing Act (WpAIV).

TOM TAILOR Holding AG received on 23 May 2011 voting right notifications as required by § 21 (1) of the Securities Trading Act (WpHG), in respect of the following companies, with the following contents:

BeavanSomua Fund Ltd.
BeavanSomua Fund Ltd., Grand Cayman, Cayman Islands, informed us as required by § 21 (1) of the Securities Trading Act (WpHG), that on 13 May 2011 their share of voting rights exceeded 3% and at this date amounted to 3.48%. This represents 575,500 votes.

Laub Investment Management Ltd
Laub Investment Management Ltd, St. Peter Port, Guernsey, informed us as required by § 21 (1) of the Securities Trading Act (WpHG), that on 13 May 2011 their share of voting rights exceeded 3% and at this date amounted to 3.48%. This represents 575,500 votes. This 3.48% (representing 575,500 votes) is assigned to them under § 22 (1) sentence 1 no. 6 of the Securities Trading Act (WpHG), by BeavanSomua Fund Ltd.

Longterm Performance Holding Ltd.
Longterm Performance Holding Ltd., St. Peter Port, Guernsey, informed us as required by § 21 (1) of the Securities Trading Act (WpHG), that on 13 May 2011 their share of voting rights exceeded 3% and at this date amounted to 3.48%. This represents 575,500 votes. This 3.48% (representing 575,500 votes) is assigned to them under § 22 (1) sentence 1 no. 6, sentence 2 of the Securities Trading Act (WpHG), and also under § 22 (1) Sentence 1 no. 1 of the Securities Trading Act (WpHG), by BeavanSomua Fund Ltd. in each case.

Julien Schoenlaub
Julien Schoenlaub, Switzerland, informed us as required by § 21 (1) of the Securities Trading Act (WpHG), that on 13 May 2011 his share of voting rights exceeded 3% and at this date amounted to 3.48%. This represents 575,500 votes. This 3.48% (representing 575,500 votes) is assigned to him under § 22 (1) sentence 1 no. 6, sentence 2 of the Securities Trading Act (WpHG), by BeavanSomua Fund Ltd. At the same time 3.48% (representing 575,500 votes) are assigned to him under § 22 (1) Sentence 1 no. 1 of the Securities Trading Act (WpHG), by Longterm Performance Holding Ltd. and BeavanSomua Fund Ltd. BeavanSomua Fund Ltd. is a subsidiary company of Longterm Performance Holding Ltd., which in turn is a subsidiary of Mr Julien Schoenlaub.

TOM TAILOR Holding AG received on 25 May 2011 voting right notifications as required by § 21 (1) of the Securities Trading Act (WpHG), in respect of the following companies, with the following contents:

Allianz Global Investors Kapitalanlagegesellschaft mbH
Allianz Global Investors Kapitalanlagegesellschaft mbH, Frankfurt am Main, Germany, informed us on 23 May 2011, as required by § 21 (1) of the Securities Trading Act (WpHG), that on 23 May 2011 their share of voting rights in TOM TAILOR Holding AG exceeded 5% and at this date amounted to 5.11%. This represents 844,136 votes. Of this, 0.15% (representing 25,000 voting rights) is to be assigned to Allianz Global Investors Luxembourg S.A. under § 22 (1) Sentence 1 no. 6 of the Securities Trading Act (WpHG). No voting rights were acquired in the sense of § 17 (1) no. 7 of the Disclosure of Securities Trading and Insider Dealing Act (WpAIV).

TOM TAILOR Holding AG received on 15 July 2011 voting right notifications as required by § 21 (1) of the Securities Trading Act (WpHG), in respect of the following companies, with the following contents:

River and Mercantile Asset Management LLP
River and Mercantile Asset Management LLP, London, UK, informed us on 13 July 2011 as required by § 21 (1) of the Securities Trading Act (WpHG), that on 5 July 2011 their share of voting rights in TOM TAILOR HOLDING AG exceeded 3% and at this date amounted to 3.15%. This represents 521,343 votes.

TOM TAILOR Holding AG received on 20 July 2011 voting right notifications as required by § 21 (1) of the Securities Trading Act (WpHG), in respect of the following companies, with the following contents:

Correction to announcement from 15/07/2011
River and Mercantile Asset Management LLP, London, UK, informed us on 13 July 2011 as required by § 21 (1) of the Securities Trading Act (WpHG), that on 5 July 2011 their share of voting rights in TOM TAILOR HOLDING AG exceeded 3% and at this date amounted to 3.15%. This represents 521,343 votes. Of this, 3.15% (representing

521,343 voting rights) is to be assigned to River and Mercantile Asset Management LLP under § 22 (1) Sentence 1 no. 6 of the Securities Trading Act (WpHG).

TOM TAILOR Holding AG received on 27 July 2011 voting right notifications as required by § 21 (1) of the Securities Trading Act (WpHG), in respect of the following companies, with the following contents:

BeavanSomua Fund Ltd.
BeavanSomua Fund Ltd., Grand Cayman, Cayman Islands, informed us on 25 July 2011, as required by § 21 (1) of the Securities Trading Act (WpHG), that on 20 July 2011 their share of voting rights in TOM TAILOR Holding AG fell below 3% and at this date amounted to 2.91%. This represents 481,387 votes.

Laub Investment Management Ltd.
Laub Investment Management Ltd., St. Peter Port, Guernsey, informed us on 25 July 2011 as required by § 21 (1) of the Securities Trading Act (WpHG), that on 20 July 2011 their share of voting rights in TOM TAILOR Holding AG fell below 3% and at this date amounted to 2.91%. This represents 481,387 voting rights. This 2.91% (representing 481,387 voting rights) is assigned to them under § 22 (1) sentence 1 no. 6 of the Securities Trading Act (WpHG).

Longterm Performance Holding Ltd.
Longterm Performance Holding Ltd., St. Peter Port, Guernsey, informed us on 25 July 2011 as required by § 21 (1) of the Securities Trading Act (WpHG), that on 20 July 2011 their share of voting rights in TOM TAILOR Holding AG fell below 3% and at this date amounted to 2.91%. This represents 481,387 votes. This 2.91% (representing 481,387 votes) is assigned to them under § 22 (1) sentence 1 no. 6, sentence 2 of the Securities Trading Act (WpHG), and also under § 22 (1) Sentence 1 no. 1 of the Securities Trading Act (WpHG).

Julien Schoenlaub
Julien Schoenlaub, Switzerland, informed us on 25 July 2011, as required by § 21 (1) of the Securities Trading Act (WpHG), that on 20 July 2011 his share of voting rights in TOM TAILOR Holding AG fell below 3% and at this date amounted to 2.91%. This represents 481,387 votes. This 2.91% (representing 481,387 votes) is assigned to him under § 22 (1) sentence 1 no. 6, sentence 2 of the Securities Trading Act (WpHG), and also under § 22 (1) Sentence 1 no. 1 of the Securities Trading Act (WpHG).

TOM TAILOR Holding AG received on 28 July 2011 voting right notifications as required by § 21 (1) of the Securities Trading Act (WpHG), in respect of the following companies, with the following contents:

Allianz Global Investors Kapitalanlagegesellschaft mbH
Allianz Global Investors Kapitalanlagegesellschaft mbH, Frankfurt am Main, Germany, informed us on 25 July 2011, as required by § 21 (1) of the Securities Trading Act (WpHG), that on 25 July 2011 their share of voting rights in TOM TAILOR Holding AG fell below 5% and at this date amounted to 4.93%. This represents 815,032 votes. Of this, 0.12% (representing 20,000 voting rights) is to be assigned to Allianz Global Investors Luxembourg S.A. under § 22 (1) Sentence 1 no. 6 of the Securities Trading Act (WpHG). No voting rights were acquired in the sense of § 17 (1) no. 7 of the Disclosure of Securities Trading and Insider Dealing Act (WpAIV).

TOM TAILOR Holding AG received on 12 August 2011 voting right notifications as required by § 21 (1) of the Securities Trading Act (WpHG), in respect of the following companies, with the following contents:

Allianz Global Investors Kapitalanlagegesellschaft mbH
Allianz Global Investors Kapitalanlagegesellschaft mbH, Frankfurt am Main, Germany, informed us on 10 August 2011, as required by § 21 (1) of the Securities Trading Act (WpHG), that on 9 August 2011 their share of voting rights in TOM TAILOR Holding AG exceeded 5% and at this date amounted to 5.21%. This represents 861,854 votes. Of this, 0.12% (representing 20,000 voting rights) are to be assigned to Allianz Global Investors Luxembourg S.A. under § 22 (1) Sentence 1 no. 6 of the Securities Trading Act (WpHG). No voting rights were acquired in the sense of Section 17 para. 1 no. 7 of the Disclosure of Securities Trading and Insider Dealing Act (WpAIV).

TOM TAILOR Holding AG received on 29 August 2011 voting right notifications as required by § 21 (1) of the Securities Trading Act (WpHG), in respect of the following companies, with the following contents:

Fidelity Securities Fund
Fidelity Securities Fund, Boston, Massachusetts, USA, on 24 August 2011 informed us as required by § 21 (1) of the Securities Trading Act (WpHG), that on 22 August 2011 their share of voting rights in TOM TAILOR HOLDING AG fell below 3% and at this date amounted to 2.98%. This represents 493,147 votes.

TOM TAILOR Holding AG received on 11 October 2011 voting right notifications as required by § 21 (1) of the Securities Trading Act (WpHG), in respect of the following companies, with the following contents:

Fidelity Management & Research Company
Fidelity Management & Research Company, Boston, Massachusetts, USA informed us on 10 October 2011 as required by § 21 (1) of the Securities Trading Act (WpHG), that on 7 October 2011 their share of voting rights in TOM TAILOR Holding AG fell below 5% and at this date amounted to 4.96%. This represents 819,177 votes. These votes are assigned to them under § 22 (1) sentence 1 no. 6 of the Securities Trading Act (WpHG).

TOM TAILOR Holding AG received on 14 October 2011 voting right notifications as required by § 21 (1) of the Securities Trading Act (WpHG), in respect of the following companies, with the following contents:

FMR LLC
FMR LLC, Boston, Massachusetts, USA, informed us on 11 October 2011 as required by § 21 (1) of the Securities Trading Act (WpHG), that on 11 October 2011 their share of voting rights in TOM TAILOR HOLDING AG fell below 5% and at this date amounted to 4.97%. This represents 822,268 votes. These votes are assigned to them under § 22 (1) sentence 1 no. 6 in combination with sentence 2 of the Securities Trading Act (WpHG).

TOM TAILOR Holding AG received on 31 October 2011 voting right notifications as required by § 21 (1) of the Securities Trading Act (WpHG), in respect of the following companies, with the following contents:

FMR LLC
FMR LLC, Boston, Massachusetts, USA, informed us on 27 October 2011 as required by § 21 (1) of the Securities Trading Act (WpHG), that on 26 October 2011 their share of voting rights in TOM TAILOR Holding AG fell below 3% and at this date amounted to 2.99%. This represents 494,455 votes. These votes are assigned to them under § 22 (1) sentence 1 no. 6 in combination with sentence 2 of the Securities Trading Act (WpHG).

Fidelity Management & Research Company
Fidelity Management & Research Company, Boston, Massachusetts, USA, informed us on 27 October 2011 as required by § 21 (1) of the Securities Trading Act (WpHG), that on 26 October 2011 their share of voting rights in TOM TAILOR Holding AG fell below 3% and at this date amounted to 2.63%. This represents 435,355 votes. These votes are assigned to them under § 22 (1) sentence 1 no. 6 of the Securities Trading Act (WpHG).

TOM TAILOR Holding AG received on 30 January 2012 voting right notifications as required by § 21 (1) of the Securities Trading Act (WpHG), in respect of the following companies, with the following contents:

Fidelity Funds SICAV
Fidelity Funds SICAV, Luxembourg, Luxembourg, informed us on 26 January 2012 as required by § 21 (1) of the Securities Trading Act (WpHG), that on 26 January 2012 their share of voting rights exceeded 5% and at this date amounted to 5.09%. This represents 841,263 votes.

FIL Investments International
FIL Investments International, Hildenborough, UK, informed us on 26 January 2012 as required by § 21 (1) of the Securities Trading Act (WpHG), that on 26 January 2012 their share of voting rights exceeded 5% and at this date amounted to 5.10%. This represents 842,163 votes. These votes are assigned to them under § 22 (1) sentence 1 no. 6 of the Securities Trading Act (WpHG). The voting rights assigned to FIL Investments International are held by the following stockholders, whose share of voting rights in TOM TAILOR Holding AG each represent 3% or more: Fidelity Funds SICAV.

FIL Limited
FIL Limited, Hamilton HMCX, Bermuda, informed us on 26 January 2012 as required by § 21 (1) of the Securities Trading Act (WpHG), that on 26 January 2012 their share

of voting rights exceeded 5% and at this date amounted to 5.10%. This represents 842,163 votes. These votes are assigned to them under § 22 (1) sentence 1 no. 6 of the Securities Trading Act (WpHG). The voting rights assigned to FIL Investments International are held by the following stockholders, whose share of voting rights in TOM TAILOR Holding AG each represent 3% or more: Fidelity Funds SICAV.

FIL Holdings Limited

FIL Holdings Limited, Hildenborough, UK, informed us on 26 January 2012 as required by § 21 (1) of the Securities Trading Act (WpHG), that on 26 January 2012 their share of voting rights exceeded 5% and at this date amounted to 5.10%. This represents 842,163 votes. These votes are assigned to them under § 22 (1) sentence 1 no. 6 in combination with sentence 2 of the Securities Trading Act (WpHG). The voting rights assigned to FIL Holdings Limited are held by the following stockholders, whose share of voting rights in TOM TAILOR Holding AG each represent 3% or more: Fidelity Funds SICAV.

DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

The Management and Supervisory Boards of TOM TAILOR Holding AG provided the necessary declaration under § 161 of the Stock Corporations Act (AktG) and made this available to shareholders on the Internet website for TOM TAILOR Holding AG (www.tom-tailor.com) in January 2012.

AUDITORS' FEES (STATEMENT REQUIRED BY § 314 (1) NO. 9 OF THE COMMERCIAL CODE (HGB))

The fees recorded as costs in financial year 2011 represent the following for the year-end audit (incl. disbursements): EUR 132 thousand (2010: EUR 151 thousand), and for other review and evaluation services EUR 5 thousand (2010: EUR 428 thousand), for accountancy and tax services EUR 30 thousand (2010: EUR 24 thousand) and for other services EUR 24 thousand (2010: EUR 4 thousand).

EVENTS AFTER THE BALANCE SHEET DATE

Changes in the Financing Structure:

As of 3 February 2012, the TOM TAILOR Group successfully concluded banking negotiations, underway since the end of 2011, with the signing of a new syndicated loan agreement. Headed up by BNP Paribas, Commerzbank AG and IKB Deutsche Industriebank AG, a total volume of EUR 225 million was successfully syndicated to a pool of banks consisting of a total of ten banks. The previously existing leveraged-buyout financing structure (EUR 157 million until 3 February 2012) was thus converted into a corporate financing structure which now appropriately reflects TOM TAILOR's financial circumstances and future growth. The EUR 225 million are made up of a current account facility for 85 million EUR (before 3 February 2012: EUR 35 million), a guarantee line of EUR 100 million (before 3 February 2012: EUR 65 million) and existing term loans of EUR 40 million (before 3 February 2012: EUR 57 million). In a financially difficult banking environment, TOM TAILOR has managed through these measures to conclude a financing structure for the coming years that is in keeping with the market. Overall, the financing runs for a period of three years with an option to extend for a further two years.

Apart from the change in the financing structure, as on 10 February 2012 there were no further noteworthy operational and structural changes or business transactions in the TOM TAILOR Group that have significantly changed the asset, financial and earnings situation since 31 December 2011.

There have been no events with a significant impact on the asset, financial and earnings situation since the date of the balance sheet.

EXEMPTION FOR CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH § 264 (3) OF THE COMMERCIAL CODE (HGB)

The fully consolidated, domestic subsidiaries of Tom Tailor GmbH, Hamburg, namely Tom Tailor Retail GmbH, Hamburg, and TOM TAILOR E-Commerce GmbH & Co. KG, Munich, have availed themselves of the simplification options under § 264 (3) of the Commercial Code (HGB) and § 264 b of the Commercial Code (HGB) respectively, in relation to the creation of notes and management report as well as to the publication of their annual financial statements.

PUBLICATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements, prepared under IFRS, were approved for publication by the Management Board on 10 February 2012.

Responsibility Statement by the Management Board

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group.

Hamburg, 10 February 2012
The Management Board

Dieter Holzer
Chairman of the
Management Board

Dr Axel Rebien
Chief Financial Officer

Christoph Rosa
Chief Product Development
and Procurement Officer

Dr Marc Schumacher
Chief Retail Officer

Auditors' Report

We have audited the consolidated financial statements prepared by TOM TAILOR Holding AG, Hamburg, comprising the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes to the consolidated financial statements, together with the Group Management Report for the business year from 1 January to 31 December 2011. The preparation of the consolidated financial statements and Group Management Report in accordance with IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a (1) German Commercial Code (HGB) are the responsibility of the legal representatives of the Company. Our responsibility is to express an opinion on the consolidated financial statements and on the Group Management Report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB [Handelsgesetzbuch; "German Commercial Code"] and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer – IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group Management Report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group Management Report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in the consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the Group Management Report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the additional requirements of German Commercial Law pursuant to § 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group, in accordance with these requirements. The Group Management Report is consistent with the consolidated financial statements, and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Hamburg, 10 February 2012

Ebner Stolz Mönning Bachem GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Götze	Schmidt
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Corporate Governance

CORPORATE GOVERNANCE REPORT | DECLARATION ON CORPORATE GOVERNANCE ACCORDING TO § 289 a GERMAN COMMERCIAL CODE (HGB)

DECLARATION OF COMPLIANCE PURSUANT TO §161 GERMAN STOCK CORPORATION ACT (AKTG)

The Management Board and Supervisory Board of TOM TAILOR Holding AG submitted a declaration of compliance pursuant to § 161 of the German Stock Corporation Act (AktG) on 12 January 2012. TOM TAILOR Holding AG has complied accordingly with the "Government Commission of the German Corporate Governance Code" in the version dated 26 May 2010 as follows:

WORDING OF THE DECLARATION BY THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD OF TOM TAILOR HOLDING AG PURSUANT TO §161 AKTG ON THE GERMAN CORPORATE GOVERNANCE CODE (DECLARATION OF COMPLIANCE)

TOM TAILOR HOLDING AG, HAMBURG

ISIN: DE000A0STST2

The Management Board and Supervisory Board of TOM TAILOR Holding AG hereby declare in accordance with § 161 (1) sentence 1 of the Stock Corporation Act (AktG) that since its initial public offering in March 2010 TOM TAILOR Holding AG has conformed and continues to conform to the recommendations of the Government Commission of the German Corporate Governance Code (GCGC) in the version dated 26 May 2010 with the following exceptions:

– In derogation from the recommendation in clause 5.1.2 of the GCGC, the Supervisory Board has not set an age limit for employees at present beyond the general pensionable age laid down in the appointment contracts of the members of the Management Board. The Supervisory Board has not seen any cause to do so hitherto but intends to deal with the matter when the need arises.
– The Supervisory Board does not intend at present to establish a nominations committee in the meaning of clause 5.3.3 of the GCGC. With a compliment of six members, the Supervisory Board sees itself as in a position to nominate new members based on a proposal by the plenary body if this should prove to be necessary.
– In derogation of the recommendation in clause 5.4.1 sentence 2, no regulation has been made for an age limit for the Supervisory Board. The TOM TAILOR Holding AG does not regard it as useful to limit the options for candidates for election by setting an age limit.
– In derogation of the recommendation in clause 5.4.6 para. 1 and 2 of the GCGC, members of the Supervisory Board do not receive variable, performance-related remuneration but a fixed salary which is set at different levels for the Chairman, the Deputy Chairman and the remaining members of the Supervisory Board. TOM TAILOR Holding AG regards this as sensible because the Supervisory Board has to perform its duties independently of the performance of the Company and its financial situation. A decision will be taken on separate remuneration for activity undertaken in committees if the Company considers this useful taking the additional work required into account.

Hamburg, 12 January 2012

This declaration of compliance and all previous declarations are published on the website of TOM TAILOR Holding AG at: http://ir.tom-tailor.com.

INFORMATION ON CORPORATE GOVERNANCE PRACTICES

RESPONSIBLE CORPORATE GOVERNANCE

TOM TAILOR Holding AG is the management holding and parent company of the TOM TAILOR Group. The Company's business operations are carried out in the respective subsidiaries of TOM TAILOR Holding AG (the subsidiaries jointly with TOM TAILOR Holding AG also known 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. This philosophy is shared by the entire TOM TAILOR Group.

In addition to observing these principles of good corporate governance, rules and standards specific to the Company also contribute to good and positive corporate development at TOM TAILOR.

CODE OF CONDUCT, BSCI

TOM TAILOR is an active member of the Business Social Compliance Initiative (BSCI). The BSCI is a Europe-wide initiative of commercial enterprises that have joined forces in order to impose a uniform monitoring system on their suppliers. The BSCI has issued a Code of Conduct (CoC) that imposes on its members an obligation to act in accordance with the law, with integrity and sustainably, and in a socially responsible manner. This Code of Conduct can be downloaded 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 Organisation (ILO), the UN Declaration of Human Rights, the UN Convention on the Rights of the Child and the Elimination of all Forms of Discrimination against Women. It contains, amongst other things, a ban on child and forced labour, the obligation to adhere to the applicable laws and provisions on occupational health and safety, to pay fair wages, to adhere to the statutory provision on working hours, to ban discrimination and to comply with the right of association and the free negotiation of collective pay agreements.

This Code of Conduct was introduced at TOM TAILOR in 2005.

TOM Tailor attaches particular importance to environmental protection, the highest quality of its products and the safety and health of its employees. The Code of Conduct is intended to serve as a guide for all the employees and suppliers of the Group to assist them in fulfilling their duties.

TOM TAILOR controls the entire sourcing chain for its products, covering all stages in the value-added process. In this respect, the Company has a comprehensive Code of Conduct that all its suppliers and business partners must sign and incorporate in the relevant contracts.

TOM TAILOR takes its responsibility for humane working conditions very seriously and takes clear measures to ensure that the working and social standards set out in the Code of Conduct are met by its own suppliers.

Within the scope of its membership of the BSCI, TOM TAILOR arranges for external audits to be carried out by accredited auditors. In order to support and promote the further development of its suppliers, the Group carries out training courses in its markets to assist its members in organizing 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, a trading alliance founded jointly with the mail order company OTTO in 2005. TOM TAILOR GmbH is a member of the "Cotton made in Africa" (CmiA) aid project. The background of this project is that cotton is one of Africa's most important agricultural products. Prices for African cotton are kept low on the world market in particular as a result of the subsidy policy of the EU and the United States. The "Cotton made in Africa" project aims to improve the social, economic and ecological conditions of cotton production. Its intention is to promote greater demand for African cotton from the industrialised countries by means of more advanced cultivation conditions in a more efficient and transparent value chain. TOM TAILOR provides additional support to this project through its own collection and introduced the first pure "Cotton made in Africa" products in spring 2009. Further information and the CmiA verification standards for CmiA products can be found at: http://www.cotton-made-in-africa.com.

PROCEDURE FOLLOWED BY THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

TOM TAILOR Holding AG is a public limited company (Aktiengesellschaft) according to German law. The legal framework for corporate governance is thus derived primarily from German company law, in particular as regards the provisions governing the Management Board and the Supervisory Board.

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 rules (compliance). It 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. Essential components here are the planning system, the internal reporting system and the risk reporting process.

The Supervisory Board has passed rules of procedure for the Management Board. These rules 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 comprises four members. They work together in a spirit of co-operation and provide each other with information on key measures and transactions in their business areas on an ongoing basis. The Management Board passes resolutions at meetings which are held on a regular basis. These resolutions require a simple majority of the votes passed.

Members of the Management Board are Dieter Holzer (Chairman of the Management Board), Dr Axel Rebien, Christoph Rosa and Dr Marc Schumacher.

The members of the Management Board were appointed at different times.

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 employed as Head of Finance in the former Tom Tailor Holding GmbH Member of the Management Board for Finance (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 for TOM TAILOR Holding AG since 2008
Current appointment	until 31 January 2013
Dr Marc Schumacher Born 1977	Member of the Management Board responsible for retail (CRO)
First appointment	Member of the Management Board of TOM TAILOR Holding AG since 1 July 2011, 2008 to 2010 employed as Head of the retail segment in the TOM TAILOR Group
Current appointment	until 30 June 2014

The members of the Company's Management Board do not hold and have not held, at any point over the past five years, any administrative, management or supervisory board mandates or partnership positions in comparable German or foreign executive bodies outside 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 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 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 implementation of the corporate strategy with the Supervisory Board at regular intervals. It informs the Supervisory Board on a regular, timely and comprehensive basis on all matters 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 also exchanges information with the Chairman of the Supervisory Board on a regular basis between Supervisory Board meetings.

The Supervisory Board issued rules of procedure at its scheduled Supervisory Board meeting held on 28 February 2011. These rules include: detailed regulations on the procedure to be followed at meetings and on how they are to be conducted by the Chairman of the Supervisory Board, and regulations on the work of committees.

The Supervisory Board consists of six members.

As a general rule, their term of office is for a period of five years.

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 at 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, Nuremberg

OTHER MANDATES HELD BY THE SUPERVISORY BOARD MEMBERS:

– 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 ACapital Beteiligungsberatung GmbH, Frankfurt am Main
  Managing Director of Agrippina S.à.r.l., Luxembourg
  Managing Director of Bulowayo GmbH, Königstein/Taunus
  Member of the Supervisory Board of ALPHA ASSOCIES Conseil SAS, Paris, France
  Member of the Supervisory Board of Nero AG, Karlsbad

– Andreas Karpenstein
  Managing Director of Herceus Grundstücks-Vermietungsgesellschaft mbH, Düsseldorf
  Member of the Supervisory Board (Deputy Chairman) of Trusted Advice AG,
  auditors and tax consultants, Düsseldorf

– Dr Christoph Schug
  Managing Director of Consulta Verwaltungs- und Treuhand GmbH, Mönchengladbach
  Member of the Supervisory Board of Baden-Baden Cosmetics Group AG, Baden-Baden
  Member of the Supervisory Board of the Norma Group AG, Maintal

– Gerhard Wöhrl
  Managing Director of Gerhard Wöhrl Beteiligungsgesellschaft mbH, Reichenschwand
  Managing Director of GOVAN Beteiligungs GmbH, Reichenschwand
  Managing Director of GOVAN Holding GmbH & Co. KG, Reichenschwand
  Managing Director of GOVAN Verwaltungs GmbH, Reichenschwand
  Managing Director of GVC Gesellschaft für Venture Capital Beteiligungen mbH, Munich
  Member of the Advisory Board of Sparkasse Nürnberg, Nuremberg
  Member of the Advisory Board (Chairman) of TETRIS Grundbesitz GmbH & Co. KG,
  Reichenschwand
  Member of the Advisory Board (Chairman) of TETRIS Grundbesitz Beteiligungsgesellschaft mbH,
  Reichenschwand

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, and to the principle of diversity in the composition of the Supervisory Board. At its meeting held on 8 December 2010, the Supervisory Board agreed to pursue the following objectives for nominating candidates for appointment to the Supervisory Board: in order to prevent potential conflicts of interest from the outset that may occur when members are performing their duties, no direct competitors of the Company may be nominated as candidates for election. A 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 as possible that are relevant to the TOM TAILOR Group. Care should be taken to ensure that women are appropriately represented. Members should also 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's 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). As a result, the composition of the Supervisory Board is also in line with the Company's objectives in respect of sector diversity. The Supervisory Board has not yet had the opportunity to ensure the proactive implementation of its other objectives (in particular, the appropriate representation of women), since 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 efficiently, 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, each of which comprises 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, and for preparatory work and preliminary negotiations in connection with the conclusion, amendment and termination of employment contracts of members of the Management Board.

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, and also 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. Providing it has a quorum of at least three members, that is that it has 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 determine the key areas 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, compliance and the internal audit system, and 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

In the person of 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

An important aspect of responsible company management is a remuneration system for the Management Board and Supervisory Board members that both incentivises and rewards performance. The remuneration of Management Board members currently consists of a fixed basic salary and variable, performance-related components. The variable remuneration for the Management Board members Mr Holzer, Dr Rebien, Mr Rosa and Dr Schumacher is linked to the figures for net sales and the adjusted EBITDA for the TOM TAILOR Group. Additional factors in the remuneration of Dr Schumacher are the sector-specific EBITDA developments in the retail segment.

The members of the Management Board, Mr Holzer und Dr Rebien, 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 according 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 is dependent on the performance of the Company's shares. The previous remuneration entitlements for Mr Rosa have been cancelled because his Management Board employment contract has not been extended.

In July 2010, a long-term incentive programme (or LTI) was introduced as a remuneration system for management-level employees of TOM TAILOR, with the aim of achieving the loyalty of employees and the realisation of long-term Company objectives. The members of the Management Board are also involved in 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 projected and actual sales figures as well as operational earnings over the course of three-year observation periods. Also taken into account here is the development of the share price. Payments from this remuneration system will be made for the first time in 2013. The previous remuneration entitlements for Mr Rosa have been cancelled because his Management Board employment contract has not been extended.

There are no other securities-based remuneration systems, including systems for employees outside the Management Board, at TOM TAILOR.

The Supervisory Board currently receives only fixed remuneration.

SHAREHOLDINGS OF THE MANAGEMENT BOARD MEMBERS

At the date of publication of this Annual Report, Mr Dieter Holzer, Chairman of the Management Board, directly held 260,610 shares, which corresponds to around 1.6% of the Company's shares.

At the date of publication of this Annual Report, Mr Axel Rebien, CFO, directly held 12,000 shares, 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 21,000 shares in the Company at the time this Annual Report was published, which corresponds to around 0.1% of the Company's 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 date of publication of this Annual Report, Mr Schröder and his close family held an indirect interest in the Company via Morgan Finance S.A., Luxembourg. At the date of publication of this Annual Report, 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 date of publication of this Annual Report, which corresponds to around 0.1% of the Company's shares.

At the date of publication of this Annual Report, 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.

DIRECTORS' DEALINGS

According to § 15a of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG), members of the Management Board and the Supervisory Board of TOM TAILOR Holding AG, as well as certain employees with management responsibilities and individuals with close ties to them, must disclose the acquisition and sale of TOM TAILOR shares and financial instruments based on such shares. This duty of disclosure applies if the value of the transactions executed by an individual belonging to the Group defined above reaches or exceeds the sum 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 § 21 (1) WpHG from institutional investors from Germany, the United Kingdom, Luxembourg and the US, among others.

ACCOUNTING AND TRANSPARENCY

Shareholders and the general public are provided with regular information, in particular via 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 a high level of transparency and international comparability.

REPORT OF THE SUPERVISORY BOARD

In financial year 2011, the Supervisory Board performed the tasks for which it is responsible by law and based on the Company's Articles of Association, and advised and monitored the management of the Company by the Management Board. It obtained regular, comprehensive and timely information from the Management Board, orally and in writing, on the overall financial situation, position and development of the Company, the main financial ratios, certain 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 questions posed by the Supervisory Board comprehensively and in full. Also outside the regular meetings of the Supervisory Board, the Supervisory Board, in particular the Chairman of the Supervisory Board, and the Management Board remained in close written and oral contact.

Last year, the Supervisory Board's activities focused primarily on the expansion of the Company both at home and abroad, the establishment of a joint purchasing (sourcing) Company in Asia with the long-term partner Asmara, the expansion of the Management Board to include a member specifically responsible for retail and marketing, and restructuring the existing bank finance.

MEETINGS OF THE SUPERVISORY BOARD

At four regular meetings, the Supervisory Board addressed issues such as current business developments, approving major individual transactions, examining 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 its meeting held on 28 February 2011 the Supervisory Board approved the annual financial statement and the consolidated financial statement; the annual financial statements were thereby adopted. The focus of this meeting was also the extension of cooperation with Sportina in South-Eastern Europe. In addition, the Supervisory Board also passed its own rules of procedure at this meeting,

The Supervisory Board discussed the figures for the first quarter of 2011 at its meeting on 17 May 2011. At the same time, the Supervisory Board considered the planned partnership with Asmara for the establishment of a joint purchasing company in Asia. The meeting also held preliminary discussions on the ordinary Annual General Meeting on the following day.

At the meeting on 20 September 2011 the Supervisory Board dealt with the figures for the first half of the year. The Management Board reported on the status of the audit of the consolidated financial statements for 2010 by the German Financial Reporting Enforcement Panel (FREP) and a planned collaboration with Seven Ventures in the field of television advertising. In addition, the meeting dealt with personnel matters and discussed a possible restructuring of the existing bank finance, among other items. A resolution was also passed on a redistribution of responsibilities for the Management Board after Dr Marc Schumacher had joined the board.

The meeting of the Supervisory Board held on 13 December 2011 comprised regular discussions of the current business situation in the third quarter of 2011 and the monthly figures for October and November 2011, the approval of the budget for 2012, the three-year plans for 2012 to 2014 and personnel matters. The Supervisory Board also dealt with the establishment of a new division TOM TAILOR POLO TEAM.

SUPERVISORY BOARD COMMITTEES

The Audit and Finance Committee of the Supervisory Board met on five occasions in 2011 to conduct ordinary business. In addition, unplanned / telephone discussions were held by the Audit and Finance Committee. The key focus of the meetings was advice on the financial statements and management report on the Company and the Group, and discussion of the interim reports. Where necessary or useful, representatives of the Company – mostly the CFO, the Finance Director and/or the General Counsel, the Chairman of the Supervisory Board or representatives of the auditors took part in the meeting.

The subject of the meeting on 1 February 2011, which took place in the form of a telephone conference, was the final discussion with the auditors concerning the audit of the annual financial statements for 2010.

At the meeting on 28 February 2011 the main subject discussed was the further expansion of the systems for risk management and compliance.

At the meeting on 20 September 2011 the previous procedures and measures for extending the risk management system were discussed. Other important items were the audit of the consolidated financial statements for 2010 by the Financial Reporting Enforcement Panel (FREP), the compliance system of the Group and discussion of the key points in the audit of the 2011 financial statement. Representatives of the Company also provided a summary of the internal auditing system.

At the meeting on 28 November 2011 the Audit and Finance Committee dealt with the refinancing of the TOM TAILOR Group and the three-year plan for 2012 to 2014, amongst other items. This meeting also considered the pleasing outcome for the Company of the audit by the Financial Reporting Enforcement Panel which had been completed without any findings of any kind, and discussed the key points of the audit of the 2011 annual financial statements with the auditor.

At the meeting on 13 December 2011 the Audit and Finance Committee dealt with the Company's dividend policy, received an update on the status of the 2011 annual financial statements and dealt with the risk management system and the compliance manual.

The Executive Committee did not hold any ordinary meetings in 2011.

APPOINTMENTS TO THE SUPERVISORY BOARD AND MANAGEMENT BOARD

The members of the Supervisory Board, Uwe Schröder, Thomas Schlytter-Henrichsen, Andreas W. Bauer, Andreas Karpenstein, Dr Christoph Schug and Gerhard Wöhrl, carried out their supervisory mandate during the entire year.

There was one change to the composition of the Management Board of TOM TAILOR Holding AG in financial year 2011. Dr Marc Schumacher was appointed as a member of the Management Board and is responsible for the areas of retail and marketing.

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 in accordance with 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, auditors and tax consultants. The audits were carried out according to the German audit requirements and taking into account the general principles set down by the German Institute of Public Auditors (Institut der Wirtschaftsprüfer). The International Standards on Auditing were also observed. The audits resulted in an unqualified audit opinion in each case.

The annual financial statements and the consolidated financial statements, including the Management Reports, of TOM TAILOR Holding AG, and the audit reports prepared by the auditor of the financial statements, were submitted to the members of the Supervisory Board for assessment. All 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 31 January 2012 and to the plenary Supervisory Board on 19 March 2012 on the main results of his audit and was available for any questions posed by the members present. In its meeting held on 19 March 2012, the Supervisory Board approved the result of the audit by the auditor 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. The annual financial statement was thereby adopted.

The Supervisory Board would like to thank the Management Board and the Company's employees for their high level of commitment.

Hamburg, March 2012

The Supervisory Board

Additional Information

Glossary

Adjusted EBITDA EBITDA excluding one-off items

Aid by Trade Foundation 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 Business to Business. Business relation between TOM TAILOR and wholesale customers

B2C Business to Consumer. Business relation between TOM TAILOR and end customers

Basic items A group of products offered by TOM TAILOR featuring basic items of clothing that do not reflect a pronounced seasonal fashion trend

Business Social Compliance Initiative (BSCI) Europe-wide initiative for companies committed to improving working conditions in the global supply chain

Core markets Germany, Austria, Switzerland, the Benelux countries and France

Controlled selling space Spaces include retail stores, franchise stores, shop-in-shops and e-commerce portals (the Company's own e-shops and e-partnerships). TOM TAILOR exercises control in franchise stores and shop-in-shops by influencing how the brand is displayed and how the sales area is designed, and ensuring that only TOM TAILOR products are sold there

Cotton made in Africa (CmiA) Initiative launched by the Aid by Trade foundation that pursues an entrepreneurial approach in order to improve the living and working conditions of cotton farmers in Africa

Depot business Sales via wholesale customers where the fashion company decides on the specific merchandise that is offered at designated retail areas, stocking them with goods itself

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

Fashion follower Fashion from the market for the market – trends are adapted and used in the latest collections

Flagship store Designation for a brand's exclusive store that offers an extensive range of the brand's goods and generally sets itself apart from other stores in terms of its architecture, shop fittings and exclusive location

Franchise store Stores that are operated by franchisees

International Labour Organisation (ILO) The International Labour Organisation (ILO) is a specialised agency of the United Nations (UN). They are focused on formulation and implementation of internationally recognised labour and human rights, especially core labour rights

Lead times Time between the design of a collection and its delivery to customers or point of sale

Modern basic items A group of products offered by TOM TAILOR that includes basic fashion items reflecting current trends

Mono-label stores Retail and franchise stores

Multi-channel Sale or marketing of one or more product groups via several distribution or marketing channels

Multi-label store Sale of items produced by several fashion companies or several brands on the same selling space

NOOS items Acronym for “never out of stock”, meaning items that are available on an ongoing basis and do not follow monthly collection cycles; instead, they appear in separate collections and can be reordered at short notice at any time

Nordport Name of TOM TAILOR’s logistics centre

Outlet store These stores offers merchandise that is no longer current and/or at reduced prices

Pre-orders Orders for items that TOM TAILOR has produced by manufacturers only after the orders are placed

Retail Sales to end customers

Revenues per unit area Average revenues per square metre of net selling area

Scouting team Team that detects seasonal market trends early on and works with designers to incorporate them into trend products

Shop-in-shop Sales area in a department store or clothing chain where products from a certain fashion company/brand are presented in a separate area, distinct from products of other fashion companies/brands

Social networks Digital networks that allow users to exchange ideas and create media content either individually or in groups

Spot items Products at the leading edge of fashion – short-term trends are adapted in order to cater to a corresponding short-term demand. No prototypes are produced; lead time of five weeks

System provider Term used to describe a system that links and largely controls the individual stages of the value chain from collection design to manufacturing and distribution of products to the points of sale

Wholesale Distribution through wholesale customers who generally sell products to end consumers

Financial Calendar

Date	Current Events
8 May 2012	Publication of the 2012 1st quarter interim report
18 May 2012	Annual General Meeting, Hamburg
8 August 2012	Publication of the 2012 2nd quarter interim report
8 November 2012	Publication of the 2012 3rd quarter interim report

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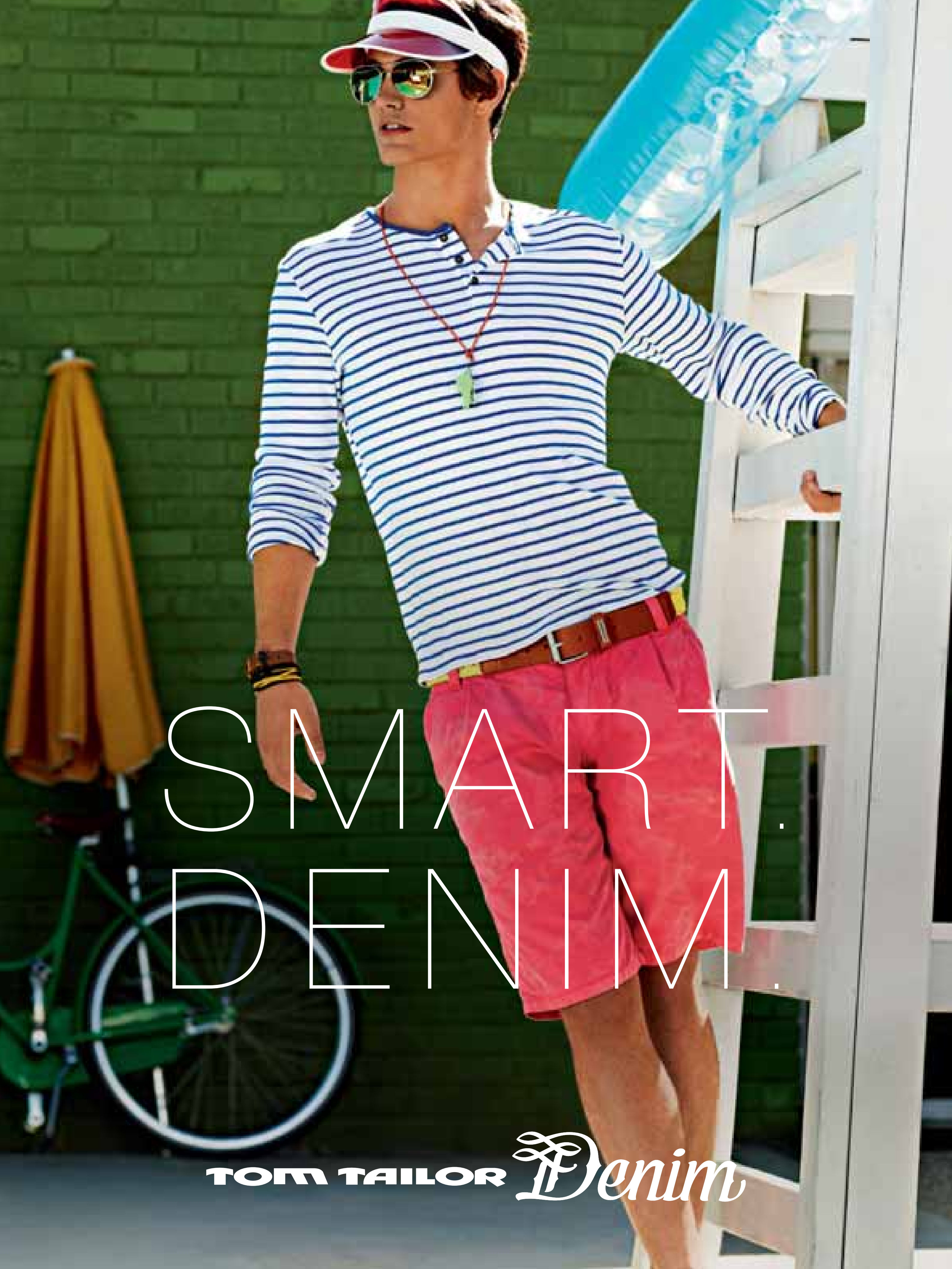
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