FASHION FORWARD

ANNUAL REPORT 2013

TOM TAILOR GROUP

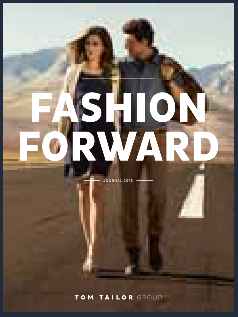
KEY FIGURES

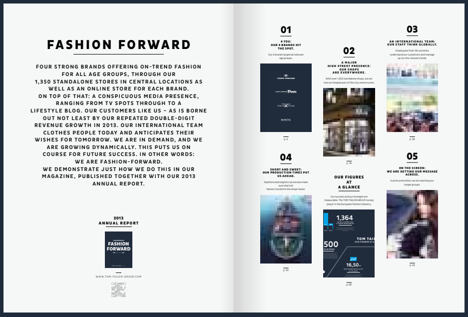
EUR million	2013	2012	Change absolute	Change relative
Revenue	**907.2**	629.7	277.5	44.1%
TOM TAILOR Retail	**254.1**	205.8	48.3	23.5%
TOM TAILOR Wholesale	**302.4**	270.0	32.4	12.0%
BONITA	**350.7**	153.9	n.a.	n.a.
Share of revenue (in %)				
TOM TAILOR Retail	**28.0**	32.7		
TOM TAILOR Wholesale	**33.3**	42.9		
BONITA	**38.7**	24.4		
Cost of materials	**408.2**	296.5	111.7	37.7%
Gross profit	**499.0**	333.2	165.8	49.8%
Gross margin (in %)	**55.0**	52.9		
Recurring EBITDA	**77.2**	**66.5**	10.7	16.1%
Recurring EBITDA margin (in %)	**8.5**	10.6		
One-off items/special factors	**13.1**	11.5	1.6	13.9%
EBITDA	**64.1**	55.0	9.1	16.5%
EBITDA margin (in %)	**7.1**	8.7		
Recurring EBIT	**28.5**	**34.1**	–5.6	–16.4%
Recurring EBIT margin (in %)	**3.1**	5.4		
One-off items/special factors (net of imputed tax effects)	**22.0**	17.9	4.1	22.9%
thereof amortisation of TOM TAILOR/BONITA PPA	**9.0**	6.4	2.6	
thereof financing costs/BONITA acquisition	**–**	14.8		
thereof negative goodwill from BONITA acquisition	**–**	–11.1		
thereof cost of BONITA integration	**10.7**	4.4		
EBIT	**6.5**	16.2	–9.7	–59.9%
EBIT margin (in %)	**0.7**	2.6		
Recurring net income for the period	**1.7**	**18.9**	–17.2	–91.0%
Recurring earnings per share (in EUR)	**–0.14**	0.81	–0.95	–117.3%
One-off items/special factors (including imputed tax effects)	**17.9**	15.8	2.1	13.3%
thereof TOM TAILOR/BONITA PPA	**6.3**	4.5	1.8	
Net income for the period	**–16.2**	3.1	–19.3	–622.6%
Earnings per share (in EUR)	**–0.87**	0.01	–0.88	
Cash generated from/used in operations	**59.7**	**20.4**	39.3	192.6%
Net cash used in investing activities	**26.9**	35.6	–8.7	–24.4%
Employees as at 31 December (absolute)	**6,499**	**6,133**	366	6.0%
thereof TOM TAILOR Wholesale	**569**	541	28	5.2%
thereof TOM TAILOR Retail	**1,701**	1,426	275	19.3%
thereof BONITA	**4,229**	4,166	63	1.5%
	31.12.2013	**31.12.2012**		
Total assets	**759.6**	**771.2**	–11.6	–1.5%
Equity	**221.7**	218.9	2.8	1.3%
Equity ratio (in %)	**29.2**	28.4		
Return on equity (in %)	**–7.3**	1.4		
Cash and cash equivalents	**47.1**	**53.4**	–6.3	–11.8%
Financial liabilities	**265.6**	301.2	–35.6	–11.8%
Net debt	**218.5**	247.8	–29.3	–11.8%
Net debt/adjusted EBITDA (in years)	**2.8**	3.7		
Gearing (in %)	**98.6**	**113.2**		

FASHION FORWARD

FOUR STRONG BRANDS OFFERING ON-TREND FASHION FOR ALL AGE GROUPS, THROUGH OUR 1,350 STAND-ALONE STORES IN CENTRAL LOCATIONS AS WELL AS AN ONLINE STORE FOR EACH BRAND. ON TOP OF THAT: A CONSPICUOUS MEDIA PRESENCE, RANGING FROM TV SPOTS THROUGH TO A LIFESTYLE BLOG. OUR CUSTOMERS LIKE US – AS IS BORNE OUT NOT LEAST BY OUR REPEATED DOUBLE-DIGIT REVENUE GROWTH IN 2013. OUR INTERNATIONAL TEAM CLOTHES PEOPLE TODAY AND ANTICIPATES THEIR WISHES FOR TOMORROW. WE ARE IN DEMAND, AND WE ARE GROWING DYNAMICALLY. THIS PUTS US ON COURSE FOR FUTURE SUCCESS. IN OTHER WORDS: WE ARE FASHION FORWARD.

WE DEMONSTRATE JUST HOW WE DO THIS IN OUR MAGAZINE, PUBLISHED TOGETHER WITH OUR 2013 ANNUAL REPORT.



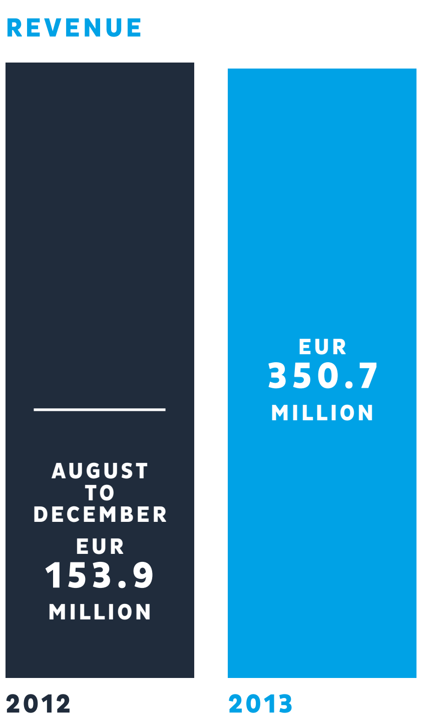


WWW.TOM-TAILOR-GROUP.COM

TOM TAILOR GROUP BRAND WORLD

The TOM TAILOR brand offers high-quality, fashionable casual wear and accessories in the mid-range price segment for children and for women and men up to the age of 40. TOM TAILOR comprises the TOM TAILOR and TOM TAILOR Denim brands with 12 collections a year, and TOM TAILOR POLO TEAM with ten annual collections. The brand's fashion world is complemented by a large number of licensed products.

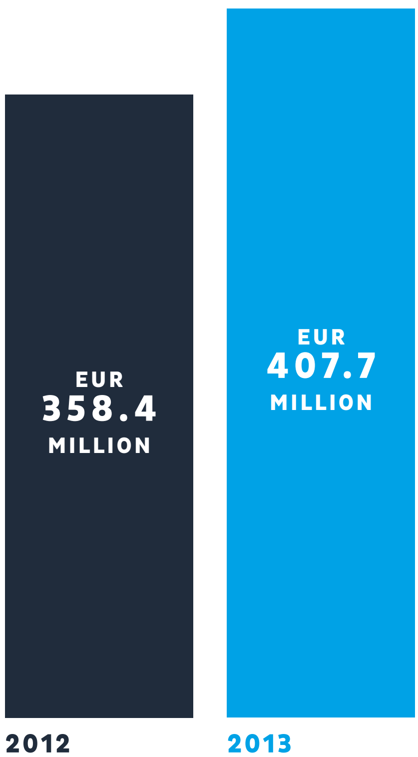
BONITA offers fashion for women and men over 40. The basis for its collections are high-quality items of clothing that can be mixed and matched over and over to create new outfits. They feature charming details, a perfect fit and outstanding colour fidelity. The products are sold exclusively in BONITA's own retail stores as part of a highly standardised system under the slogan "BONITA gibt es nur bei BONITA" ("You can only get BONITA at BONITA"). Demographic trends with an increasing number of people over 40, combined with less intensive competition in this market segment, offer BONITA substantial growth opportunities.



BONITA

BONITA creates fashion for women who want to highlight their individual style. BONITA looks are authentic and confident, and enhance women's natural beauty. High colour fidelity and perfectly coordinating looks provide plenty of options for creating different outfits. BONITA fashion stands for sophisticated, timeless style without sacrificing fashionable details. BONITA men's multifaceted outfits complement men's personalities. Offering an excellent fit, a large selection of different styles and high-quality materials, BONITA men provides casual fashion that can be mixed and matched, from sporty to relaxed.

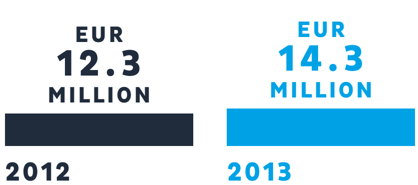
REVENUE



TOM TAILOR

The Company's TOM TAILOR MEN and TOM TAILOR WOMEN lines offer fashionable clothing for the 25- to 40-year-old target group. The TOM TAILOR MEN collections combine sporty and casual lifestyle elements. TOM TAILOR WOMEN is targeted at young, modern women. The TOM TAILOR KIDS brand consists of several product lines for children aged 18 months up to 14 years and is complemented by TOM TAILOR BABY.

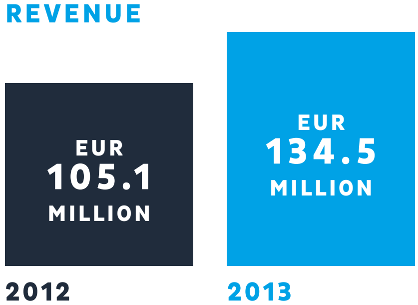
REVENUE



TOM TAILOR POLO TEAM

The premium sportswear brand is targeted at men and women aged 25 to 40. Its ten collections a year feature elaborate embroidered appliqués, classic emblems and coordinating prints for a sporty style.

REVENUE



TOM TAILOR Denim

TOM TAILOR Denim comprises the TOM TAILOR Denim Male and TOM TAILOR Denim Female lines. These collections are aimed at young adults between the ages of 15 and 25. They pick up on current trends from fashion capitals around the world, marrying the latest styles and colours with fashionable washes and selected details. TOM TAILOR Denim embodies a spirited, authentic lifestyle.

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Hamburg, 12 March 2014

Dear Shareholders and Friends of the TOM TAILOR GROUP,

2013 was a busy year. We made considerable progress in what was sometimes difficult terrain. We systematically expanded our market position, drove forward the integration of our two brands – TOM TAILOR and BONITA – and laid the foundations for further growth. We lifted revenue by 44 % to approximately EUR 907 million, clearly reaching our Group revenue target of between EUR 890 million and EUR 910 million. In addition to these successes, we also had obstacles to overcome in 2013. The long winter at the start of the year and the unusually cold spring made it one of the most difficult years on record for the entire German textile industry and posed great challenges. Nevertheless, our TOM TAILOR brands held up extremely well, increasing revenue by 17% to EUR 556.5 million and recurring EBITDA by 27.8% to EUR 55.8 million. By contrast, BONITA remained well below our expectations with revenue of EUR 350.7 million and recurring EBITDA of EUR 21.4 million.

We have reached important milestones with BONITA but are not yet where we want to be. We cut BONITA's production times by 16 weeks, re-engineered production and design processes, opened the BONITA e-shop in June and started to modernise its branches. We saw the first positive effects in the third quarter, when BONITA generated like-for-like growth for the first time since its acquisition of 5.3 %. However, we found that the measures we had implemented were not intensive enough. As a result of high inventory levels from the old design cycle, we decided to speed up our sales measures at the end of the fourth quarter so as to start 2014 with a clean slate. This negatively impacted earnings, which meant that we fell short of our target range of EUR 85 million to EUR 95 million at Group level in 2013 despite lifting recurring consolidated EBITDA by 16.1% to EUR 77.2 million.

Our strategic priorities for the current financial year are therefore absolutely clear: on the one hand, we will continue driving forward the measures we have implemented at BONITA to further grow the brand at a qualitative level. On the other, we are aiming to continuously increase the profitability of our TOM TAILOR brand.

We will systematically model BONITA's infrastructure and activities on the TOM TAILOR brand, which has recorded unbroken growth for the past five years. The TOM TAILOR wholesale segment increased revenue by over 12 % to EUR 302.4 million, generating a recurring EBITDA margin of 10 %. TOM TAILOR retail increased revenue by an impressive 23.5 % to EUR 254.1 million. Its EBITDA margin was stable at 10 % despite an environment characterised by significant promotional activities. On a like-for-like basis, the segment recorded revenue growth of almost 6 % in 2013. As a result, TOM TAILOR retail again outperformed the German textile industry, which ended the year down 2 %.

Dieter Holzer
Chief Executive Officer/CEO

TOM TAILOR's critical success factors are systematic trend management, analytical design and intelligent merchandising. These enable our brand to rapidly identify trends, act flexibly on the market and offer the right products in the right amount at the right place and at the right time. We will implement this expertise at BONITA in a sustainable manner. In 2014, we are therefore concentrating on three focus areas at BONITA: further improving product and design expertise, analysing and adapting the pricing architecture and optimising merchandising. Our resolve is also underpinned by a management change. Our previous CPO Udo Greiser was appointed as the sole managing director of BONITA GmbH as of 1 February 2014. As well as knowing TOM TAILOR inside out, he has 20 years' experience in retail, products and licensing. This makes him the ideal person to leverage the potential of the brand and pave the way for profitable growth together with BONITA's product and design team, which nearly reached full strength in November 2013.

We are convinced that the TOM TAILOR GROUP has a bright future ahead of it and that it is ideally positioned to achieve sustainable, profitable growth with its two attractive brands, despite not making as much progress as we had expected in 2013. For the current financial year, we are aiming for revenue in excess of EUR 950 million and a recurring EBITDA margin of roughly 10 %. On behalf of the entire Management Board, I would like to thank all of our employees at BONITA and TOM TAILOR for their hard work and dedication and you, our valued shareholders, for your trust in and commitment to TOM TAILOR Holding AG.

Yours sincerely,

Dieter Holzer

THE MANAGEMENT BOARD

DR AXEL REBIEN
BORN IN 1971
CHIEF FINANCIAL OFFICER
CFO

DIETER HOLZER
BORN IN 1964
CHIEF EXECUTIVE OFFICER
CEO

DR MARC SCHUMACHER
BORN IN 1977
CHIEF RETAIL OFFICER
CRO

UDO GREISER
BORN IN 1957
CHIEF PRODUCT DEVELOPMENT AND PROCUREMENT OFFICER
CPO
(UNTIL 28 FEBRUARY 2014)

DANIEL PETERBURS
BORN IN 1980
CHIEF PRODUCT DEVELOPMENT AND PROCUREMENT OFFICER
CPO
(FROM MARCH 2014)

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

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

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

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

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

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

Udo Greiser
In his function as CPO, Udo Greiser has been responsible for product development, procurement and licensing at all divisions of the TOM TAILOR GROUP from March 2012 until February 2014. Mr Udo Greiser was appointed as the sole managing director of BONITA GmbH effective 1 February 2014 and stepped down from TOM TAILOR Holding AG's management board accordingly.

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

Daniel Peterburs
has been responsible for product development, procurement and licensing at all divisions of the TOM TAILOR GROUP in his function as CPO since 1 March 2014.

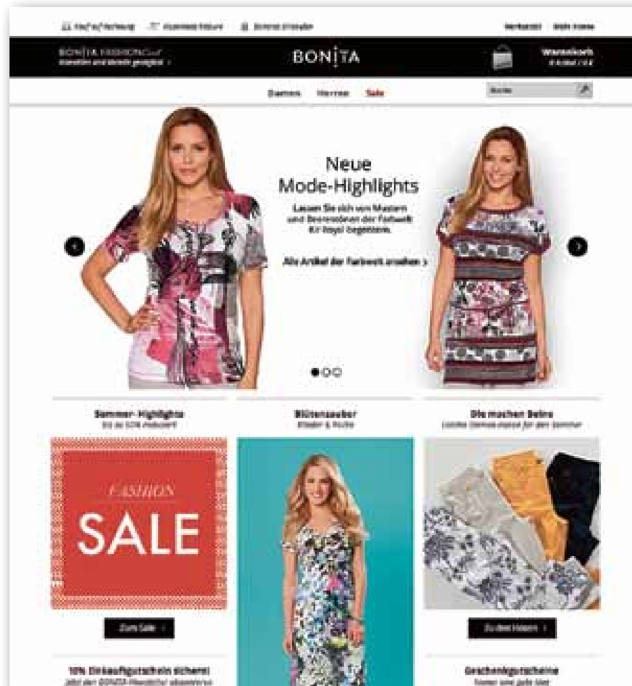
Mr Peterburs completed his vocational training as an industrial clerk and then studied Textile and Clothing Management at Hochschule Niederrhein in Mönchengladbach. After completing his studies, he worked in various functions at Peek & Cloppenburg in Düsseldorf from 2006 to 2008. Mr Peterburs joined the TOM TAILOR GROUP in 2008 and was most recently the division head responsible for the TOM TAILOR Denim Male product line.

HIGHLIGHTS IN 2013

TOM TAILOR GROUP BUILDS NEW LOGISTICS CENTRE WITH DHL

APRIL 2013

The TOM TAILOR GROUP has commissioned DHL Supply Chain, one of the world's leading logistics companies specialising in contract logistics, to construct a new state-of-the-art logistics centre in Hamburg. This represents a long-term expansion of the Company's partnership with DHL Supply Chain, which began in 2008. The new warehouse will comply with the latest technical standards and its 40,000 m² of space will enable it to cope with growth in the wholesale segment in particular. The location offers the infrastructure required to efficiently distribute goods around the world. DHL Supply Chain currently handles 40 million items a year for the TOM TAILOR GROUP; this figure is expected to rise to over 100 million by 2020. The new logistics centre is scheduled to commence operations in the first half of 2015 and to create up to 200 new jobs upon completion.



TOM TAILOR GROUP STRENGTHENS LONG-TERM FINANCING

MAY 2013

TOM TAILOR Holding AG has issued a borrower's note loan for the first time in order to refinance part of the liabilities from the acquisition of BONITA ahead of schedule. The borrower's note loan has a total volume of EUR 80 million and was primarily placed with institutional investors in Germany and Europe. The initial issue was significantly oversubscribed. The coupon reflects current favourable interest rates and is within the range of rates paid previously. As a result of the issue, the TOM TAILOR GROUP's financing now has a longer-term focus and the Group is in a solid position to continue its accelerated growth path.

BONITA NOW ALSO AVAILABLE ONLINE

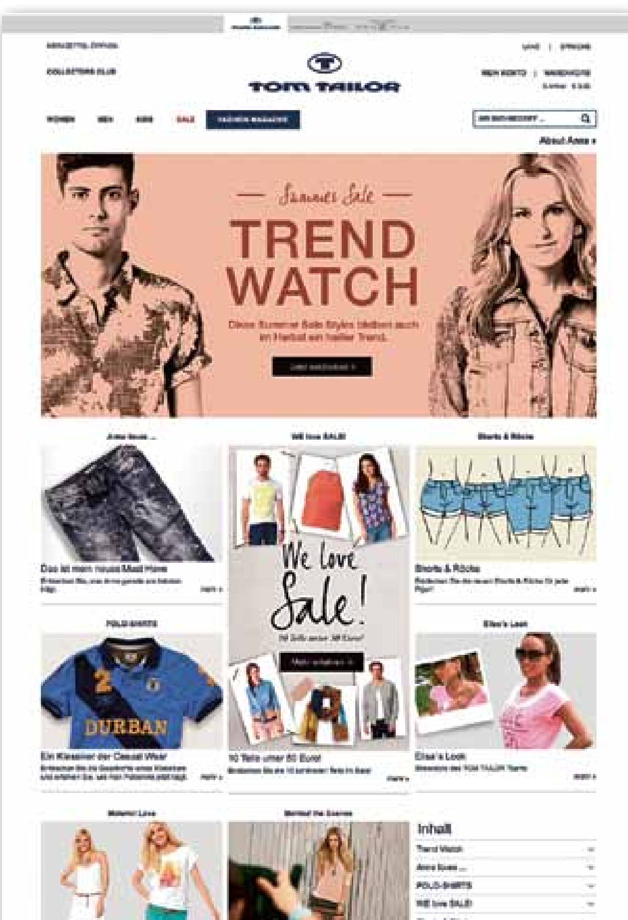
JUNE 2013

BONITA and BONITA men are now also available online. The entire collections for both brands can be browsed at www.bonita.de (available in German only). Key priorities were the attractive presentation of the items sold and a clear, user-friendly interface as well as a high technical standard for the e-shop. The Company is focusing on building up its customer portfolio with the BONITA e-shop, and on reinforcing the BONITA brand's image and brand awareness with its online presence. The e-shop enables the Company to connect with the fastest-growing online customer group, mature consumers. Members of this target group have high purchasing power and are particularly keen consumers. As a result, the BONITA e-shop offers great potential for additional growth in the area of e-commerce. At present, the BONITA e-shop is only available in Germany. Other countries will follow once they have been rolled out.

TOM TAILOR E-SHOP LAUNCHES ONLINE FASHION MAGAZINE

JUNE 2013

A link to TOM TAILOR's new Fashion Magazine has been added to the e-shop home page and the magazine can also be found at www.tom-tailor.de/fashion_magazine (not available in English). The magazine offers an intelligent combination of promotional material and an editorial platform. Customers can effortlessly navigate through exciting content; style tips and trend previews are interspersed with behind-the-scenes photos and interviews with employees. One or two new entries a week ensure the magazine remains up to date. What is more, it is extremely user-friendly: e-shop customers can purchase all of the fashion items displayed in just two clicks.
By offering appealing and efficient entertainment, the Fashion Magazine allows TOM TAILOR to create a new brand experience, strengthen brand loyalty and provide a unique and enjoyable shopping opportunity.



REVITALISATION OF THE BONITA BRAND

SEPTEMBER 2013

The TOM TAILOR GROUP is aiming to increase its leverage of BONITA's potential and, at the same time, to offer its customers a modern shopping experience. To achieve these goals, all 1,000 BONITA stores will be revitalised in the coming months. The focus is on attractive and clear presentation of merchandise, both in the store and in the display windows, and on emotionalising the BONITA brand. Going forward, the use of decorative elements will provide a vibrant backdrop for the BONITA brand world. A central element of this are the BONITA campaign motifs. The "closing-down sale" for the first 250 stores began on 7 August under the slogan "We're making your BONITA more beautiful". The other stores will follow in groups of 250. The first stores have displayed the new BONITA look and feel since the middle of September.

TOM TAILOR GROUP RAISES EUR 29.5 MILLION IN CAPITAL INCREASE

OCTOBER 2013

The Company placed new shares and generated gross issue proceeds of approximately EUR 29.5 million using an accelerated book-building procedure. The shares were purchased by institutional investors in Germany, Europe and the United States. The order book was oversubscribed several times in a matter of hours as a result of high demand. The shares were placed at a price of EUR 16.25 per share. This corresponded to a discount of only 3.8% on the Xetra closing price on 23 October 2013 (EUR 16.89). The issue proceeds from the capital increase will primarily go towards increasing the equity ratio, with the aim being for this to be between 30% and 35% in the future. In addition, the funds will be used to reduce gearing and acquire interests in subsidiaries.

TOM TAILOR ON THE CAPITAL MARKET

SHARES AND INVESTOR RELATIONS

The TOM TAILOR GROUP's investor relations activities aim to attract capital market participants as important partners in the Company's continuing growth, and hence to maintain an additional financing channel. Constant and timely communication is a priority for the Management Board, as is the transparent and reliable presentation of the Company's strategic focus, news and developments. This is a key element in building and strengthening trust and in achieving a fair and realistic market valuation for TOM TAILOR's shares. Against this background, TOM TAILOR GROUP aims to further increase awareness of the Company and to cement the perception of its shares as a promising growth stock.

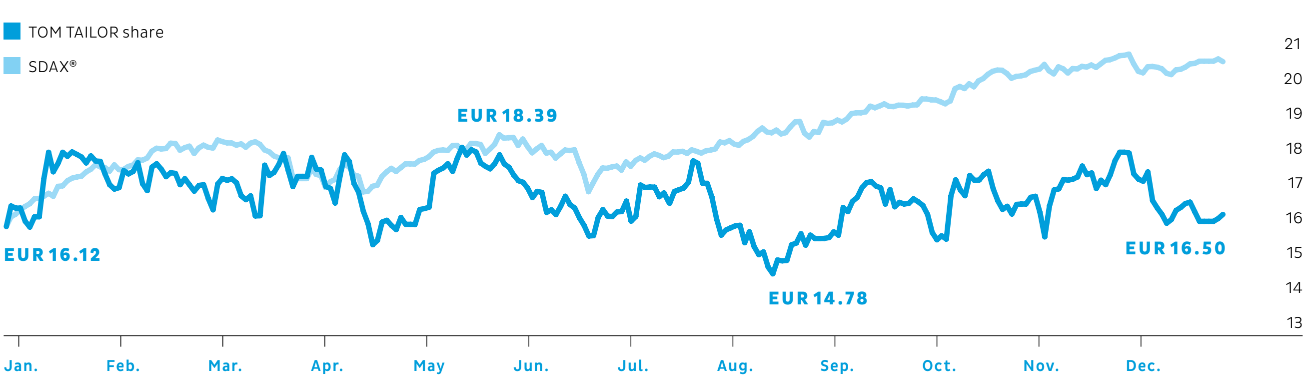
STRONG STOCK MARKET PERFORMANCE IN 2013

The stock markets turned in what can be seen as an extremely positive performance in 2013. Capital market sentiment was upbeat and the environment encouraging. The easing of the European debt crisis and the economic upturn on the export market, and in North America in particular, contributed to this. In addition, the eurozone is gradually gaining momentum after the recession ended in the course of 2013. Low interest rates coupled with high liquidity and the lack of investment opportunities also boosted share prices in a number of countries. The benchmark indices repeatedly hit new highs and share prices ended the year with an impressive rally. Germany's leading index closed at 9,552 points, up 25.5% year-on-year.

After a strong start to 2013, TOM TAILOR's share price fluctuated in a corridor between EUR 16 to EUR 18 for the remainder of the year, recording a slightly upbeat trend against the beginning of the year. Measured in terms of Xetra closing prices, the shares hit their high of EUR 18.39 on 16 May. Overall, 2013 was dominated by a difficult economic environment for the sector and extremely unfavourable weather conditions, which depressed TOM TAILOR's share price. The shares reached a low of EUR 14.78 on 16 August before recovering again over the rest of the year to close at EUR 16.50 (previous year: EUR 16.12). As a result, they exceeded their starting price at the end of 2012 by 2.4%, whereas their benchmark index, the SDAX, rose by 29.3% in this period. The Company's market capitalisation amounted to EUR 429.4 million at the end of the year and the average number of shares traded daily on all stock exchanges was a good 58,400, up 46% on the prior-year figure (40,000 shares). The shares' SDAX weighting was 1.71% (previous year: 2.28%).

Development of the TOM TAILOR Share in 2013

TOM TAILOR share price in EUR; SDAX indexed as of 1 January 2013



Key Data on TOM TAILOR Shares

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

TOM TAILOR's Share Performance

		2013	2012
Shares in issue as at reporting date	Units	**26,027,133**	24,209,035
Share capital	EUR	**26,027,133**	24,209,035
High (Xetra closing price)	EUR	**18.39**	17.15
Low (Xetra closing price)	EUR	**14.78**	10.75
Price at financial year-end (Xetra closing price)	EUR	**16.50**	16.12
Free float at financial year-end	%	**72.07**	69.98
Market capitalisation at financial year-end	EUR million	**429.4**	269.19
Average daily trading volume	Units (approx.)	**58,400**	40,000
Recurring earnings per share	EUR	**−0.14**	0.81
Reported earnings per share	EUR	**−0.87**	0.01

SUCCESSFUL CAPITAL MARKET TRANSACTIONS

TOM TAILOR Holding AG issued its first-ever borrower's note loan on 5 June 2013 in order to refinance part of its liabilities from the acquisition of BONITA ahead of schedule. The loan had a total volume of EUR 80 million and was primarily placed with institutional investors in Germany and Europe. It has three tranches with maturities of 2.6, 3.6 and 5 years, and bears both fixed and variable rates of interest, which reflect the favourable level of interest rates in 2013.

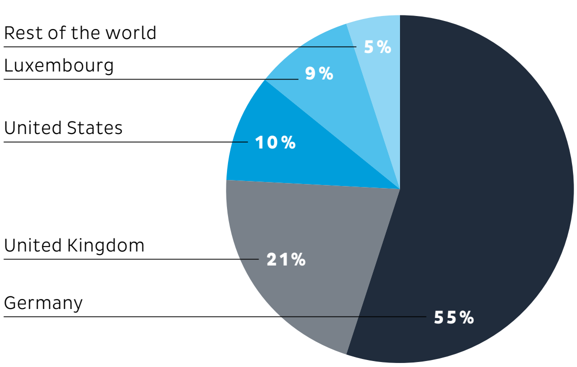
In addition, TOM TAILOR Holding AG implemented a cash capital increase on 24 October that partially utilised its authorised capital. The Company placed 1,818,098 new, no-par-value registered shares at a price of EUR 16.25 per share using an accelerated book-building procedure. The discount to the closing price on 23 October (EUR 16.89) was only 3.8%. The order book was rapidly oversubscribed several times as a result of high demand. The shares were purchased by institutional investors in Germany, Europe and the United States. The gross issue proceeds of EUR 29.5 million were used to strengthen the equity ratio, lower gearing, and acquire interests in subsidiaries.

HIGH-QUALITY SHAREHOLDER STRUCTURE

In 2013, TOM TAILOR Holding AG's shareholder structure changed slightly, mainly as a result of the capital increase on 24 October 2013. ISLA Vermögensverwaltungs-GmbH remained the largest single shareholder with a share of 23.16% as at 31 December 2013. Additionally, Morgan Finance S.A. had a 4.77% interest in the Company. Consequently, the free float at the year-end was 72.07% and includes a series of top-flight investors from Germany, the United Kingdom and the USA. As a result, investors from these countries constitute the majority of TOM TAILOR Holding AG's shareholders. Furthermore, 7.6% of TOM TAILOR shares were held privately. The total number of shares in issue after the capital increase was 26,027,133.

Regional Shareholder Structure

as of 31 December 2013



SPOTLIGHT ON TOTAL SHAREHOLDER RETURN

The dividend policy pursued by TOM TAILOR Holding AG's Management Board is focused on total shareholder return, which takes into account both dividends and share price changes. It primarily aims for a sustained performance by the Company and an associated increase in its value, which should be manifested in a positive share price performance. The Management Board's goal is to distribute a dividend in those cases in which the Company generates a distributable profit.

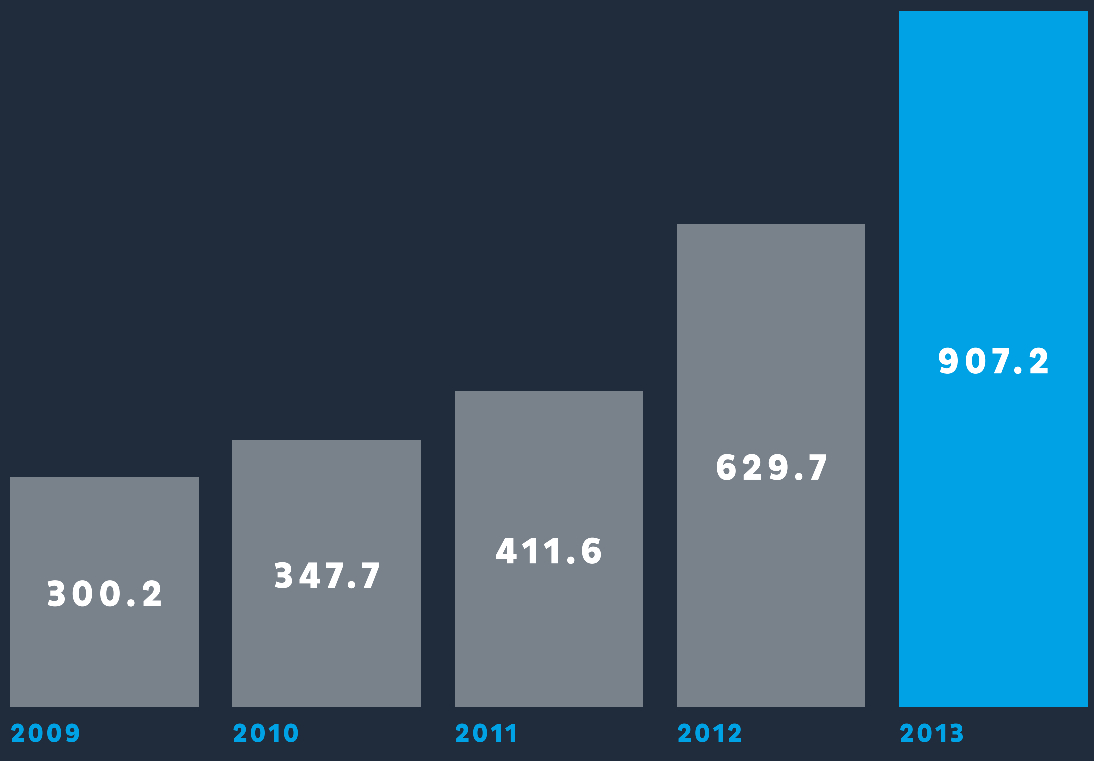
CAPITAL MARKET PRESENCE

TOM TAILOR Holding AG continued, and expanded, its proactive investor relations activities in the past financial year. The Management Board and the Investor Relations team updated investors and analysts regularly on the progress made in integrating BONITA, the economic environment and current business developments, and the Company's strategic focus. In addition to the standard conference calls and the analysts' conference, TOM TAILOR took part in a number of investors' conferences and held a large number of roadshows, adding several important destinations such as cities in Canada and Switzerland to the standard European and North American financial centres.

TOM TAILOR Holding AG's Annual General Meeting was held on 3 June 2013 in Hamburg, with around 54.4% of the share capital participating (previous year: 76.9%). The proposed resolutions on most agenda items were approved by a majority of over 96%. The exceptions were the items on the stock option programme and on the authorised capital, which were approved by 77.1% and 87.1%, respectively. Shareholders can find information on these topics and on all other aspects of TOM TAILOR GROUP's financial communications, information, or development at its recently redesigned website http://ir.tom-tailor-group.com or by contacting the IR team directly.

The number of financial analysts following the TOM TAILOR GROUP in the past year and publishing analyses and research coverage including recommendations remained at the same high level of 12. The investment recommendations were positive overall – eight 'buy', three 'hold' and one 'sell'. For 2014, TOM TAILOR aims to further enhance its presence on the capital markets by visiting new financial centres and continuing to expand research coverage, among other things.

GROUP MANAGEMENT REPORT



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BASIC PRINCIPLES OF THE GROUP

BUSINESS OPERATIONS AND GROUP STRUCTURE

TOM TAILOR GROUP PRESENT IN MORE THAN 35 COUNTRIES

The TOM TAILOR GROUP is a vertically integrated fashion and lifestyle company that offers casual wear in the mid-range price segment. The TOM TAILOR brand comprises the TOM TAILOR brand with collections from the TOM TAILOR MEN, WOMEN, KIDS, MINIS and BABY product lines, the TOM TAILOR Denim brand with the Denim Male and Denim Female product lines and the TOM TAILOR POLO TEAM brand. The BONITA brand comprises the BONITA and BONITA men product lines, which have their own profile and are aimed at the over-40 target group. This product portfolio is complemented by a wide range of fashionable accessories.

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

LEGAL STRUCTURE OF THE TOM TAILOR GROUP

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

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

Alongside TOM TAILOR Holding AG, a total of 41 (2012: 39) direct and indirect subsidiaries are now included in consolidation.

Effective 1 May 2013, the Group acquired a 51% interest in S.C. TOM TAILOR RETAIL RO S.R.L., Romania, as part of its further expansion. The purpose of this company, which is operated with a partner, is to increase market penetration in the Romanian market. In addition, in the third quarter of 2013 BONITA GmbH & Co. KG was merged with BONITA Deutschland Holding GmbH, which was then renamed BONITA GmbH, in order to streamline the legal structure of the BONITA subgroup.

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

THE TOM TAILOR GROUP'S PROVEN BUSINESS MODEL

The TOM TAILOR GROUP does business using two brands, TOM TAILOR (TOM TAILOR, TOM TAILOR Denim and TOM TAILOR POLO TEAM) and BONITA (BONITA and BONITA men).

The TOM TAILOR brands offer casual wear and accessories for children and for women and men up to the age of 40 predominantly in the mid-range price segment under the slogan **"Casual fashion for a casual life"**. TOM TAILOR releases 14 collections a year (12 monthly collections and two basic collections every six months) for TOM TAILOR MEN, TOM TAILOR WOMEN and TOM TAILOR Denim, and ten collections a year for TOM TAILOR POLO TEAM. The offering also comprises a large number of licensed products. The fashion group sells its TOM TAILOR collections via its retail (Company-owned stores and e-commerce) and wholesale segments (primarily franchise stores and shop-in-shops).

The TOM TAILOR GROUP sells fashionable clothing for men and women over 40 under the BONITA brand. BONITA's collections are based around items of clothing that can be mixed and matched repeatedly to create new outfits. The products are sold exclusively in BONITA's own stores – and in Germany also via its own e-shop since June 2013 – using a highly standardised system under the slogan **"BONITA gibt es nur bei BONITA"** ("You can only get BONITA at BONITA"). Unlike the TOM TAILOR brands, the BONITA brand's collections are not currently sold in the wholesale segment. The Company sees attractive growth opportunities in the demographic trend in the TOM TAILOR GROUP's core markets and the increasing number of people over 40, plus the less pronounced competition in this market segment compared with the TOM TAILOR target groups.

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

The TOM TAILOR GROUP sees itself primarily as a trend manager that understands what its customers need. This means that, as a basic principle, the TOM TAILOR GROUP does not set any new trends with its collections – something that would generally be associated with greater sales risk. Rather, it identifies new and promising trends, implements them rapidly in its own collections and offers these to a broad consumer group (the "mass market") in the mid-range price segment. Vertical integration improves the TOM TAILOR GROUP's access to relevant market information. Daily sales analyses for the controlled selling spaces ("bestseller management") allow the TOM TAILOR GROUP to closely tailor its offering to its customers' wishes and needs, and thus actively manage sales. This ensures that sufficient volumes of the products that customers want are on offer in the selling spaces at the right time, increasing space productivity and reducing write-downs of unsold goods. This business model has enabled the TOM TAILOR GROUP to achieve sustained growth in an extremely heterogeneous and competitive market environment.

Collection Development and Product System

As a trend manager, the Company combines the emotional added value of its brands with the strategic advantages of a system provider. The Group takes a systematic approach to collections. On the one hand, they are broken down into different components in order to optimise them and how they are sold. On the other, the product lines and collections are coordinated with each other so as to offer retail and wholesale customers a comprehensive, broad-based overall range.

Product Lines/Collections

TOM TAILOR Brands

TOM TAILOR

The TOM TAILOR GROUP markets the product lines TOM TAILOR MEN, WOMEN, KIDS, MINIS and BABY product lines under the TOM TAILOR brand.

The TOM TAILOR GROUP's TOM TAILOR MEN and TOM TAILOR WOMEN lines offer clothing for the 25- to 40-year-old core target group. The TOM TAILOR MEN product line is a comprehensive collection of fashionable casual menswear in the mid-range price segment. These collections have been the TOM TAILOR GROUP's core business for many years. The collections for men include T-shirts, polo shirts, sweatshirts, jumpers, jackets, coats, blazers, knitwear, trousers and jeans. The TOM TAILOR WOMEN collection has been part of the product range since 1999. This product line, which has a special focus on rapidly implementing fashion trends, includes T-shirts, blouses, lingerie, sweatshirts, knitwear, jumpers, jackets, coats, blazers, dresses, skirts, trousers and jeans, among other items. Every collection consists of different items that are available in various colours and in the main sizes for the target customer group.

The TOM TAILOR GROUP has also offered clothing for children and youths since 1995. TOM TAILOR KIDS is aimed at 8- to 14-year-olds and TOM TAILOR MINIS at children aged 18 months to seven years with the TOM TAILOR MINI BOYS and TOM TAILOR MINI GIRLS product lines. These are complemented by TOM TAILOR BABY (up to 18 months). The MINI collections were launched in 2002. In 2010, the TOM TAILOR GROUP expanded its product range within the KIDS and MINIS product lines to include the new "BABY" collection (age group up to 18 months, broken down into newborn baby and baby items). The main focus of the KIDS, BOYS, GIRLS and BABY product lines is on robust, wearable collections. These lines also take into account the latest fashion trends, the needs of this young target group and their parents' expectations as regards functionality. The products offered in the KIDS, BOYS, GIRLS and BABY product lines include trousers, jackets, jumpers, skirts, sweatshirts, T-shirts and jeanswear, among other items.

TOM TAILOR Denim

TOM TAILOR Denim comprises the TOM TAILOR Denim Male and TOM TAILOR Denim Female lines. The TOM TAILOR GROUP has offered the Denim product lines since 2007. These collections are aimed at youths and young adults between the ages of 15 and 25. The focus is on adapting current fashion trends. Among other items, the product range includes sweatshirts, jackets, T-shirts, polo shirts, shirts, jeans, trousers and knitwear. The styles and patterns, the fashionable prints and the symbols used differentiate the range from the collections sold by the TOM TAILOR MEN and TOM TAILOR WOMEN product lines.

TOM TAILOR POLO TEAM

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

TOM TAILOR Accessories/Licensed Products

The TOM TAILOR brand world is rounded off by a wide range of accessories. The TOM TAILOR GROUP generates revenue from selling accessories itself and from licence fees for accessories sold under the TOM TAILOR brands. The accessories product range includes, among other items, shoes, leather products, belts, gloves, hats, scarves, bodywear, ties, bags, perfume, jewellery, umbrellas, watches and sunglasses, bed linen and toiletries. Some of the accessories (e.g. shawls and scarves, in particular in the Denim Male and Denim Female product lines, and jewellery) are designed and marketed by the TOM TAILOR GROUP itself. However, a large majority are produced and distributed by various licensees that work together with the TOM TAILOR GROUP to develop the products. Licensing and close cooperation with the various partners involved have become a core component of TOM TAILOR's strategy and success over the past few years.

BONITA Brands

The TOM TAILOR GROUP offers clothing for women (BONITA) and men (BONITA men) in the over-40 age group under the BONITA brand. Its collections are based on high-quality items of clothing that can be mixed and matched repeatedly to create new outfits. BONITA's products are sold exclusively in its own stores. The Company believes it has substantial growth opportunities due to the demographic trend (the increasing number of people over 40), plus the less pronounced competition in this market segment compared with the TOM TAILOR target groups. BONITA's offering is rounded off by a wide range of accessories, such as scarves, shawls, necklaces, belts, watches and bags. Colourful and stylish accessories that complement the collection are particularly important at BONITA. Unlike TOM TAILOR, the entire accessory development process at BONITA is managed internally, meaning that no licensing is involved. Products are only sold at BONITA stores.

Business Activities by Segment

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

The retail segment comprises the BONITA brand and the retail business of the TOM TAILOR brand. BONITA's collections are sold exclusively in its own retail stores, of which there were 1,010 at financial year-end, as well as via its own e-shop since June 2013. In the case of the TOM TAILOR brands, products in this segment are also sold in its own retail and outlet stores, as well as online via its own e-shop and via e-commerce partnerships with a number of mail-order companies. In 2013, the TOM TAILOR GROUP increased the number of TOM TAILOR retail stores by 39 to 354. In addition, TOM TAILOR's online business is available in 21 European countries.

The TOM TAILOR GROUP's wholesale segment comprises department stores and clothing chains that sell TOM TAILOR's goods through shop-in-shops, as franchisors, or through multi-label sales outlets. TOM TAILOR products are also available from mail-order companies. In 2013, the TOM TAILOR GROUP established 238 more shop-in-shops, bringing the total to 2,269. The number of franchise stores rose by 22 to 197 in the same period.

The TOM TAILOR GROUP generated 65.4% of its sales in Germany in the reporting period (2012: 66.6%). The Company currently sells its products in more than 35 countries worldwide. In addition to Germany, its core markets include Austria, Switzerland, the Benelux countries and France.

STRATEGY AND PERFORMANCE MEASUREMENT

THE TOM TAILOR GROUP'S COMPETITIVE STRENGTHS AND STRATEGY

The TOM TAILOR GROUP's strategy is to become one of the leading continental European fashion and lifestyle companies. The focus is on fulfilling customer requirements by rapidly managing fashion trends in an analytical manner. The TOM TAILOR GROUP's market presence is determined by the two largely complementary brands, TOM TAILOR and BONITA. TOM TAILOR covers the 0- to 40-year-old target group and BONITA the over-40 target group. The Group's strategy is to outperform the industry as a whole in terms of revenue and earnings growth.

The TOM TAILOR GROUP aims to achieve its strategy and the associated revenue and earnings growth primarily by implementing the following competitive strengths and elements of its corporate strategy:

Generating Growth by Reproducing the Existing Successful Business Model

TOM TAILOR GROUP plans to expand and reproduce its existing business model – the sale of fashionable casual wear in the mid-range price segment – on its domestic market, Germany, and its core international markets. The Group does business using two brands, TOM TAILOR and BONITA. The TOM TAILOR brands offer high-quality, fashionable casual wear and accessories for children and for men and women up to the age of 40 at attractive prices in the mid-range price segment. TOM TAILOR releases 14 collections a year for TOM TAILOR MEN, TOM TAILOR WOMEN and TOM TAILOR Denim, and ten collections a year for TOM TAILOR POLO TEAM. These are complemented by a large number of licensed products. The TOM TAILOR subgroup sells its collections via the wholesale and retail segments. BONITA offers fashion for women and men over 40. Its collections are based on high-quality, well-fitting items of clothing that can be mixed and matched repeatedly to create new outfits. The BONITA subgroup's products are sold exclusively in its own retail stores and via an e-shop using a highly standardised system. The Company believes that the demographic trend and the increasing number of people over 40, plus the less pronounced competition in this market segment, offers it substantial growth opportunities in the future.

Generating Organic Growth by Increasing the Number of Controlled Selling Spaces and Expanding e-Commerce

The TOM TAILOR GROUP's growth strategy is focused on expanding the number of its controlled selling spaces. It also aims to further expand its online business with the help of the European online shop for the TOM TAILOR brands. The BONITA brand's online business is also to be strengthened following the launch of its German e-shop. Thanks to its merchandise management system, the TOM TAILOR GROUP can efficiently and quickly determine how well the collections are received by customers on its controlled selling spaces and which items are particularly popular. This allows it to closely tailor its product offering to its customers' requirements and wishes. Under the existing merchandise management system, products are supplied to stores just in time and as needed, allowing sales to be managed. The objective is to generate the maximum possible revenue per square metre of selling space. The sales data also flow directly into the planning and development process for new collections. In addition, the Company believes that sales risks are minimised by the monthly collection changes and the pre-ordering system in the wholesale segment.

Increasing Profitability through Economies of Scale

Over the past few years, the TOM TAILOR GROUP has organised the Company's human resources and technical equipment, as well as its logistics, procurement and distribution functions, in such a way that the Company believes that further growth can be achieved without a corresponding increase in personnel and administration expenses and organisational development costs. The acquisition of the BONITA Group in August 2012, which contributed an extremely large number of new stores to the TOM TAILOR GROUP, means that a number of economies of scale could be directly leveraged. The two brands' joint use of the purchasing company that was set up in Hong Kong in 2011 offers particularly large potential savings. BONITA now also sources approximately two-thirds of its products from Asia. The share of products procured in Europe is to be reduced further in future. In February 2014, BONITA started placing orders via the purchasing company in Asia that was previously used exclusively for the TOM TAILOR brands. Overall, the Company believes that these effects will further increase the TOM TAILOR GROUP's relative earnings power.

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

The Company's vertical alignment forms the basis for implementing its corporate strategy. The TOM TAILOR GROUP monitors and controls the entire value chain, from designing the collections through purchasing and product manufacture, warehousing and logistics down to marketing at the point of sale. The different links in the value chain are interconnected and vertically integrated. The main focus is on systematically analysing the daily sales figures, which are taken into account when developing new collections and in procurement planning. In addition, TOM TAILOR GROUP employees in the retail and wholesale segments are able to pass on customer feedback to the divisions at all times so that this can be integrated into the development of new products. This vertical systems integration allows the product divisions to manage trends quickly and effectively and to react to customers' wishes.

INTERNAL MANAGEMENT SYSTEM

As a publicly traded entity, TOM TAILOR Holding AG has defined its financial objective as to sustainably increase the value of the TOM TAILOR GROUP. A standardised internal management system has been set up to provide value-based management for the Group as a whole and for the individual segments. The internal management system used by the TOM TAILOR GROUP goes beyond a pure KPI (key performance indicator) system. It offers a comprehensive overview of financial and non-financial factors. In addition, leading indicators that could affect the business are monitored and evaluated. The Management Board uses a large number of different tools and indicators to evaluate business developments, enhance its strategy, make investment decisions and sustainably increase the value of the TOM TAILOR GROUP.

The reviews performed in the internal management system are based on non-financial and, in particular, on financial targets. In addition to non-financial key performance indicators, the TOM TAILOR GROUP uses the following financial key performance indicators to increase the Group's value: revenue growth, EBITDA, recurring EBITDA, net debt and the equity ratio. Relationships between these financial key performance indicators, such as the recurring EBITDA margin (recurring EBITDA as a percentage of revenue) and the ratio of net debt to recurring EBITDA, are also used to manage the Group.

To ensure comparability, the definitions of these key performance indicators used for internal management are based on the definitions generally used by publicly traded entities. The differences between EBITDA and recurring EBITDA is based on non-recurring items and special factors that impact EBITDA or that are not incurred in the ordinary course of business. These non-recurring items and special factors are excluded in order to present the actual development of the business. In 2012 and 2013, they related in particular to the costs reported in connection with the acquisition and integration of BONITA.

For further details, please see the section entitled “Financial and Non-financial Key Performance Indicators” in the Report on Economic Position.

REPORT ON ECONOMIC POSITION

MACROECONOMIC AND SECTOR-SPECIFIC ENVIRONMENT

For the TOM TAILOR GROUP as an international enterprise, there are a variety of key factors influencing its ability to grow profitably and sustainably increase its enterprise value. In addition to its strategic focus, these include economic developments and the economic outlook, and sector-specific trends.

IMPROVED MACROECONOMIC ENVIRONMENT

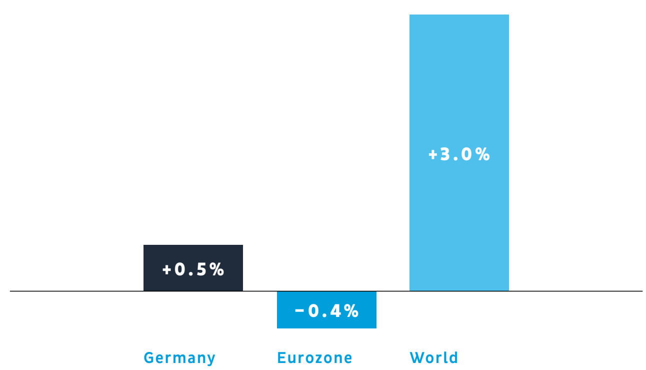
Global economic growth weakened minimally in 2013 compared with the previous year, amounting to 3.0% according to IMF estimates from January 2014 (previous year: 3.1%). As before, this increase was primarily driven by the emerging economies, although their momentum also decreased slightly to +4.7% (previous year: +4.9%). The industrialised nations saw a 1.3% increase in GDP, on a par with the previous year (1.4%).

Overall, the global economy grew faster in the second half of 2013 than in the first half of the year. This was attributable to the recovery in the eurozone countries on the one hand and the increasing export demand in the emerging economies on the other. Eurozone GDP declined by 0.4% for the year as a whole (previous year: – 0.7%). The US economy picked up again in the second half of the year, although it was unable to fully compensate for the economic strength lost in the first six months. In line with this, growth amounted to 1.9% (previous year: 2.8%).

Economic growth in Germany amounted to 0.5% in 2013 (previous year: 0.9%). This increase is above average for eurozone countries, even though it is the weakest since the recession of 2009. The difficult economic environment impacted Europe while the slowdown in key sales markets such as China hit exporters in particular.

GDP Growth in 2013

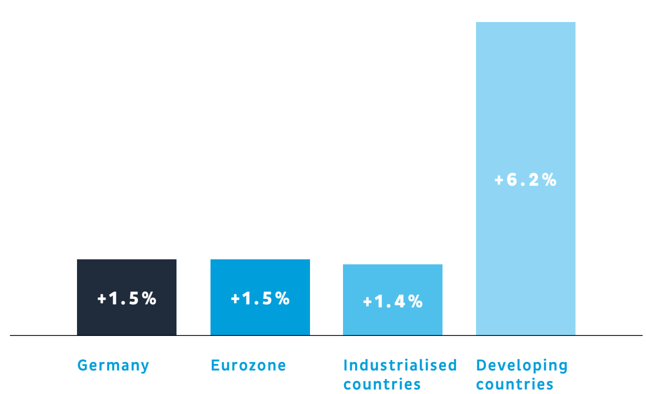
Change compared to prior year



The inflation rate in Germany was 1.5% in 2013 (previous year: 2.0%). Consumers benefited in particular from cheaper oil prices, while food prices rose sharply.

Consumer Prices Trends in 2013

Change compared to prior year



Consumer confidence in Germany improved noticeably year-on-year in 2013, at 7.4 points in December (previous year: 5.8 points). Economic and income expectations and consumers' willingness to buy increased considerably compared with the previous year. The positive labour market and income trends and the moderate inflation rate made significant contributions to this.

Economic growth in the majority of the TOM TAILOR GROUP's other core markets was slower than in its domestic market of Germany. Economic output in the Netherlands declined by 1.3% (previous year: −1.2%), while it increased slightly in France, at 0.2% (previous year: 0.0%), and in Belgium at +0.1% (previous year: −0.3%). Austria saw economic growth of 0.4% (previous year: 0.9%), roughly on a level with Germany. Switzerland recorded positive economic growth (+1.7%, previous year: 1.0%). The picture in the Central and Eastern European countries was mixed. Growth rates in Russia and Poland were good. Slovakia and Hungary recorded weak increases, while the Czech Republic remained in a slight recession.

SECTOR-SPECIFIC DEVELOPMENTS

Alongside macroeconomic factors, the main factors relevant for TOM TAILOR GROUP's operating business are developments in the textile industry and on the procurement markets. The textile industry saw a further decline in sales in 2013, decreasing by 2% as in the previous year. (Source: TW Testclub) This development was due in particular to the unusual weather conditions: demand for the spring/summer collection was muted due to the winter weather in March and the wet and cold May. This was followed by a sudden and pronounced start to midsummer; however, although this lifted sales, the margins were much lower. Finally, warm late summer temperatures also depressed demand for winter clothing.

The procurement markets relevant to the textile and clothing industry remained stable in 2013. The price of cotton increased as against year-end 2012, rising from 75 US cents to approximately 85 US cents per pound – within the forecast range of 82 to 90 US cents.
(Source: cotton forward curve, NYB-ICE Futures US Softs)

OVERALL ASSESSMENT OF THE ECONOMIC ENVIRONMENT BY THE MANAGEMENT BOARD

In 2013, the TOM TAILOR GROUP again clearly bucked the trend in the textile industry, generating growth of 44.1% that was partly acquisition-related. All segments recorded revenue increases. In the retail segment (including e-commerce), the Company generated revenue growth of 68.1%, again partly for acquisition-related reasons. On a like-for-like basis and excluding BONITA, TOM TAILOR recorded a 5.9% increase in revenue. In doing so, the Group clearly bucked the trend in the German retail trade.

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

SIGNIFICANT EVENTS IN THE REPORTING PERIOD

SIGNIFICANT OPERATING EVENTS

The ambitious goal set for financial year 2013 of a recurring EBITDA margin of 12% could not be met. At EUR 907 million, the revenue target of at least EUR 900 million was exceeded slightly; however, the recurring EBITDA margin was 8.6%, significantly lower than planned. This negative deviation was mainly attributable to the BONITA brand's revenue and earnings. The TOM TAILOR brand bucked the market trend despite unfavourable weather conditions and a difficult market environment. In the case of BONITA, however, revenue was lower than originally planned due to the persistent rain and winter weather in the first half of 2013, and the fact that the potential of the BONITA brand was not yet fully exploited. Dedicated marketing campaigns and seasonal sales measures were employed in connection with the changeover at the stores and the delivery of the new collections in the second half of the year, resulting in the previous collections largely being sold at a discount. This had a negative effect on the gross margin.

TOM TAILOR Holding AG issued its first-ever borrower's note loan in May 2013 in order to refinance part of the liabilities from the acquisition of BONITA ahead of schedule. The borrower's note loan had a total volume of EUR 80 million and was primarily placed with institutional investors in Germany and Europe. It has three tranches with maturities of 2.6, 3.6 and 5 years, and bears both fixed and variable rates of interest. It matures no later than the end of May 2018, depending on the maturity of the individual tranches. The initial issue was significantly oversubscribed. The coupon reflects the favourable level of interest rates in 2013 and is within the range of rates paid previously. As a result of the issue, the TOM TAILOR GROUP's financing now has a longer-term focus and the Group is in a solid position to continue its growth path.

TOM TAILOR Holding AG issued 1,818,098 new, no-par-value registered shares on 24 October 2013 as part of a cash capital increase. The new shares were placed with institutional investors using an accelerated bookbuilding procedure at a price of EUR 16.25 per share. This generated gross issue proceeds of approximately EUR 29.5 million for the Company. The 1,818,098 new registered shares were issued by way of a capital increase from authorised capital. The implementation of the capital increase was entered in the commercial register on 25 October 2013. As a result of the capital increase, the Company's share capital has risen from EUR 24,209,035.00 to EUR 26,027,133.00. Shareholders' pre-emptive rights were disapplied. The new shares bear dividend rights as from 1 January 2013.

ORGANISATION

The following changes were made to the Management Board of TOM TAILOR Holding AG in the reporting period. During the course of the year, Dr Marc Schumacher's Management Board contract was extended ahead of schedule until 30 June 2017. In addition, Mr Udo Greiser (CPO) was appointed as the sole managing director of BONITA GmbH effective 1 February 2014 and is now devoting all his attention to the BONITA brand. In line with this, his appointment as the Chief Product Development and Procurement Officer (CPO) on TOM TAILOR Holding AG's Management Board was terminated effective 28 February 2014. Mr Daniel Peterburs has been appointed as the new CPO on the Management Board effective 1 March 2014.

NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

Note on Net Assets, Financial Position and Results of Operations

As in 2012, the net assets, financial position and results of operations of the TOM TAILOR GROUP as at 31 December 2013 reflect the acquisition of the BONITA Group. The comparability of the earnings figures reported below with the corresponding prior-year data is therefore limited. In 2013, BONITA was included for the full year, whereas in the previous year, it was only included from 1 August 2012. As a result, BONITA's revenue and earnings are only contained in the prior-year figures for August to December. By contrast, its figures are included in full in the assets and liabilities as at 31 December 2012.

RESULTS OF OPERATIONS

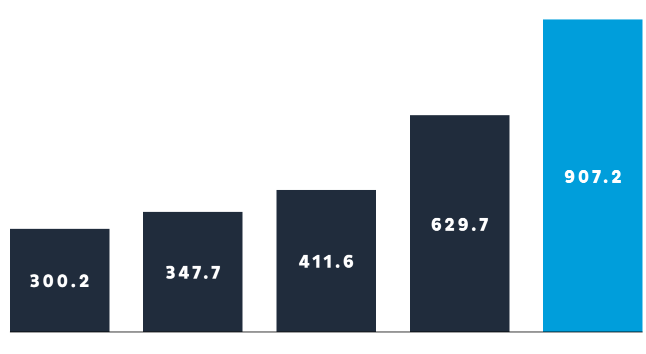
Revenue

Revenue Growth in Financial Year 2013

The TOM TAILOR GROUP's revenue rose by a total of 44.1% in 2013 to EUR 907.2 million (2012: EUR 629.7 million). Of this increase, 30.4 percentage points (EUR 191.7 million) were attributable to the initial inclusion of BONITA, whose income and expenses were recognised in the first seven months of 2013, in contrast to the previous year.

Revenue

EUR million



BONITA generated total revenue of EUR 350.7 million (2012: EUR 153.9 million), accounting for 38.7% of Group revenue (2012: 24.4%). TOM TAILOR, with its TOM TAILOR, TOM TAILOR Denim and TOM TAILOR POLO TEAM brands, continued its growth, again bucking the overall trend in the sector.

Revenue rose by 17.0% to EUR 556.5 million in 2013 (2012: EUR 475.8 million). In the fourth quarter of 2013, Group revenue increased by 8.7% to EUR 251.2 million (Q4/2012: EUR 231.2 million). This revenue growth in the fourth quarter is attributable exclusively to the TOM TAILOR brands, where Q4 revenue rose by 15.0% to EUR 154.7 million (Q4/2012: EUR 134.5 million). At EUR 96.5 million, BONITA's revenue in the fourth quarter of 2013 was at the prior year level (2012: EUR 96.7 million).

Revenue by Regions

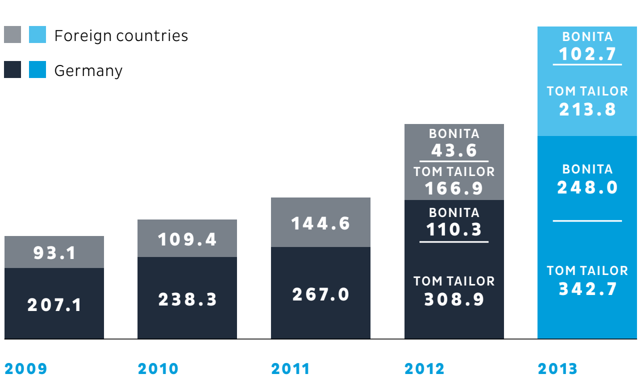
In Germany, the TOM TAILOR GROUP lifted its revenue by 40.9% in 2013 to EUR 590.7 million (2012: EUR 419.2 million). BONITA accounted for EUR 248.0 million of this increase (2012: EUR 110.3 million). This corresponds to 42.0% of consolidated revenue in Germany.

Revenue growth was also strong outside Germany. At EUR 316.5 million (2012: EUR 210.5 million), the TOM TAILOR GROUP recorded a 50.4% increase in international revenue. This was primarily driven by increased business activities in South-Eastern Europe and the Group's expansion in its core international markets – Austria, Switzerland, the Benelux countries and France. BONITA contributed EUR 102.7 million (2012: EUR 43.6 million) to international revenue.

The TOM TAILOR GROUP lifted revenue in its core international markets by 47.1% to EUR 218.4 million (2012: EUR 148.5 million). This confirms its strategy of also investing strategically in its core international markets outside its domestic market, Germany.

Revenue by Region

EUR million

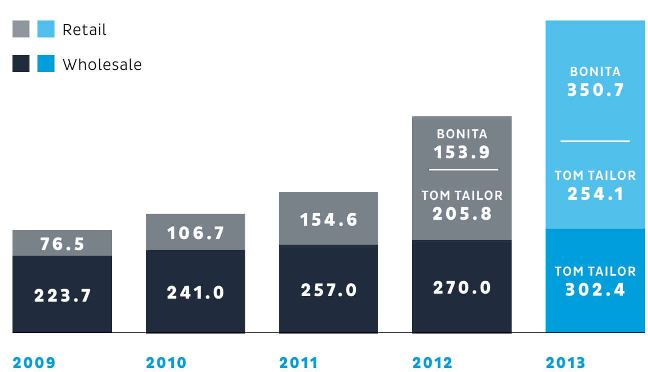


Segment Reporting

Segment reporting in the TOM TAILOR GROUP is divided into the retail and wholesale segments. The retail segment comprises the retail and outlet stores operated by the Company and its e-commerce activities. E-commerce activities include the TOM TAILOR e-shop and e-commerce partnerships with mail-order companies. In the wholesale segment, the Company distributes TOM TAILOR products to business customers, who sell these to end customers via a number of different sales channels. These include franchise stores, shop-in-shops and multi-label sales outlets. Since 2012, reporting in the retail segment has been extended to include BONITA following its acquisition, so a distinction is now made between the TOM TAILOR brands (TOM TAILOR, TOM TAILOR Denim and TOM TAILOR POLO TEAM) and BONITA. There are a total of three reportable segments (TOM TAILOR retail, TOM TAILOR wholesale and BONITA).

Revenue by Segment

EUR million



Retail Segments

Total revenue in the two retail segments rose by 68.1% to EUR 604.8 million in 2013 (2012: EUR 359.7 million). The share of Group revenue attributable to the retail segments increased in line with this, to 66.7% (2012: 57.1%). This was mainly attributable to the full consolidation of BONITA for the first time, as well as to growth in the TOM TAILOR retail segment. The retail share of revenue should continue to increase going forward due to the ongoing trend toward controlled selling spaces.

TOM TAILOR Retail Segment The expansion of the TOM TAILOR retail segment remains the key growth driver for the TOM TAILOR GROUP. In line with this, revenue in this segment increased by a disproportionately strong 23.5% in 2013, to EUR 254.1 million (2012: EUR 205.8 million). Consequently, the share of TOM TAILOR brand revenue accounted for by retail sales rose again, to 45.7% (2012: 43.2%). On a like-for-like basis (i.e. excluding expansion), revenue growth in the TOM TAILOR retail segment amounted to 5.9% in 2013 (2012: 14.6%) in spite of challenging market conditions, again outperforming the sector as a whole. Like-for-like growth in the fourth quarter amounted to 2.9% (Q4/2012: 15.4%), despite Christmas business falling short of expectations.

The number of retail stores rose by a total of 39 as against 31 December 2012 to 354. Altogether, 47 new stores were opened and eight stores were closed. Of the 354 retail stores, 144 are in Germany and 210 are in other countries. Revenue generated by e-commerce activities in 2013 rose by 12.2% year-on-year to EUR 39.6 million (2012: EUR 35.3 million).

Recurring EBITDA in the TOM TAILOR retail segment improved by EUR 4.9 million (+24.0%) to EUR 25.5 million in 2013 (2012: EUR 20.6 million). The gross margin recorded a positive performance, rising to 59.7% (2012: 58.9%) despite difficult conditions caused by the weather. The recurring EBITDA margin was on a level with the previous year at 10.0% (2012: 10.0%).

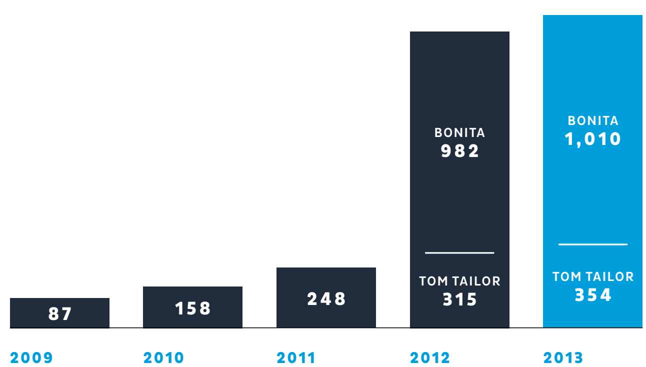
BONITA Retail Segment The BONITA brand comprises own stores only. These are now joined by the BONITA e-shop, which went online on 6 June 2013 and which will boost BONITA's growth going forward.

BONITA generated revenue of EUR 350.7 million in 2013 (2012: EUR 153.9 million, due to initial consolidation on 1 August 2012). This accounted for 38.7% of Group revenue, or 58.0% of total revenue in the retail segment. Revenue in the first half of 2013 was slightly below the market – which deteriorated overall – due to the persistent rain and winter weather, and the fact that the potential of the BONITA brand, which is highly regarded among end customers, was not being fully exploited. The first products in the autumn/winter collection to be manufactured using TOM TAILOR's proven design and development process have been available in BONITA stores since the third quarter. Dedicated marketing campaigns and seasonal sales measures were employed in connection with the visual upgrade of the stores and the delivery of the new collections, resulting in the previous collections being sold at what were in most cases high discounts, especially in the fourth quarter of 2013. This had a negative effect on the gross profit. In the fourth quarter of 2013, revenue was on a level with the previous year at EUR 96.5 million (Q4/2012: EUR 96.7 million). On a like-for-like basis, revenue declined slightly by 3.5% in this period (Q4/2012: – 4.0%) as a result of subdued Christmas business. For the year as a whole, BONITA revenue decreased by 4.6% on a like-for-like basis (2012: – 4.0%).

The number of BONITA stores rose by 28 as against 31 December 2012 to 1,010. Altogether, 47 new stores were opened and 19 stores were closed. Of the 1,010 stores, 721 are in Germany and 289 are in other countries. In 2013 (beginning June 2013), revenue generated by BONITA's e-commerce activities amounted to EUR 1.2 million (2012: EUR 0.0 million).

Retail Stores

Number of stores as of 31 December



Recurring EBITDA in the BONITA segment declined by 6.1% to EUR 21.4 million in 2013 (2012: EUR 22.8 million). Integration expenses of EUR 9.4 million were incurred in 2013 (2012: EUR 4.4 million), resulting in reported EBITDA of EUR 12.0 million (2012, excluding transaction costs and negative goodwill: EUR 22.8 million). This year-on-year deterioration was mainly due to the difficult market environment caused by the weather, which led to lower revenue and higher discounts. In addition, the potential from the integration of BONITA was initially only partly exploited. The gross margin decreased by 4.5 percentage points year-on-year to 61.5%. It amounted to 60.0% in the fourth quarter (Q4/2012: 67.6%) and was hit disproportionately hard by the high discounts offered due to the sale of old collections. Now that the new goods are available, the Management Board of TOM TAILOR Holding AG expects that the situation will stabilise from the first quarter of 2014 onwards and that a positive trend will be recorded by BONITA.

TOM TAILOR Wholesale Segment

Revenue in the TOM TAILOR wholesale segment rose by 12.0% in 2013 to EUR302.4 million (2012: EUR270.0 million). The segment thus accounted for 54.3% of the TOM TAILOR brand's revenue (2012: 56.8%). The Company increased its wholesale revenue in Germany by 6.4% to EUR194.8 million (2012: EUR183.0 million) and its international revenue by 23.8% to EUR107.6 million (2012: EUR86.9 million). Overall, TOM TAILOR benefited from the stabilisation of the Eastern European sales markets. Revenue rose by 16.5% to EUR75.6 million in the fourth quarter (2012: EUR64.9 million). The Management Board expects this positive revenue trend to continue going forward. The number of shop-in-shops rose by 238 as against 31 December 2012 to 2,269. The number of franchise stores increased by 22 to 197.

Order intake in the wholesale segment for the period up to the beginning of February 2014 was up 10.7% as against the previous year.

Recurring EBITDA in the wholesale segment rose by EUR7.2 million (+31.1%) to EUR30.3 million in 2013 (2012: EUR23.1 million). Besides revenue growth, this increase was mainly due to the optimisation of procurement processes and the improvement in the gross margin from 40.9% to 43.5%, which was made possible by the purchasing company in Asia that has been operational since August 2012.

Other Operating Income

Other operating income decreased from EUR29.4 million to EUR27.4 million in financial year 2013. The key reason for this decrease is the negative goodwill of EUR11.1 million included in the prior-year figure, which arose as part of the purchase price allocation of BONITA. Conversely, the BONITA Group's other operating income was included for the first seven months of 2013 but is not contained in the prior-year period's figures. In particular, insurance payouts for transport damage to goods in transit increased year-on-year, from EUR0.2 million to EUR3.2 million. Licence income from the licensing of the TOM TAILOR brand also made a notable contribution to this item, rising 32.4% from EUR3.6 million to EUR4.8 million in the year under review.

Cost of Materials/Gross Profit/Gross Margin

The cost of materials rose by 37.7% to EUR408.3 million in 2013 (2012: EUR296.5 million). Gross profit increased by approximately 50.0% from EUR333.2 million to EUR499.0 million. This was mainly due to the initial full-year consolidation of BONITA and the continuing growth of the TOM TAILOR brands. The gross margin improved by 2.2 percentage points to 55.1% in the period under review (2012: 52.9%). This positive margin development was attributable primarily to the retail segment's higher contribution to the Group's total revenue. Overall, this revenue, which is characterised by a higher gross margin, rose from 57.1% to 66.7% in the year under review. The ongoing expansion of the Group's own procurement organisation in Asia also contributed to this positive development in the gross margin.

In the fourth quarter of 2013, the gross margin was down slightly on the prior-year level, at 55.8% (Q4/2012: 56.7%). The primary reason for this decrease was the lower gross margin for the BONITA brand in the fourth quarter of 2013. This negative effect on the gross margin could not be completely offset by the TOM TAILOR brands' positive performance.

Personnel Expenses

Personnel expenses rose by 59.2% to EUR193.5 million in 2013 (2012: EUR121.5 million). This mainly reflects the 82.8% increase in the average number of staff at the TOM TAILOR GROUP, which is primarily attributable to the acquisition of BONITA and to ongoing expansion. The TOM TAILOR GROUP employed 6,499 people as at 31 December 2013 (previous year: 6,133), of whom 4,229 worked at BONITA. Unlike in the previous year, the personnel expense to revenue ratio declined at a lower rate than the increase in the average number of employees. Acquisition-related one-off items and special factors of approximately EUR6.4 million, which had a heavy impact in the previous year, were reduced to EUR1.8 million in 2013 in connection with the integration.

Other Operating Expenses

Other operating expenses were up 44.4% on the prior-year period at EUR 268.8 million (2012: EUR 186.1 million). The EUR 82.7 million increase was mainly attributable to rental expenses of EUR 41.7 million at BONITA in the first seven months of 2013. These were only recognised as from August in the previous year. In total, BONITA accounted for other operating expenses of EUR 107.4 million (2012: EUR 40.8 million). Overall, the increase in other operating expenses was proportional to revenue. Other operating expenses generally do not increase as strongly as revenue due to fixed costs. However, this lower rate of increase was not achieved in the financial year as a result of integration costs of EUR 10.7 million incurred at the level of the Group in 2013 (2012: EUR 19.2 million, including transaction costs) and marketing expenses of EUR 29.3 million (2012: EUR 25.0 million).

Other operating expenses mainly comprised rental expenses (EUR 120.0 million; 2012: EUR 68.4 million), logistics costs for order picking (EUR 20.5 million; 2012: EUR 17.6 million) and marketing expenses (EUR 29.3 million; 2012: EUR 25.0 million). The number of retail stores rose by 67 as against 31 December 2012 to 1,364 as at the 31 December 2013 reporting date. Of these, 1,010 stores were attributable to BONITA and 354 to TOM TAILOR.

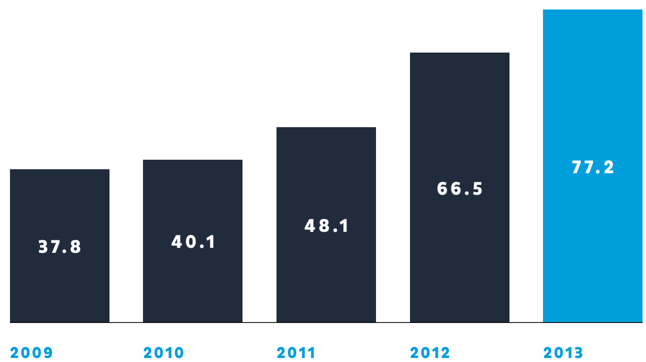
Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA)

Recurring EBITDA rose by 16.1% to EUR 77.2 million in the year under review (2012: EUR 66.5 million). The lower increase in recurring EBITDA compared with revenue growth was due in particular to BONITA's earnings performance and higher overall marketing expenses which were up EUR 4.3 million on the prior year, at EUR 29.3 million (2012: EUR 25.0 million). The recurring EBITDA margin for 2013 was therefore down 2.1 percentage points on the previous year, at 8.5% (2012: 10.6%).

In the fourth quarter of 2013, recurring EBITDA decreased by 13.0% to EUR 30.0 million (Q4/2012: EUR 35.5 million). This decline was mainly caused by BONITA's earnings performance (down EUR 8.2 million) and higher marketing expenses (up EUR 4.3 million) in the fourth quarter as against the prior-year period.

Recurring EBITDA

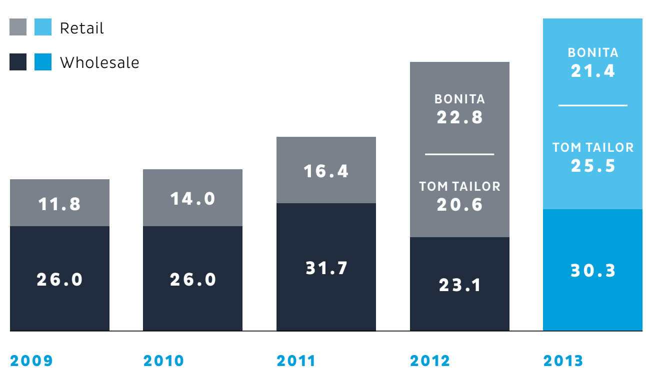
EUR million



Reported EBITDA rose 16.6% in 2013 to EUR 64.1 million (2012: EUR 55.0 million) thanks to the positive performance of the TOM TAILOR brand, despite the one-off items and special factors of EUR 13.1 million (2012: EUR 11.5 million) and the decline in earnings at BONITA.

Recurring EBITDA by Segment

EUR million



Depreciation, Amortisation and Impairment Losses

Depreciation/amortisation amounted to EUR 57.7 million in 2013, up EUR 18.9 million year-on-year (2012: EUR 38.8 million). This figure contrasted with capital expenditure totalling EUR 26.9 million in the reporting period (2012: EUR 35.6 million). Of this increase, EUR 15.7 million is attributable to the initial recognition of depreciation/amortisation for BONITA for the first seven months of 2013. Depreciation/amortisation also reflects the investment policy over the last three years, under which the TOM TAILOR GROUP focused in particular on further expanding its retail business and the number of controlled selling spaces (shop-in-shops and franchise stores). The depreciation, amortisation and impairment losses item also includes write-downs of EUR 9.0 million (2012: EUR 6.4 million) of hidden reserves realised in the course of purchase price allocation for TOM TAILOR Holding AG's acquisition of the TOM TAILOR operating business in 2005 and of BONITA in August 2012.

Write-downs at BONITA totalled EUR 27.7 million (2012: EUR 11.1 million), of which EUR 4.3 million (2012: EUR 1.7 million) related to hidden reserves realised during the acquisition.

Financial Result

At EUR –18.3 million, the financial result in 2013 was lower than in the previous year (EUR –15.8 million). This is primarily attributable to higher interest expenses as a result of the increase in debt following the acquisition of BONITA, as well as the increased utilisation of operating bank lines of credit due to seasonal factors. In 2013, the financial result includes expenses of EUR 3.5 million (2012: EUR 4.7 million) relating to the refinancing measures implemented in 2012, which are being amortised over the term of the financing.

Income Taxes

Income tax expense amounted to EUR 4.4 million in 2013 (2012: tax income of EUR 2.7 million). The tax expenses incurred at the level of the international Group companies were the main reason for this tax expense being incurred despite the negative earnings before taxes. In addition, deferred tax assets were not recognised for existing start-up losses at international Group companies as a precautionary measure. With earnings before taxes of EUR –11.8 million (2012: EUR 0.4 million), the effective tax rate was thus 37.1% (2012, excluding negative goodwill: 24.3%). The tax rate was relatively high for the negative earnings before taxes because of the limited tax deductibility in Germany of rental and financing expenses.

Net Income for the Period, Earnings per Share

Recurring net income for 2013 was EUR 1.7 million, down EUR 17.2 million on the previous year (2012: EUR 18.9 million). The recurring earnings per share (EPS) amounted to EUR – 0.14 (2012: EUR 0.81). At EUR –16.2 million (2012: EUR 3.1 million), the net income reported for the period was significantly lower than the prior year and led to earnings per share of EUR – 0.87 (2012: EUR 0.01). This decline in reported and recurring net income for the period is attributable exclusively to the integration costs incurred and to BONITA's earnings performance. In the second half of 2013 in particular, BONITA's earnings were impacted to an above-average extent by the high discounts offered as part of the dedicated marketing campaigns and seasonal sales measures adopted for the previous months' collections. To this extent, the reported and recurring net income for the period does not adequately reflect the actual positive performance by the TOM TAILOR brands.

Reconciliation to Recurring Net Income for the Period

EUR thousand	2013	2012
Net income for the period	**−16,241**	**3,107**
Income taxes	4,397	−2,670
Net income before income tax	**−11,844**	**437**
Financial result	**18,301**	**15,783**
One-off items/special factors		
of which in depreciation, amortisation and impairment losses: – Amortisation from TOM TAILOR (PPA) from 2005	4,696	4,696
– Amortisation from BONITA (PPA) from 2012	4,276	1,697
of which in financial result: – Financing costs/BONITA acquisition	3,538	4,713
of which in EBITDA: – Financing costs/BONITA acquisition	–	14,787
– Negative goodwill from BONITA acquisition	–	−11,099
– Cost of BONITA integration	10,705	4,449
Total one-off items/special factors BONITA in EBITDA	**10,705**	**8,137**
– Cost of Bread & Butter for new TOM TAILOR POLO TEAM division	–	1,204
– Borrower's note loans and refinancing costs	873	–
– Other one-off items/special factors	1,513	2,131
	13,091	**11,472**
Aggregate one-off items/special factors, net of tax effect	**25,601**	**22,578**
Recurring EBIT	**28,520**	**34,085**
as % of revenue	3.1%	5.4%
Depreciation, amortisation and impairment losses (net of amortisation from PPA)	48,702	32,398
Recurring EBITDA	**77,222**	**66,483**
as % of revenue	8.5%	10.6%
Depreciation, amortisation and impairment losses (net of amortisation from PPA)	−48,702	−32,398
Financial result (net of one-off items/special factors)	−14,763	−11,070
Recurring net income before income tax	**13,757**	**23,015**
Income tax expense	−4,397	2,670
Imputed tax effect (30%) on aggregate one-off items/special factors	−7,680	−6,773
Deferred taxes interest cap ("Zinsschranke")	–	–
Recurring net income for the period	**1,680**	**18,912**
Recurring net income for the period after deduction of minority interests (with minority interest)	−0.14	0.81
Net income for the period after deduction of minority interests (without minority interest)	−0.87	0.01

Multi-Year Overview of Results of Operations

EUR thousand	2007	2008	2009	2010	2011	2012	2013
Revenue	261.3	283.5	300.2	347.7	411.6	629.7	907.2
Gross margin (in %)	42.5	41.4	45.9	46.0	49.0	52.9	55.0
EBITDA	27.0	10.9	37.0	30.1	46.4	55.0	64.1
Recurring EBITDA	35.0	22.1	37.8	40.1	48.1	66.5	77.2
Financial result	−14.9	−21.7	−17.7	−11.3	−7.1	−15.8	−18.3
Net income for the period	12.8	−25.3	−5.6	2.4	10.0	3.1	−16.2

FINANCIAL POSITION

Liquidity and Financial Management Principles

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

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

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

The TOM TAILOR GROUP covers its financing needs by maintaining a balanced debt-to-equity ratio, which ensures both financial stability and sufficient flexibility. Going forward, the aim is for the equity ratio to be in excess of 30%. At 29.2% as at 31 December 2013, it was still slightly under this target figure as a result of the negative net income for financial year 2013.

The TOM TAILOR GROUP monitors the financing opportunities on the financial markets and trends in financing availability very closely in order to ensure it maintains adequate liquidity over the long term. In May 2013, a portion of the previous short-term financing entered into as part of the BONITA acquisition amounting to EUR 80 million was replaced by the successful issuance of borrower's note loans. The issue was placed mainly with institutional investors in Germany and other European countries. The borrower's note loan has three tranches with maturities of 2.6, 3.6 and 5 years, and bears both fixed and variable rates of interest. It matures no later than the end of May 2018, depending on the maturity of the individual tranches. As is the case with the existing bank finance, continuation of the loan finance is dependent on compliance with certain financial covenants (EBITDA/net interest income, net debt/EBITDA and an equity ratio > 27.5%); these are to be calculated on the basis of the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRSs). In addition to the borrower's note loan, the bank finance comprises a current account overdraft facility of EUR 137.5 million (utilisation as at 31 December 2013: EUR 70.8 million), a guaranteed line of credit in the amount of EUR 137.5 million (utilisation as at 31 December 2013: EUR 59.4 million) and existing term loans of EUR 90 million. The variable effective interest rate for the lines drawn down is based on three-month and six-month EURIBOR plus a margin that ultimately depends on the ratio of net debt to EBITDA. The bank lines of credit are available to the TOM TAILOR GROUP until 19 June 2015 plus a one-year extension option in each case. This means that financing for the TOM TAILOR GROUP is secured.

The financial covenants were met in 2013.

Cash Flow

The cash generated from operations at Group level was EUR 59.7 million in 2013, EUR 39.3 million more than in the prior-year period (2012: EUR 20.4 million). The decline in net income for the period (down EUR 19.3 million) was largely offset by the increase in non-cash depreciation/amortisation (up EUR 18.9 million) compared with the previous year. As a result, the increased cash generated from operations is mainly attributable to two effects: to lower capital tied up in inventories as against the previous year (EUR 13.7 million; 2012: EUR 32.1 million) on the one hand, and to the lower amount of income taxes paid (EUR 0.6 million; 2012: EUR 14.1 million) on the other hand. Compared with the previous year, year-end inventories were positively impacted in particular by the sell-off of the previous months' collections at BONITA. The overall rise in capital tied up in inventories will be offset by the higher cash inflows from sales in the future. With respect to the income taxes paid, the negative net income for the period and the lower tax prepayments associated with this had a positive effect.

Besides the change due to the expansion of business activities, the remaining liquidity effects compared with the previous year were not due to special factors. The negative effects on cash flow were very largely offset by the seasonal and expansion-related increase in trade payables. The changes in the previous year partly reflected the initial consolidation of the BONITA Group.

Non-cash changes in the amount of EUR −3.2 million (2012: EUR −21.4 million) mainly comprise changes in the fair value of currency forwards entered into to hedge purchasing volumes denominated in US dollars. Negative goodwill of EUR 11.1 million made a significant contribution to this item in the previous year.

The interest paid decreased by EUR 1.8 million year-on-year to EUR 12.9 million (2012: EUR 14.7 million), despite higher interest expenses. This was due in particular to the different interest rate period, and hence interest payment, for the borrower's note loan issued in 2013. Overall, this resulted in net cash provided by operating activities rising by a further EUR 1.8 million year-on-year compared with cash generated from operations, to EUR 46.8 million (2012: EUR 5.7 million).

Net cash used in investing activities amounted to EUR 26.0 million (2012: EUR −148.8 million), significantly lower than the previous year. This was due to the acquisition of the BONITA Group, which took place in the third quarter of the previous year and which led to cash outflows of EUR 116.0 million. Excluding this non-recurring item, the investment volume in 2013 was lower than in the previous year. Investing activities remained focused on expanding controlled selling spaces in all three segments.

At EUR −27.0 million, net cash used in financing activities was down sharply on the previous year (2012: EUR 187.0 million), which was dominated by borrowing in the amount of EUR 140 million to finance the BONITA acquisition. This decline was also due to the payments of EUR 29.5 million received from the cash capital increase implemented in October 2013, as well as seasonal drawdowns of existing bank lines of credit in connection with the Group's operating activities and the scheduled repayment of long-term loans to banks in the amount of EUR 10 million. A total of EUR 80 million in financial liabilities was raised in connection with the issuance of the borrower's note loan, and the entire amount was used to directly repay other financial liabilities.

Liquidity decreased slightly by EUR 6.2 million year-on-year to EUR 47.1 million. Net debt amounted to EUR 218.5 million as at 31 December 2013 (2012: EUR 247.8 million).

Capital Expenditure

"Act Premium. Sell Volume" – this philosophy is particularly relevant to product quality and store design. Customers should feel comfortable in TOM TAILOR and BONITA selling spaces, and this in turn should positively influence purchase decisions because shoppers are spending more time in-store.

EUR 26.9 million (2012: EUR 35.6 million) was invested Group-wide to further expand controlled selling spaces in all three segments. EUR 8.5 million of this was invested in the TOM TAILOR retail segment (2012: EUR 15.8 million) and EUR 8.2 million in the TOM TAILOR wholesale segment (2012: EUR 14.3 million). Capital expenditure in the retail segment largely related to shop fittings and fixtures for the new stores. EUR 5.5 million was spent on new selling spaces in the wholesale segment. The remaining EUR 2.7 million primarily related to the IT/software infrastructure. BONITA invested a total of EUR 10.2 million in 2013 (2012: EUR 5.5 million), primarily in shop fittings for new stores and in remodelling and expanding existing stores.

Multi-Year Overview of Financial Position

EUR million	2007	2008	2009	2010	2011	2012	2013
Equity	−52.0	−62.5	−68.2	100.2	113.7	218.9	**221.7**
Non-current liabilities	208.6	218.5	231.1	99.9	111.1	300.6	**331.6**
Current liabilities	74.7	96.7	87.2	87.8	95.7	251.7	**206.3**
Financial liabilities	182.3	201.8	198.0	74.6	84.0	301.2	**265.6**
Cash funds	7.9	11.4	14.1	22.5	9.4	53.4	**47.1**
Net debt	174.5	190.4	183.9	52.1	74.6	247.8	**218.5**
Gearing (in %)	−335.6	−304.6	−269.6	52.0	65.6	113.2	**98.6**
Cash flows from operations	22.2	16.8	37.4	15.0	20.5	20.4	**59.7**
Total assets	231.3	252.7	250.0	287.9	320.5	771.2	**759.6**

NET ASSETS

Intangible Assets

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

Intangible assets decreased by EUR 15.5 million to EUR 337.3 million (2012: EUR 352.8 million), mainly due to amortisation.

Property, Plant and Equipment

Property, plant and equipment mainly includes leasehold improvements made to fit out and remodel Company showrooms, as well as shop fittings and fixtures for the Company's own stores. The logistics location operated by BONITA, including the land, warehouse and operating facilities, is also included in property, plant and equipment.

Taking into account capital expenditure and depreciation, property, plant and equipment declined slightly by EUR 3.9 million to EUR 159.6 million in 2013 (2012: EUR 163.5 million).

Inventories and Trade Receivables

Current assets mainly include inventories and trade receivables. The increase in inventories is primarily attributable to the higher number of own stores (+ 67 stores) and to an order- and revenue-driven rise. Overall, inventories were EUR 14.1 million higher than in the previous year at EUR 137.8 million (2012: EUR 123.7 million). Trade receivables recorded a slight decrease of 7.7% to EUR 47.9 million (2012: EUR 51.9 million). This decline is largely due to a decrease in pending credit card payments for reporting date reasons to EUR 3.9 million (2012: EUR 5.9 million).

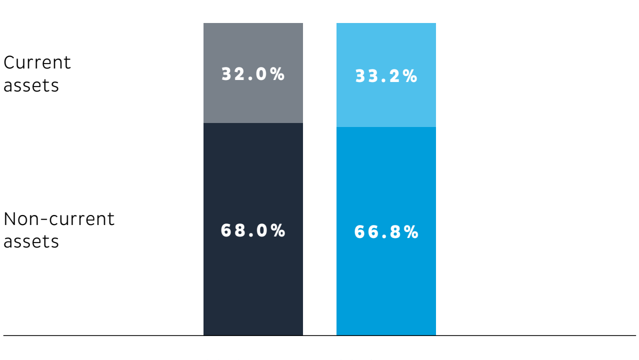
The assets side of the balance sheet declined slightly from EUR 771.2 million in 2012 to EUR 759.6 million as at 31 December 2013, mainly after adjustment for the reduction in fixed assets due to depreciation, the increase in inventories and the decrease in trade receivables.

Liabilities

Under the non-current liabilities item, non-current financial liabilities rose by approximately EUR 34.6 million to EUR 239.1 million (31 December 2012: EUR 204.6 million). The increase is largely attributable to the successful issuance of a borrower's note loan with a total volume of EUR 80 million. The entire amount was used to refinance previously current financial liabilities incurred during the acquisition of BONITA ahead of time. The borrower's note loan has three tranches with maturities of 2.6, 3.6 and 5 years, and bears

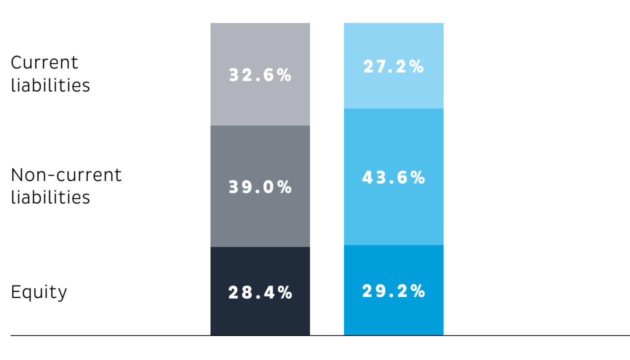
Asset Structure

as of 31 December



Capital Structure

as of 31 December



both fixed and variable rates of interest. Reduced drawdowns of long-term bank lines of credit had an offsetting effect on non-current financial liabilities.

Under the current liabilities item, current financial liabilities in particular declined to EUR 26.5 million (31 December 2012: EUR 96.6 million) due to repayments following the issuance of the long-term borrower's note loan. Trade payables increased year-on-year to EUR 111.8 million (31 December 2012: EUR 93.3 million), primarily as a result of the expansion of business activities and reporting date factors.

Off-Balance-Sheet Financial Instruments

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

Equity

TOM TAILOR Holding AG issued 1,818,098 new, no-par-value registered shares on 24 October 2013 as part of a cash capital increase. The new shares were issued at a price of EUR 16.25 per share under the terms of a private placement for institutional investors using an accelerated bookbuilding procedure. This generated gross issue proceeds of EUR 29.5 million for the Company. The new shares were issued by way of a capital increase from authorised capital. The implementation of the capital increase was entered in the commercial register on 25 October 2013. As a result of the capital increase, the Company's subscribed capital rose from EUR 24,209 thousand to EUR 26,027 thousand. The premium of EUR 27,726 thousand was appropriated to the capital reserves after deduction of the capital raising costs.

Consolidated net accumulated losses increased to EUR 101.6 million due to the negative net income for the period of EUR –16.2 million (2012: positive net income of EUR 3.1 million).

Overall, equity rose to EUR 221.7 million (31 December 2012: EUR 219.0 million). As a result, the equity ratio also rose to 29.2 % (31 December 2012: 28.4 %) due to the slightly lower total assets.

Rating

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

Multi-Year Overview of Net Assets

EUR million	2007	2008	2009	2010	2011	2012	2013
Non-current assets	157.4	167.9	166.5	181.9	195.1	524.6	**507.3**
Current assets	73.9	84.8	83.6	106.0	125.4	246.6	**252.2**
Capital expenditure	7.9	23.7	11.5	25.4	22.6	35.6	**26.9**
Working capital	8.1	6.6	– 7.4	6.6	27.0	82.3	**73.9**
Total assets	231.3	252.7	250.0	287.9	320.5	771.2	**759.6**

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

In the opinion of the Management Board of TOM TAILOR Holding AG, financial year 2013 saw two different trends in the TOM TAILOR GROUP. Despite a difficult financial year caused by the weather, the TOM TAILOR wholesale and TOM TAILOR retail segments performed extremely well compared with the previous year, and were able to meet the forecasts for the financial year overall. The BONITA segment was dominated by the integration process and by earnings that remained below expectations. This trend in the BONITA segment had a corresponding negative effect on the Group's ability to meet its forecasts and on the TOM TAILOR GROUP's overall net assets, financial position and results of operations in 2013.

The consolidated fiscal year 2013 revenue forecast for the TOM TAILOR GROUP as a whole of at least EUR 900 million was met, at EUR 907.2 million. This Group revenue of EUR 907.2 million is also near the top of the more concrete consolidated revenue forecast of EUR 890 to EUR 910 million issued during the year. The increase in controlled selling spaces made a particular contribution to this. Altogether, 94 new stores (planned: 100), 311 new shop-in-shop selling spaces (planned: 200) and 45 new franchise selling spaces (planned: 20) were opened. The number of stores rose by 67 to 1,364 overall, and was therefore slightly lower than the planned number of new stores. The expansion of the TOM TAILOR wholesale segment (shop-in-shops and franchise stores) progressed more quickly than planned. The revenue trend at BONITA had a negative effect, however. In 2013, BONITA suffered from the persistent rain and winter weather and subdued Christmas business in particular. To date, BONITA has only exploited part of its existing revenue potential, resulting in a like-for-like decline of 4.6% for the full year (2012: decline of 4.0%).

The target recurring EBITDA margin of 12% was not met, at 8.5%. In addition, the subdued Christmas business and BONITA's earnings performance meant that the target recurring EBITDA of EUR 85 to EUR 95 million defined during the year was not reached, at EUR 77.2 million. This was due to the trend in BONITA's revenue and gross profit as a consequence of a difficult market environment caused by the weather, which led to lower revenue and higher discounts. In addition, the potential from the integration of BONITA was only partly exploited. The first products from the autumn/winter collection to be manufactured using TOM TAILOR's proven design and development process have been available in BONITA stores since the third quarter. Large portions of the old collections were sold at low margins in the fourth quarter, in connection with the visual upgrade of the stores and the delivery of the new collections. This had a corresponding negative effect on the ability to meet the targets set. The gross margin in the fourth quarter of 2013 saw an above-average decline to 60% (Q4/2012: 67.6%). For the year as a whole, BONITA's gross margin decreased by 4.5 percentage points year-on-year to 61.5%.

The TOM TAILOR brand, with its TOM TAILOR wholesale and TOM TAILOR retail segments, generated recurring EBITDA within the target range in spite of difficult market conditions. However, this could not offset BONITA's earnings performance, resulting in a recurring EBITDA margin of 8.5% at Group level.

The aim of cutting net debt by between EUR 15 and EUR 20 million was exceeded in 2013 with a EUR 29.3 million reduction, which was primarily caused by the cash capital increase implemented in October 2013 and the higher free cash flow. Both of these effects more than compensated for the earnings and liquidity forecasts, which fell short of expectations.

The Management Board of TOM TAILOR Holding AG views the process of integrating BONITA – which could not be assessed precisely at the beginning of 2013 – as having been largely completed at the end of the year. Furthermore, the Management Board is confident that the year of integration in 2013 and the measures implemented so far will mean that BONITA records a significantly improved result in financial year 2014. This confidence is based in particular on the experience gained from the TOM TAILOR brands' positive performance in recent years.

MANAGEMENT JUDGEMENTS

With the exception of the new methods described in the notes no accounting policies were applied in the 2013 consolidated financial statements that differ from those applied in previous years and that, if applied differently, would have had a material effect on the net assets, financial position and results of operations. Information on the influence of estimates on the assumptions and judgements made is provided in the notes to the consolidated financial statements.

Financial Key Performance Indicators

EUR million	2007	2008	2009	2010	2011	2012	2013
Revenue	261.3	283.5	300.2	347.7	411.6	629.7	907.2
EBITDA	27.0	10.9	37.0	30.1	46.4	55.0	64.1
Recurring EBITDA (in %)	35.0	22.1	37.8	40.1	48.1	66.5	77.2
Working capital	13.4	7.8	12.6	11.5	11.7	10.6	8.5
Net debt	174.5	190.4	183.9	52.1	74.6	247.8	218.5
Net debt/recurring EBITDA (in years)	5.0	8.6	4.9	1.3	1.6	3.7	2.8
Equity ratio (in %)	−22.5	−24.7	−27.3	34.8	35.5	28.4	29.2

FINANCIAL AND NON-FINANCIAL KEY PERFORMANCE INDICATORS

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

Financial Key Performance Indicators

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

Non-Financial Key Performance Indicators

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

Relevant Leading Indicators

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

EMPLOYEES

Employees by Region and Segment

Number of employees on 31 December	2013 Retail	2013 Wholesale	2013 Total	2012 Retail	2012 Wholesale	2012 Total
Germany	3,727	453	4,180	3,632	433	4,065
Core markets outside Germany	1,607	86	1,693	1,532	90	1,622
Other countries	596	30	626	428	18	446
Total	**5,930**	**569**	**6,499**	**5,592**	**541**	**6,133**

NUMBER OF EMPLOYEES UP

The TOM TAILOR GROUP had 6,499 employees on 31 December 2013 (previous year: 6,133). Of this figure, 5,930 people (previous year: 5,592) were employed in the retail segments and 569 people (previous year: 541) in the wholesale segment. As at the reporting date, 4,180 people (previous year: 4,065) were employed in Germany and 2,319 people (previous year: 2,068) outside Germany. As at the reporting date, TOM TAILOR Holding AG has 27 employees (previous year: 24) including the four members of the Management Board.

The TOM TAILOR GROUP's top-level management team includes 37 employees, 16 of whom are female. Women make up 43% of top-level management, a very high proportion.

INTEGRATION OF BONITA LARGELY COMPLETED

The integration of BONITA's structures, departments and processes into the TOM TAILOR GROUP was completed according to plan in financial year 2013. Experience shows that integrating different corporate cultures takes somewhat longer, but positive progress has been made and a common set of values established. Overall, the integration process has been successful.

PERFORMANCE-DRIVEN REMUNERATION

Fair remuneration that encourages high performance and the opportunity for employees to share in the Company's success are key features of the TOM TAILOR GROUP's human resources policy. Both of these components help reinforce employees' commitment and motivation. Remuneration is based on fixed and variable components, which vary depending on the function performed and the employees' position in the hierarchy. The variable salary component depends on whether personal goals and specified corporate goals – financial performance indicators that vary by segment – have been met. Personal goals and salary developments are set, and the degree to which goals were met in the past year established, in annual appraisal interviews. These interviews also include employee appraisal criteria for their supervisors.

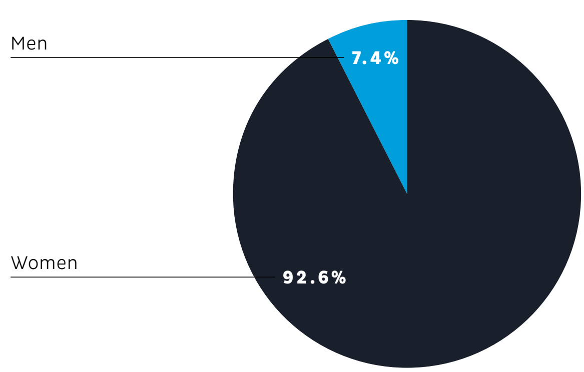
In addition to purely performance-related remuneration, the TOM TAILOR GROUP also provides voluntary social benefits. For example, it offers a Company pension plan featuring additional employer contributions and a Group policy for occupational disability insurance.

DIVERSITY IN PRACTICE

For the TOM TAILOR GROUP, promoting diversity is a key focus. The Company is convinced that only by drawing on different cultural backgrounds, viewpoints, opinions and experience can companies exploit their full potential and achieve success. The TOM TAILOR GROUP's staff is very international, boasting employees of 56 different nationalities. Women make up around 83% of TOM TAILOR employees and about 97% of BONITA employees. This means that 93% of Group employees are women.

Employees by Gender

as of 31 December 2013



FOCUS ON HEALTH IN THE WORKPLACE

The TOM TAILOR GROUP takes the personal well-being and health of its employees extremely seriously. This is why the Group has launched its Health in the Workplace initiative, based on three key areas:

- External employee counselling
- Management seminars that promote health and realise employee potential at work
- Lectures on stress prevention

The counselling service, which was introduced in October 2012, is free of charge. Employees can contact an external institute in person, by phone, or anonymously if desired with questions or problems related to their job and their workplace, private and family issues, and their health. The institute treats all enquiries as strictly confidential and is bound to complete secrecy as against the TOM TAILOR GROUP. The Company introduced this measure to support its employees in overcoming challenging and stressful life situations and so help maintain their health.

All managers in the TOM TAILOR GROUP have the opportunity to take part in a seminar on health- and potential-driven management. Two-thirds have already completed this training, which aims to make sure that all managers are aware of the issues affecting health in the workplace and that a common understanding is developed over the long term.

In addition, an initial presentation about stress prevention was held in June 2013 at the TOM TAILOR GROUP's headquarters in Hamburg. The aim was to sensitise employees to the issue of health in the workplace.

EMPLOYER BRANDING: POSITIONING TOM TAILOR AS AN ATTRACTIVE EMPLOYER

In July 2013, the Employer Branding launch event took place in Hamburg. Positioning the TOM TAILOR GROUP as an employer brand starts with how the Company is viewed internally. A team of employees worked with the personnel department in a project to develop a value framework for this. This essentially comprises elements such as mutual respect, responsibility, honesty, justice and enthusiasm, which are laid down in a code of conduct. Employees from different areas are at present taking part in workshops which aim to make the TOM TAILOR GROUP brand attractive to current employees and, as a second stage, to potential future employees as well.

END-TO-END SUPPORT PROGRAMMES FOR NEW RECRUITS

Well-educated and motivated new talent is key to a company's long-term success. The TOM TAILOR GROUP reaches potential candidates by working together with universities, by presentations at fairs, through its "Employees Recruit Employees" programme and other initiatives. The Company also works with the Akademie für Mode und Design (AMD – Acad-emy of Fashion and Design) to inform young students about various professions and to encourage them to join TOM TAILOR. In June 2013, the Company organised an employment fair in Hamburg for the Academy's students. Additional similar projects are planned for 2014 in support of the Group's commitment to promoting new talent.

Training young people is a particularly high priority for the TOM TAILOR GROUP. The Company's training concept includes traditional vocational training, dual work-study programmes, internships and trainee programmes for university graduates. The TOM TAILOR GROUP aims to position itself as an attractive employer, in order to attract talented and well-educated employees and ensure they remain with the Company for the long term.

With this in mind, TOM TAILOR and BONITA appeared together for the first time under the umbrella of the TOM TAILOR GROUP at the Young Professionals' Day in April 2013. This event in Frankfurt is organised by TextilWirtschaft, the fashion industry's leading trade magazine, and is devoted to entry-level and development opportunities in the industry. The Company also regularly takes part in "Girls' Day" and "Boys' Day" events in both Hamburg and its Hamminkeln location. Practical taster sessions offer young girls and boys the chance to find out about interesting activities in different professions.

PROFESSIONAL DEVELOPMENT IS KEY TO LONG-TERM COMPANY SUCCESS

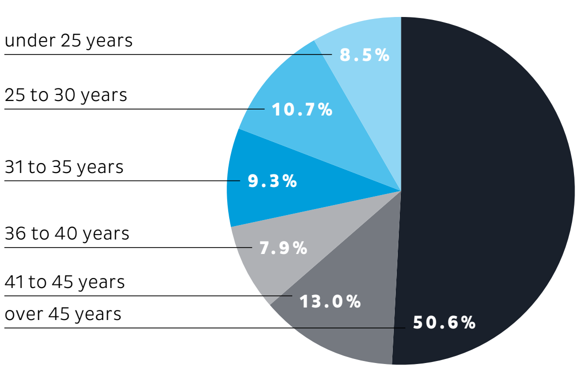
The TOM TAILOR GROUP is preparing to meet the foreseeable consequences of demographic trends. Retaining employees at the Company and ensuring their professional development play an important role in this. The TOM TAILOR GROUP supports and assists its employees in achieving their career goals by focusing on individual, needs-based professional development and on specialised training. In September 2013, the Company launched the pilot version of its Fach- und Führungsskräfte-Entwicklungsprogramm (FEP), a development programme for specialists and management employees. The programme is aimed at sales and marketing staff and lasts for approximately two years. It comprises a number of theoretical and practical modules, and on completion participants are awarded a certificate. The programme aims to equip participants with the foundations they need to take on further professional and management responsibilities.

A YOUNG TEAM/FAMILY-FRIENDLY WORK OPTIONS

The average age of TOM TAILOR employees in the central areas (i.e. above all product development, wholesale distribution, logistics and administration) excluding the retail stores was 34 in 2013. The average age at BONITA was 49. In the retail stores, the average age was 33 at TOM TAILOR and 49 at BONITA. This translates to an average age across the TOM TAILOR GROUP of 43.

Employees by Age Group

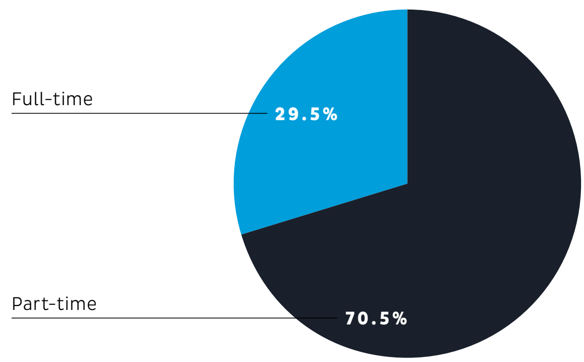
as of 31 December 2013



A good work-life balance is a key concern for many of the Group's employees. Thanks to its flexitime, part-time and job-sharing models, the TOM TAILOR GROUP enables its employees to customise their work to suit themselves to a large extent. Across the Group as a whole, 71% of employees work part-time – 34% at TOM TAILOR and 90% at BONITA.

Employees by Working Time

as of 31 December 2013



STRONG TEAM SPIRIT AND OPEN COMMUNICATION

The TOM TAILOR GROUP encourages open communication between its employees. As such, it is important that employees can communicate with each other and in doing so develop a strong sense of loyalty to the Company. Direct communication with supervisors without long communication chains, quick decisions and flat hierarchies are other key elements of the Group's personnel policy and of the corporate culture. Employees are regularly and promptly informed of all events that are relevant to the Company via the intranet.

The concept of open communication also extends to internal Company events such as TOM's Club. The entire TOM TAILOR workforce in Germany and abroad are invited to attend this event, which takes place once a quarter. At TOM's Club, colleagues have the opportunity to exchange ideas and experiences, particularly across departments. A summer party and a Christmas party are also held every year in recognition of employees' efforts.

SUSTAINABILITY AND RESPONSIBILITY

CONTINUALLY EXTENDING OUR CORPORATE COMMITMENT

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

As a fast-growing fashion group with an international presence, the TOM TAILOR GROUP takes this corporate responsibility very seriously – which is why the principle of sustainable corporate management is a core component of its business policy. This includes a well-balanced social and human resources policy as well as trusting relationships with the Group's business partners. The Company places particular emphasis on decent, safe and fair working conditions at its supplier operations, on reducing its environmental footprint in the production process and on high product quality. Given the events in the past year in factories in Bangladesh, for example, the TOM TAILOR GROUP intends to strengthen this commitment, particularly with regard to the production process.

The TOM TAILOR GROUP sees its commitment to sustainability as a process of continuous improvement.

DEVELOPING AND SUPPORTING EMPLOYEES IN MANY DIFFERENT WAYS

As a socially committed employer, the TOM TAILOR GROUP focuses in particular on its employees. Fair pay is part of this; the Company ensures this using a variable compensation system and supplements it with a large number of voluntary contributions. Among other things, these comprise Company pension plan benefits above and beyond the statutory provisions, and contributions to occupational disability cover.

As a fast-growing company, the TOM TAILOR GROUP also pays particular attention to employee education, training and professional development. For example, it offers practical, needs-based education and training programmes in the various functional areas. The Company also supports employees' professional development in the form of specifically tailored projects (for example, as part of its cooperation with the Akademie für Mode und Design [AMD – Academy of Fashion and Design]). In this way, the TOM TAILOR GROUP is able to align society's interest in giving young people access to forward-looking vocational training with its own interest in recruiting and retaining talented and well-educated employees for the long term.

In 2012, the Group launched its Health in the Workplace initiative, in collaboration with an external coaching institute. The core element of this initiative is the Employee Assistance Programme, an external counselling programme. The institute advises TOM TAILOR GROUP employees, who remain anonymous, in highly stressful situations on questions concerning their work, private life or health. The objective is to address potential physical and psychological problems among employees and management at an early stage, in order to maintain their health.

In 2013, the TOM TAILOR GROUP launched its Employer Branding initiative, with the aim of establishing the Group with its two brands, TOM TAILOR and BONITA, as an attractive employer both internally and externally. Positioning TOM TAILOR as an employer brand is intended to have a lasting positive impact on employee recruitment and retention, as well as on their motivation and the corporate culture. To do this, the Company developed an employer motto and eleven corporate values. The TOM TAILOR and BONITA employees discussed the values in working groups and imbued them with life. In 2014, the focus is on strengthening our employer branding both internally and externally. Internally, further campaigns, lectures and workshops will be held to flesh out the TOM TAILOR GROUP's defined values as an employer brand. In addition, the Group will launch its new recruitment website.

Detailed information can be found in the section entitled Employees on pages 35 to 37 of this Management Report.

TAKING RESPONSIBILITY WHERE IT IS NEEDED IN THE PRODUCTION PROCESS

The TOM TAILOR GROUP's collections are mainly manufactured in Asia, where the majority of global textile production takes place. The extended supply chains in the textile industry require a high degree of responsibility on the part of all market participants, in order to guarantee decent, safe and fair working conditions at suppliers. The TOM TAILOR GROUP is therefore participating in a number of dedicated projects and initiatives.

For example, the TOM TAILOR GROUP has voluntarily undertaken to observe the principles drawn up by the Business Social Compliance Initiative (BSCI). This code of conduct includes all the key standards of the International Labour Organisation (ILO) as well as other international conventions and guidelines. These include a ban on abusive child labour, safe and decent working conditions, fair pay, regulated working times, adherence to local laws, no discrimination and workers' freedom of association to form unions and freely negotiate rates. All of our supplier operations have undertaken to allow accredited agencies into their companies to perform regular checks. Before the TOM TAILOR GROUP works with suppliers, social officers check to ensure they adhere to all the BSCI standards. These officers are trained employees of BSCI-accredited agencies and TOM TAILOR's own local purchasing company. If the inspection is successful, the TOM TAILOR GROUP enters into an agreement with the supplier concerned.
Over the course of the cooperation, regular supplier audits and checks are performed by the auditors; these will take place unannounced up to twice a year from 2014. In 2013, the TOM TAILOR GROUP's social officers received intensive further training. From 2014, they will increasingly carry out their own fire prevention checks at suppliers' premises.

In addition, the TOM TAILOR GROUP has been a member of the Tamil Nadu Multi-Stakeholder Group (TNMS) since 2012.
The TNMS Group is an association combining the Ethical Trading Initiative (ETI) and individual BSCI members. The group is taking a determined stand against the custom of Sumangali in southern India, with the aim of eradicating the practice. Sumangali is a widespread form of employment in this region, in which young women undertake to work in factories for sev-eral years. The idea is that the girls can save for a dowry, which is a prerequisite for getting married. They are only paid the majority of their salary when they have completed this multi-year period. This widespread practice in southern India frequently results in a number of types of forced labour.
The TNMS is conducting systematic educational campaigns on the ground, including training suppliers, holding discussions with legislators in the area, and setting up local community and training centres.

FOCUS ON THE ENVIRONMENT

INITIATING AND SUPPORTING ENVIRONMENTAL PROJECTS AND INITIATIVES

By joining the BSCI and voluntarily signing up to its code of conduct, the TOM TAILOR GROUP has undertaken to comply with national environmental protection legislation. However, depending on the individual national regulations, the Company does not always consider the local regulations to be sufficient to guarantee adequate environmental protection in the production countries.

The TOM TAILOR GROUP co-founded the Carbon Performance Improvement Initiative (CPI_2) in 2011 together with other retail and branded goods companies under the umbrella of the Außenhandelsvereinigung des Deutschen Einzelhandels e.V. (AVE – Foreign Trade Association of the German Retail Trade). This initiative aims to reduce CO_2 emissions significantly within individual companies' supply chains. In the emerging and developing countries, huge potential savings in CO_2 emissions can be made simply by raising awareness of the problem and by making what are in some cases simple changes. To do this, the CPI_2 initiative has developed a management tool for producers in these countries with concrete recommendations on how to save energy.

Following the encouraging completion of its pilot phase in early 2012, the TOM TAILOR GROUP has held seminars in Bangladesh, China, India, Vietnam and Turkey. About 40 of the Group's suppliers are currently involved in the CPI_2 project and are at the stage of establishing their existing CO_2 emissions.
In 2014, all TOM TAILOR GROUP suppliers are expected to parti-

cipate in the project. The first task is to obtain an overview of the factors causing suppliers' CO_2 emissions. After that, targets for cutting CO_2 emissions will be set for each individual supplier, taking into account their respective starting situations, and measures will be taken to achieve them. In 2014, the CPI2 initiative plans to extend its activities to other environmental issues such as water and in doing so help to reduce water consumption in the production process.

Another project that the TOM TAILOR GROUP has been actively involved with for many years is the "Aid by Trade" foundation's "Cotton made in Africa" (CmiA) initiative. This initiative takes a business-based approach to improving the living and working conditions of cotton farmers in Africa, focusing on the three principles of "Profit, People, Planet". The cotton farmers are trained in modern, efficient, environmentally friendly methods of cultivation that help them to improve the quality of their cotton and raise their income through higher yields. The training concept also extends to children, who are to benefit from improved school education. The "Cotton made in Africa" projects are financed by licence fees, which are paid to the initiative by partner companies such as the TOM TAILOR GROUP in return for the right to sell specified quantities of products made from CmiA cotton. In 2013, the TOM TAILOR GROUP sold a comparable number of products manufactured using CmiA-certified cotton as in 2012.

INCREASING THE USE OF ORGANIC AND RECYCLED COTTON

For some years now, the TOM TAILOR GROUP has also used organic cotton in selected products. This supports the transition from conventional, resource-intensive cotton cultivation towards more ecologically balanced cultivation methods. Organic cotton is produced in accordance with the EU's organic cultivation standards, which are internationally recognised, and the national programmes in Japan, the USA and India. The TOM TAILOR GROUP sources its organically produced cotton from certified suppliers complying either with the leading global certification standard, "GOTS" (Global Organic Textile Standard), or the "Organic Exchange 100" standard. The aim is to steadily increase the proportion of products made from organic cotton year on year.

In 2013, the TOM TAILOR GROUP also addressed the issue of recycled cotton and the first products incorporating a certain proportion of recycled cotton arrived in the shops. In the "Tribute to Bambi" fundraising campaign, for example, the TOM TAILOR organic cotton charity jeans contained 15% recycled cotton. In addition, using laser beams in the production process reduced water consumption.

HIGH-QUALITY PRODUCTS HELP TO PROTECT THE ENVIRONMENT

The TOM TAILOR GROUP offers consumers high-quality, fashionable casual wear with an attractive value proposition. In order to guarantee this high standard of quality, the Company checks the entire process along the value chain. Each item of clothing is subject to a variety of quality controls from production through to delivery to the point of sale. These include checking the general workmanship and fit, as well as checking to see whether the processed materials fulfil the Group's strict quality and material requirements.

Because of its high quality, clothing from the TOM TAILOR GROUP is extremely durable. Seen in terms of the entire life cycle – from growing the cotton to the ultimate disposal of the product by consumers – a high quality standard therefore also makes a key contribution to protecting the environment.

CORPORATE GOVERNANCE STATEMENT

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

REMUNERATION OF MANAGEMENT BOARD AND SUPERVISORY BOARD MEMBERS

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

REMUNERATION OF THE MANAGEMENT BOARD MEMBERS

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

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

The variable remuneration components for financial year 2013 are EUR 2,860 thousand for Mr Holzer, EUR 655 thousand for Dr Rebien, EUR 178 thousand for Dr Schumacher and EUR 264 thousand for Mr Greiser. The fixed remuneration components amounted to EUR 924 thousand for Mr Holzer, EUR 594 thousand for Dr Rebien, EUR 268 thousand for Dr Schumacher and EUR 520 thousand for Mr Greiser.

On 20 January 2010, the Supervisory Board resolved to implement a stock-based remuneration system (the Matching Stock Programme, or MSP) for the members of the Management Board. The MSP runs for a total of 14 years from the date of the initial listing and serves to align the mutual interests of the Management Board and the shareholders. A detailed description of this remuneration system is provided in the notes. Measurement of the MSP on 31 December 2013 resulted in remuneration entitlements of EUR 613 thousand for Mr Holzer and of EUR 232 thousand for Dr Rebien. These remuneration entitlements will be paid out in 2014 at the earliest.

A Long-Term Incentive Programme (LTI) was introduced in July 2010 for the TOM TAILOR GROUP's management. It serves to retain personnel and achieve the Company's long-term goals. The programme is also open to the members of the Management Board. The remuneration system runs for a period of eight years (starting in financial year 2010) and grants an additional, individual bonus based on a comparison of target and actual revenue and the operating result over a three-year observation period in each case. Share price performance is another component that is taken into consideration. Measurement of the LTI programme as at 31 December 2013 resulted in a total remuneration entitlement of EUR 930 thousand for Mr Holzer, EUR 374 thousand for Dr Rebien, EUR 237 thousand for Dr Schumacher and EUR 28 thousand for Mr Greiser. The portion from the second tranche, which was issued in 2011, will become payable in 2014 (the first tranche became payable in 2013) and amounts to EUR 548 thousand for Mr Holzer, EUR 213 thousand for Dr Rebien and EUR 131 thousand for Dr Schumacher. The remaining tranches from this remuner-ation system will be paid out after certain prerequisites have been met, starting in 2015 at the earliest.

On 3 June 2013, the Annual General Meeting of TOM TAILOR Holding AG resolved a Company stock option programme in order to be able to grant stock option rights to members of the Company's Management Board, members of the management of affiliated companies and selected employees below Management Board level of the Company, and below management level of affiliated companies (hereinafter referred to as the Long-Term Stock Option Programme). The associated performance targets are measured on the basis of a multi-year assessment and comply with the legal requirements of the Aktiengesetz (AktG – German Stock Corporation Act) and the German Corporate Governance Code. The stock option rights may be exercised no earlier than four years after the date of issue. The stock option rights have a maximum term of seven years from the date of issue. A detailed description of this remuneration system is provided in the notes.

During the reporting period, a total of 485,000 of the 600,000 stock options available in 2013 were issued on 26 August 2013. Of these, 100,000 stock options were issued to Dr Rebien and 50,000 each to Dr Schumacher and Mr Greiser. The fair value per share for type A (75% of the options issued) and type B (25% of the options issued) option rights is EUR 3.39 and EUR 2.77, respectively. Expenses were incurred for the options in financial year 2013 in the amount of EUR 25 thousand for Dr Rebien and EUR 13 thousand each for Mr Schumacher and Mr Greiser due to the allocation of expenses to the periods until the options can potentially be exercised.

REMUNERATION OF THE SUPERVISORY BOARD MEMBERS

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

DISCLOSURES REQUIRED BY TAKEOVER LAW IN ACCORDANCE WITH SECTION 315(4) OF THE HGB (GERMAN COMMERCIAL CODE) AND EXPLANATORY REPORT

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

COMPOSITION OF SUBSCRIBED CAPITAL AND VOTING RIGHTS

TOM TAILOR Holding AG's subscribed capital (share capital) as at 31 December 2013 was EUR 26,027,133.00 and is composed of 26,027,133 no-par-value registered shares. Each share grants the holder equal rights and a single vote at the Annual General Meeting.

Restrictions Affecting Voting Rights or the Transfer of Shares

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

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

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

EQUITY INTERESTS EXCEEDING 10% OF THE VOTING RIGHTS

To the knowledge of the Management Board, based on the notifications received by the Company in line with the WpHG as at 31 December 2013, the following direct or indirect equity interests in the share capital of TOM TAILOR Holding AG exceed 10% of the voting rights:

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

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

POWERS OF THE MANAGEMENT BOARD TO ISSUE SHARES

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

Authorised Capital

The Management Board is authorised in accordance with section 4 subsection 3 of the Articles of Association to increase the Company's share capital in full or in part, with the consent of the Supervisory Board, on one or more occasions until 2 June 2018 by issuing new, no-par-value registered shares against cash contributions (Authorised Capital 2013 I). The new shares shall generally be offered to shareholders for subscription (including by way of indirect subscription in accordance with section 186(5) sentence 1 of the Aktiengesetz [AktG – German Stock Corporation Act]).

However, the Management Board is authorised, with the consent of the Supervisory Board, to disapply statutory pre-emptive rights in full or in part to eliminate fractions.

The Management Board is authorised, with the consent of the Supervisory Board, to specify the further details of the implementation of capital increases from Authorised Capital 2013 I.

The Management Board is authorised in accordance with section 4 subsection 4 of the Articles of Association to increase the Company's share capital in full or in part, with the consent of the Supervisory Board, on one or more occasions until 2 June 2018 by up to a total of EUR 3,023,709 by issuing new, no-par-value registered shares against cash and/or non-cash contributions (Authorised Capital 2013 II). The new shares shall generally be offered to shareholders for subscription (including by way of indirect subscription in accordance with section 186(5) sentence 1 of the AktG).

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

The Management Board is authorised, with the consent of the Supervisory Board, to specify the further details of the implementation of capital increases from Authorised Capital 2013 II.

Contingent Capital

In accordance with section 4 subsection 5 of the Articles of Association, the share capital has been contingently increased by up to EUR 2,400,000 by issuing up to 2,400,000 no-par-value registered shares (Contingent Capital 2013). The sole purpose of the contingent capital increase is to grant shares to the holders of stock option rights under the Long-term Stock Option Programme. The Management Board was authorised to grant these shares by way of a resolution by the Annual General Meeting on 3 June 2013. The contingent capital increase will only be implemented to the extent that the holders of stock option rights granted on the basis of the authorisation by the Annual General Meeting on 3 June 2013 exercise these stock option rights and the Company does not settle the stock option rights by delivering own shares or by making a cash payment.

The new shares participate in profits from the beginning of the financial year for which the Annual General Meeting has not yet adopted a resolution on the utilisation of the net retained profits at the time the new shares are issued.

The Company's Management Board is authorised, with the consent of the Supervisory Board, to specify the further details of the implementation of the contingent capital increase, unless stock option rights and shares are to be granted to members of the Company's Management Board; in this case, the Supervisory Board shall specify the further details of the implementation of the contingent capital increase.

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

AUTHORISATION OF THE MANAGEMENT BOARD TO BUY BACK OWN SHARES

As at 31 December 2013, TOM TAILOR Holding AG was not authorised to buy back own shares.

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

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

The Supervisory Board may appoint a chairman of the Management Board and a deputy chairman.

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

CHANGE OF CONTROL

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

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

RISKS AND OPPORTUNITIES

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

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

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

RISK MANAGEMENT

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

Group-wide risk management is centrally coordinated and managed from the Company's headquarters in Hamburg. Potential risks that may arise in connection with business activities are identified at an early stage, assessed, mitigated using appropriate management measures and monitored. Local risk management at the subsidiaries implements the instructions received from headquarters and supplements these by additional operational risk management activities on-site. At the same time, the risk management system serves to optimally leverage opportunities that arise in keeping with the corporate strategy.

Risk Management of the TOM TAILOR GROUP

as of 31 December 2013

To begin with, risks to the TOM TAILOR GROUP are identified. Identifying all risks is the most important phase in the risk management process because this step forms the basis for all downstream phases. A set procedure is used and all sources of risk are analysed in order to ensure maximum success. A risk catalogue provides an overview of the existing categories of risks to the TOM TAILOR GROUP. During risk inventories, the relevant risk owners are required to identify any new sources of risk and to reassess existing sources of risk if necessary. The risks identified are then assessed in the next step. Risks are first captured in accordance with the "gross principle", i.e. without taking the impact of any measures implemented into account. Our risk management process is designed to ensure that the quantitative and qualitative aspects of relevant risks are evaluated as fully as possible to establish potential losses and probability, and are prioritised in line with this as low, medium, or high risk. The following tables describe the TOM TAILOR GROUP's risk indicators.

Risk Classification: Probability of Occurrence

as of 31 December 2013

Very low	Up to 5%
Low	From 5% to 25%
Medium	From 25% to 60%
High	From 60% to 100%

Risk Classification: Potential Losses

as of 31 December 2013

Low	Limited negative effects on business activities, financial position, results of operations and cash flows EBITDA: EUR 0 to 1 million
Moderate	Some negative effects on business activities, financial position, results of operations and cash flows EBITDA: EUR 1 to 5 million
Material	Significant negative effects on business activities, financial position, results of operations and cash flows EBITDA: EUR 5 to 15 million
Severe	Damaging negative effects on business activities, financial position, results of operations and cash flows EBITDA: more than EUR 15 million

Risks are classified as “low”, “medium” or “high” depending on their probability of occurrence and their effects on the financial position and results of operations. They are shown in the assessment matrix below.

Assessment Matrix

as of 31 December 2013

L Low risk M Medium risk H High risk

Probability of Occurrence / Effect	Low	Moderate	Material	Severe
High	M	H	H	H
Medium	M	M	H	H
Low	L	M	M	H
Very low	L	L	M	M

Risk owners are defined for all risks depending on their significance. Risk management aims to positively alter the Company’s risk position and/or to balance earnings (opportunities) with the risk of loss (risks) in order to increase the Company’s enterprise value. Risk management encompasses all measures that influence the risk situation by reducing either the probability of occurrence and/or the extent of the losses. This phase of the process aims to avoid unacceptable risks and to reduce and transfer unavoidable risks to an acceptable degree. Optimal risk management therefore increases the Company’s enterprise value by enhancing its risk position. With respect to the form of the risks, the TOM TAILOR GROUP’s risk management system provides for several strategies to manage risks: avoiding risks by not doing the business in question, mitigating risk or transferring operational risk to insurers. This largely neutralises the financial consequences of insurable risks such as property damage, business interruptions or bad debt losses. In turn, other risks are assumed by suppliers, for example.

The success of risk management depends to a great extent on whether planned measures for improvement are actually implemented and checked for effectiveness. After all, only effectively implemented measures that are also appropriate from a cost perspective contribute to increasing the enterprise value. Risk monitoring is responsible for this in the final step of the process. In addition, new risks should be recognised during risk monitoring and incorporated into the risk management process. Risks are also subject to change over the course of time. Furthermore, the extent of the losses and probability of occurrence change as a result of such developments, or the overall framework. In all of these cases, renewed identification and assessment is crucial. Risk reporting, another element of the risk management system, informs the Company’s management of the results of the preceding phases of the risk management process. This reporting gives the Company’s management a clear, decision-oriented overview of all risks to the Company and of specific risks in the individual areas of responsibility.

In the risk monitoring phase, the risk management cycle constantly starts over again so as to take into account the changes to the overall framework at all times. This comprehensive risk management system is designed particularly to identify developments that threaten the continued existence of the Company at an early stage and to allow the Management Board to manage these by taking appropriate measures.

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

ACCOUNTING-RELATED INTERNAL RISK CONTROL SYSTEM

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

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

RISKS

The following describes the risk factors that could have material negative effects on the net assets, financial position and results of operations of the TOM TAILOR GROUP as well as on its reputation. The classification used the same risk categories as those used in the internal risk management system, in summarized form. The order in which the risks are presented within the five categories reflects the current assessment of the relative degree of risk for the TOM TAILOR GROUP, and hence provides an indication of the present significance of these risks. Unless specified otherwise, all risks relate to all of the TOM TAILOR GROUP's segments.

The risks that are relevant to the TOM TAILOR GROUP can be divided into five categories: external, strategic, financial, operational and company-related risks.

EXTERNAL RISKS

Economic Development

Continuing weak economic growth or a worsening economy, particularly in the Group's domestic market of Germany, could negatively affect overall consumer demand and hence also demand for TOM TAILOR GROUP products. This could result in declining sales and pressure on margins. Moreover, the core clothing markets on which the TOM TAILOR GROUP is present are largely dominated by fierce competition that might intensify further in the future, primarily due to increased consolidation among fashion companies in Germany. The TOM TAILOR GROUP's net assets, financial position and results of operations could be affected by this in the long term. The extent of potential losses for the Group from a negative economic trend are considered to be material, but they have a low probability of occurrence at present due to the current positive economic indicators for 2014.

Although we consider the probability of occurrence of this risk to be low, we cannot completely rule out negative effects on the net assets, financial position and results of operations of the TOM TAILOR GROUP. We classify this risk as medium.

Fluctuations in Supply and Demand

Fluctuations in supply and demand on the procurement markets may result in supply/capacity bottlenecks at suppliers, increased production costs and higher logistics costs. It might not be possible for the TOM TAILOR GROUP to offset these higher costs in full or in part by raising the prices of its products. The availability and supply and the price of cotton, a raw material which makes up a significant portion of procurement costs, as well as sufficient production capacity are particularly important factors here. Overall, the probability of both factors occurring is considered to be low, and the extent of losses material. The TOM TAILOR GROUP counters these risks with a focused supplier policy that concentrates on reliable partners on the one hand and on further expanding its retail business on the other. This ensures a greater level of flexibility with respect to margins and means that price fluctuations on the supplier markets can be better offset. The Company is able to react to critical early warning indicators at an early stage via its system of advance orders and price negotiations for commodities and production capacity.

In December 2011, the Company started establishing its own purchasing company in Hong Kong to optimise and quickly identify risks as well as to introduce measures to reduce them. This company has been in operation since August 2012, and has centrally organised and monitored all of TOM TAILOR's purchasing activities in Asia since then. As from February 2014, purchasing for the BONITA collections will also be routed via this TOM TAILOR purchasing company. Although we assess the occurrence of this risk to be low, we cannot completely rule out negative effects on the net assets, financial position and results of operations of the TOM TAILOR GROUP. We classify this risk as medium.

Country Risks

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

The conditions in some of the countries that the TOM TAILOR GROUP operates in are different to those in Western Europe and there is less macroeconomic, political and legal stability.

This applies both to the countries from which the TOM TAILOR GROUP sources its products and to the countries where these products are sold or are to be sold in the future. With respect to procurement, China – where some of the producers for the TOM TAILOR GROUP are located – is worth particular mention. On the sales side, the conditions in, for example, South-Eastern Europe, Russia and China are different to those in Western Europe. As the TOM TAILOR GROUP generates 89.4% of its revenue in its core markets (Germany, Austria, Switzerland, the Netherlands, Belgium and France) and can respond flexibly to changes in the procurement countries via its purchasing company, the probability of occurrence is assessed as low to medium and the losses as moderate. However, this risk will become increasingly significant in the future as a result of the Group's growth strategy. Although we assess the probability of occurrence of this risk as low to medium, we cannot completely rule out negative effects on the net assets, financial position and results of operations of the TOM TAILOR GROUP. We classify this risk as medium.

Force Majeure Risks

The TOM TAILOR GROUP has no influence over disruptive events such as natural and environmental disasters, wars, 'terrorism, accidents, fires, epidemics, criminal activities, sabotage or disruptions to infrastructure. The occurrence of such events could lead to damage to the Company or to partner and supplier companies both in Germany and abroad. Any resulting damage, for example to production facilities or buildings, could have a negative effect on the TOM TAILOR GROUP's business activities and hence on its revenue and results of operations as well. The extent of losses is reduced by safeguards, such as taking out appropriate insurance policies, and is therefore assessed to be only moderate with a very low probability of occurrence. Although we assess the probability of occurrence of this risk to be very low, we cannot completely rule out negative effects on the net assets, financial position and results of operations of the TOM TAILOR GROUP. We classify this risk as low.

STRATEGIC RISKS

Long-Term Positioning and Brand Image

The Group's economic success is based on its brand image and on the long-term strong positioning of its brands, TOM TAILOR (TOM TAILOR, TOM TAILOR Denim and TOM TAILOR POLO TEAM) and BONITA. The TOM TAILOR brands cater to the 0- to 40-year-old target group. The BONITA brand is aimed at the over 40-year-old target group. The TOM TAILOR GROUP's corporate image is reflected in the perception of its stakeholders, for example shareholders, customers, suppliers and employees. Failure to comply with laws, standards and guidelines could negatively affect this perception and thus damage the corporate image. If the Group does not succeed in continuing to expand its brand image and positioning its brand with an appropriate degree of exclusivity, or if its reputation is damaged or lost, this could have a lasting negative effect on the TOM TAILOR GROUP's growth prospects. The probability of this risk occurring is considered to be low, but it would have material effects on the Group. Although we assess the probability of occurrence of this risk to be low, we cannot completely rule out negative effects on the net assets, financial position and results of operations of the TOM TAILOR GROUP. We classify this risk as medium.

Trendspotting and Pricing

One of the reasons why the TOM TAILOR GROUP is performing so well on the market is because it rapidly identifies and implements current trends and distributes them promptly to the points of sale. If the Group is unsuccessful in rapidly identifying current trends and catering to the tastes of its target groups in the target markets it supplies, in pricing its products appropriately, or in successfully developing and launching new products, this could have a negative effect on the TOM TAILOR GROUP's competitive position, growth opportunities and profitability. The probability of this risk is assessed as medium, and its impact on the Group as moderate. Although we consider the probability of occurrence of this risk to be medium, we cannot completely rule out negative effects on the net assets, financial position and results of operations of the TOM TAILOR GROUP. We classify this risk as medium.

Investment and Cost Risks

The expansion in the retail segment in particular is increasing investment and cost risks due to the investments being made in expanding the business, long-term rental agreements and the inevitable associated rise in fixed costs. As part of the expansion process, investment decisions are analysed up front for risk and cost-effectiveness so as to counter potential investment and cost risks. As a result of this approach, and des-pite the substantial expansion plans, the probability of a disproportionate increase in costs or of an unprofitable investment is considered to be low, and the potential losses to be moderate. Although we assess the probability of occurrence of this risk as low, we cannot completely rule out negative effects on the net assets, financial position and results of operations of the TOM TAILOR GROUP. We classify this risk as medium.

FINANCIAL RISKS

Liquidity Risk

Managing liquidity risk is one of the core tasks performed by the Group's headquarters. Liquidity risk is the risk that payment obligations cannot be met or cannot be met on time because insufficient cash funds are available. The TOM TAILOR GROUP must also meet financial covenants as a result of its loan agreements and the borrower's note loans it has issued. In order to ensure both the Company's ability to pay and its financial flexibility, a revolving liquidity plan and daily liquidity reports are generated to document cash inflows and outflows in both the short and medium term. In the past, the management also exploited opportunities that arose to lock in existing financing for the long term and to negotiate the underlying conditions to the Group's advantage. If existing credit lines and loans cannot be extended or new ones cannot be entered into, the losses from this risk would be material to severe. However, the probability of occurrence is assessed to be low. Although we assess the occurrence of this risk to be low, we cannot completely rule out negative effects on the net assets, financial position and results of operations of the TOM TAILOR GROUP. We classify this risk as medium-high.

Credit Risk

At present, credit risk only exists in relation to customers. The Group's main credit risk exists in relation to customers who have been granted payment terms, and the associated counterparty credit risk. In order to reduce this default risk in the operating business, outstanding amounts are monitored centrally on an ongoing basis. The TOM TAILOR GROUP only does business with third parties with good credit ratings. Credit checks are run on all customers wanting to do business with the Group on a credit basis. In addition, the risk is mitigated by taking out credit insurance policies and obtaining collateral. For these reasons, credit risk in relation to customers is assessed as having a low probability and involving moderate losses. Although we assess the occurrence of this risk to be low, we cannot completely rule out negative effects on the net assets, financial position and results of operations of the TOM TAILOR GROUP. We classify this risk as medium.

Currency Risk

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

The majority of items procured by the TOM TAILOR GROUP are invoiced in US dollars. The US dollar/euro exchange rate is subject to considerable fluctuations at times. The net assets, financial position and results of operations of the TOM TAILOR GROUP could be significantly negatively impacted by unfavourable developments in the exchange rate between foreign currencies and the euro, particularly a substantial (and potentially rapid) increase in the value of the US dollar compared with the euro. The probability of occurrence is considered to be low. The TOM TAILOR GROUP entered into currency forwards in financial year 2013 and for 2014 in order to cover the risk posed by exchange rate fluctuations. A large part of the risk arising from exchange rate fluctuations can be minimised using these currency forwards; the extent of losses in the event that this risk were to occur is considered to be moderate due to the currency hedges entered into for 2014. Although we assess the occurrence of this risk as low, we cannot completely rule out negative effects on the net assets, financial position and results of operations of the TOM TAILOR GROUP. We classify this risk as medium.

Most TOM TAILOR GROUP invoices are issued in euros. This means that the risk of exchange rate fluctuations on the revenue side is currently relatively minor. Since this risk is becoming increasingly significant as a result of the Group's growth strategy in new sales markets, the TOM TAILOR GROUP expects that the associated exchange rate risk will increase in future. The exchange rate risk arises from the cash flows in the local currencies of the subsidiaries and the euro as the functional currency of the TOM TAILOR GROUP. At present, this risk is still assessed as involving low losses and a low probability of occurrence. Although we assess the occurrence of this risk as low, we cannot completely rule out negative effects on the net assets, financial position and results of operations of the TOM TAILOR GROUP. We classify this risk as low.

Interest Rate Risk

The Group is mainly subject to interest rate risk in the eurozone. Interest rate risk arises as a result of fluctuations in interest rates due to market-related factors. On the one hand, these affect the TOM TAILOR GROUP's interest expenses and, on the other hand, they influence the fair value of financial instruments. Substantial interest rate changes may therefore have an impact on the Group's profitability, liquidity and financial position. A large amount of the loans taken out by the TOM TAILOR GROUP, particularly the syndicated loan facilities, are pegged to reference interest rates and therefore incur variable interest, as well as having short fixed interest rate periods. This means that they are particularly vulnerable to interest rate risk and represent a cash flow risk. The interest rate risk for some of the existing bank loans (amounting to around EUR 50 million) has been hedged until the end of 2016 using an interest rate swap. The probability of interest rates rising is assessed as very low due to the current low interest rate policy in the eurozone and the extent of losses is considered to be moderate. Although we assess the probability of occurrence of this risk as very low, we cannot completely rule out negative effects on the net assets, financial position and results of operations of the TOM TAILOR GROUP. We classify this risk as low.

OPERATIONAL RISKS

Sales and Inventory Risk

The TOM TAILOR GROUP is exposed to an increasing sales and inventory risk due to the expansion of its own selling spaces in the retail segments and of its controlled spaces in the wholesale segment (primarily the outlet business and the revenue sharing model). This is because the inventory remains the property of the TOM TAILOR GROUP until it is sold to the end customer. Furthermore, the Company cannot rule out mistakes when forecasting actual customer demand and sales, especially in the retail segments. Inventory surpluses may arise if goods hitting the selling spaces at the Company's own stores are not sold off continuously before new goods are added; this would lead to a reduction in revenue or to lower selling space productivity (revenue per square metre of "net selling space", i.e. selling space minus changing areas, tills, lounges and shop windows). In financial year 2013, the BONITA segment's result in particular was impacted by low sales and higher inventory levels in connection with a difficult market environment caused by the weather, changed design and development processes and the change of collections this required, and weaker-than-expected Christmas business. The sell-off of surplus inventories at higher discounts in the fourth quarter had a negative effect on the results of operations.

Furthermore, difficult weather conditions may have a negative impact on the sale of TOM TAILOR products. For example, mild winters can adversely affect the sale of winter clothes, and cool or rainy springs/summers can reduce revenue with spring/summer collections.

In addition, opening new stores in the retail segment is associated with increased expense and uncertainty with regard to future profitability. Opening its own stores as part of the planned growth in the retail segment also requires additional investment and increases the TOM TAILOR GROUP's ongoing rental and staff costs significantly. Additional risks arise from delayed store openings and the resulting loss of revenue. There is no guarantee that this increased expense compared to the wholesale segment can be offset by higher margins and that new Company-owned stores can be operated at a profit.

In the wholesale segment, the wholesale customers initially bear the sales risk in the majority of cases, particularly in the pre-order business. However, depending on the contractual arrangements, the TOM TAILOR GROUP may also have to bear the sales risk (in whole or in part). In particular, the Group bears the sales risk in relation to the outlet business. This means that the TOM TAILOR GROUP remains the owner of the goods until they are sold to the end customer. The outlet partner primarily provides the selling spaces and handles the sale of the goods, in return for a commission. Sales risk also exists in relation to individual revenue sharing models, i.e. where the revenue generated is divided between the two parties to the contract according to a fixed ratio. In addition, a de facto/goodwill return policy exists for major customers.

In spite of detailed planning and monitoring of the controlled selling spaces in both the wholesale and retail segments, and the timely sale of surplus inventories at discounted prices, we assess the probability of sales and inventory risk as low to medium, particularly due to factors that are beyond our control, and the losses as moderate to material. Although we assess the occurrence of this risk as low to medium, we cannot completely rule out negative effects on the net assets, financial position and results of operations of the TOM TAILOR GROUP. Overall, we classify this risk as medium.

Quality Risk and Social/Environmental Risk

Assuring the consistent high quality of the TOM TAILOR GROUP's products calls for close cooperation with suppliers and other contract partners. One risk factor is a potential decline in product quality or the use of illegal materials, raw materials and chemicals, which, even if used without the TOM TAILOR GROUP's intention or knowledge, could lead to legal sanctions, particularly fines or claims for damages against the TOM TAILOR GROUP under product liability law. Product or serial defects that only become apparent after sale to the end customer could lead to reputational damage and recourse claims by both wholesale customers and end customers against the TOM TAILOR GROUP, and could materially impact sales of TOM TAILOR products. In order to ensure stable supply relationships and consistently high product quality at attractive prices for its constantly changing collections, the TOM TAILOR GROUP works with an international network of purchasing agents and manufacturers in the sourcing area, which it has obliged to sign up to its code of conduct. Currently, around 260 suppliers work for the TOM TAILOR GROUP. The code of conduct comprises all core working standards issued by the International Labour Organisation (ILO) and is binding for all partners. It aims to ensure that the Group's products are manufactured under decent working conditions in all production facilities. Inspections are regularly performed at all production facilities so as to ensure compliance with high quality standards, labour law provisions and internationally recognised standards on working conditions. The individual manufacturers are primarily responsible for quality control, which involves manufacturing and checking the goods according to precise quality benchmarks.

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

The Management Board and Supervisory Board of TOM TAILOR Holding AG are explicitly committed to the principle of sustainable management and explicitly acknowledge the Company's responsibility to its stakeholders and within society (corporate social responsibility). They are also aware of their responsibility to their customers, employees, shareholders, lenders, suppliers and retail partners.

Overall, the TOM TAILOR GROUP believes that the probability of quality risks and social/environmental risks arising is low and that the extent of the associated losses is moderate. Although we assess the probability of occurrence of this risk as low, we cannot completely rule out negative effects on the net assets, financial position and results of operations of the TOM TAILOR GROUP. We classify this risk as medium.

Production Risk

If one or more of the TOM TAILOR GROUP's manufacturers were to become unavailable or fail to fulfil contractual obligations either temporarily or permanently, for example due to economic or technical problems or to capacity bottlenecks or strikes, the TOM TAILOR GROUP may be forced to source the affected products from other manufacturers. Changing manufacturers could lead to delays in delivery to the TOM TAILOR GROUP's customers and to considerable additional expense. The Group's claims for damages could be unenforceable under certain circumstances. Furthermore, rapidly rising producer prices or disruptions to trade caused by external factors (for example, embargoes, restrictions on trade or on imports and exports, additional customs duties or import fees) can negatively affect both procurement and the sale of the goods by the TOM TAILOR GROUP. Natural disasters, accidents or inadequate power supplies at the manufacturers also represent a risk. This is why the TOM TAILOR GROUP sources its products from a large number of different manufacturers. Overall, the loss of one or more manufacturers is assessed as having a low probability and entailing moderate losses. Although we assess the probability of the occurrence of this risk to be low, we cannot completely rule out negative effects on the net assets, financial position and results of operations of the TOM TAILOR GROUP. We classify this risk as low.

Logistics Risk

Insufficient transport and warehouse capacities can lead to higher costs. In the event that a logistics partner becomes insolvent, or if natural forces or accidents affect air and sea freight, deliveries of merchandise could be delayed or even destroyed. This risk could affect scheduled deliveries to customers, which could in turn lead to increased claims for damages and reputational damage. The extent of losses from this risk is assessed as moderate, with a very low probability of occurrence. Although we assess the occurrence of this risk to be very low, we cannot completely rule out negative effects on the net assets, financial position and results of operations of the TOM TAILOR GROUP. We classify this risk as low.

COMPANY-RELATED RISKS

Personnel Risks

Personnel risks mainly occur in relation to recruitment, inadequate qualifications and employee turnover. As a successful medium-sized company, the TOM TAILOR GROUP counters these risks with continuous professional development measures, performance-oriented remuneration and timely succession planning as well as by maintaining a corporate culture that lives by, and benefits from, good relations with all employees. That having been said, the Group is particularly dependent on the Management Board and other managers. A loss of management staff could have a negative effect on business performance. The TOM TAILOR GROUP also counters this risk by creating a good working environment and instituting attractive compensation arrangements that take long-term objectives into account. Overall, the severity of this risk is assessed as moderate, and the probability of occurrence as medium. Although we assess the probability of occurrence of this risk to be medium, we cannot completely rule out negative effects on the net assets, financial position and results of operations of the TOM TAILOR GROUP. We classify this risk as medium.

Breaches of applicable laws, particularly criminal acts, in the first instance represent personal wrongdoing by the employee committing them. However, if an employee breaks the law during or in connection with their employment for the TOM TAILOR GROUP, this also affects the Group. Any such breaches of the law, cartel agreements, corruption or theft may have negative financial consequences for the TOM TAILOR GROUP under certain circumstances and may significantly damage its image. The Management Board therefore sees a key task of compliance to take measures and establish structures that help to prevent employees within the Company committing breaches of the law during or in connection with their employment for the TOM TAILOR GROUP. As a result of these measures, the probability of this risk occurring is assessed as very low, and its impact as moderate. Although we assess the occurrence of this risk as very low, we cannot completely rule out negative effects on the net assets, financial position and results of operations of the TOM TAILOR GROUP. We classify this risk as low.

Legal Risks

The TOM TAILOR GROUP has entered into long-term agreements both with a number of lessors, such as the owners of the commercial building in Hamburg-Niendorf and the NORDPORT logistics centre, and with numerous wholesale contract partners and licensees. There are also a number of long-term leases relating to commercial space for TOM TAILOR GROUP stores. This could lead to the TOM TAILOR GROUP being unable to close unprofitable stores at short notice or at an acceptable cost, or to terminate or renegotiate unprofitable or disadvantageous contractual relationships in the short term. Even if the agreements permit the terms to be amended, for example with regard to price and duration, there is no guarantee that this will be possible in practice or economically sufficient to ensure that the contract terms are appropriate. For the above-mentioned reasons, it cannot be ruled out that the TOM TAILOR GROUP could be forced to comply with the contract terms or possibly to make substantial compensation payments, which may affect the growth and profitability of the TOM TAILOR GROUP's business activities, with potentially significant negative effects on the net assets, financial position and results of operations of the TOM TAILOR GROUP. All existing and new agreements are reviewed and approved by the financial and legal department. Overall, the possibility of the legal risks associated with the agreements described above materialising is considered to be low and their severity is considered moderate. Although we assess the probability of occurrence of this risk to be low, we cannot completely rule out negative effects on the net assets, financial position and results of operations of the TOM TAILOR GROUP. We classify this risk as medium.

Legal risks typically arise from issues relating to labour law, tax law, intellectual property rights, product liability and warranties, as well as through the introduction of new statutory requirements or changes to existing laws or their interpretation. Tax law risks include the risk relating to the usability of existing losses carried forward at the level of TOM TAILOR Holding AG and potential tax risks from the TOM TAILOR GROUP's international business. Legal risks could also entail reputational risks and could hence have a negative effect on the image of the Group and its brands. Existing legal regulations may be infringed through ignorance or negligence. In order to counter these risks in an appropriate and timely manner, potential risks are analysed thoroughly with the involvement of the legal and tax department and, where necessary, external specialists. Despite these measures, the outcome of ongoing or future proceedings cannot be predicted with certainty. At present, only a few Group companies are involved in proceedings. Even if litigation is resolved in the TOM TAILOR Group's favour it can be costly and could damage its image. Overall, the legal risks to the TOM TAILOR GROUP are considered to entail a moderate extent of losses and their probability of occurrence is seen as low. Although we assess the occurrence of this risk as low, we cannot completely rule out negative effects on the net assets, financial position and results of operations of the TOM TAILOR GROUP. We classify this risk as medium.

As a fashion provider, the TOM TAILOR GROUP is subject to a number of statutory provisions stemming from the Lebensmittel-, Bedarfsgegenstände- und Futtermittelgesetzbuch (LFGB – German Food and Feed Code), which among other things prohibits the use of certain chemicals to dye textiles, for example. These are sanctioned by criminal prosecution and heavy fines. Furthermore, under the Textilkennzeichnungsgesetz (TextilKennzG – German Textile Labelling Act), which is based on an EC directive, textile products may only be commercially marketed, or offered for sale, imported or otherwise brought into Germany for delivery to the end consumer, if they are furnished with information about the type and proportion by weight of the raw materials used, in line with the requirements set out in the TextilKennzG. Infringement of the requirements of the TextilKennzG constitutes an administrative offence. Since the TOM TAILOR GROUP also sells its products to end consumers, it is also bound by a number of general consumer protection regulations when marketing and distributing its products, in addition to product liability. The TOM TAILOR GROUP is not aware of any complaints or significant notices to desist having been brought against the TOM TAILOR GROUP due to infringements of consumer protection legislation, and the probability of these occurring is only very low to low, with low to moderate potential losses. Although we assess the occurrence of this risk as very low to low, we cannot completely rule out negative effects on the net assets, financial position and results of operations of the TOM TAILOR GROUP. We classify this risk as low.

Risks to Trademarks

Since the TOM TAILOR GROUP continues to adapt trends developed by competitors, it can be prevented from using, manufacturing and marketing certain designs and product ideas by third-party rights and supplementary related rights. In the event that any third-party rights were to be infringed, the TOM TAILOR GROUP might be liable for damages and could be obliged to take goods already produced off the market or to purchase a license for the use of these rights. This could result in loss of revenue, reduced margins and obligations to pay damages to wholesale customers. In order to counter this, there is a strict process within the TOM TAILOR GROUP, including several checks. As a result, this risk is assessed to have a low probability of occurrence and to entail moderate losses. Although we assess the probability of occurrence of this risk as low, we cannot completely rule out negative effects on the net assets, financial position and results of operations of the TOM TAILOR GROUP. We classify this risk as medium.

It cannot be ruled out that the TOM TAILOR GROUP, as a manufacturer of branded goods and in the course of its intended growth, will be exposed to the risk of product and brand counterfeiting in the form of unauthorised imitations and reproductions of TOM TAILOR products and illegal use by third parties of the TOM TAILOR GROUP's emblems, names or logos by third parties. Product and brand counterfeiting relating to TOM TAILOR GROUP products may result in significant loss of revenue under certain circumstances and damage to the TOM TAILOR GROUP's brands, for example if consumers buy cheap imitations of TOM TAILOR products and subsequently connect the brands with low quality and unattractive marketing. At the same time, the measures required to counter product and brand counterfeiting can lead to increased costs. Product and brand counterfeiting can therefore have moderate negative effects on the net assets, financial position and results of operations of the TOM TAILOR GROUP. However, the TOM TAILOR GROUP's products have so far not been the victims of imitations or counterfeiting on a large scale. The probability of occurrence of this risk is assessed as very low and the losses as moderate. Although we assess the probability of occurrence of this risk as very low, we cannot completely rule out negative effects on the net assets, financial position and results of operations of the TOM TAILOR GROUP. We classify this risk as low.

Integration Risks

There are various risk aspects arising in relation to integration processes for the BONITA Group, which was acquired in financial year 2012. Key risk elements include the unexpected departure of key management personnel, incompatible IT systems and incompatible corporate cultures. The TOM TAILOR GROUP believes that the integration process was largely completed towards the end of 2013. A possible integration risk is assessed to be moderate with very low probability of occurrence. Although we assess the occurrence of this risk as very low, we cannot completely rule out negative effects on the net assets, financial position and results of operations of the TOM TAILOR GROUP. Overall, we classify this risk as low.

IT Risks

The availability and operability of modern IT systems are essential for the management of business processes and effective cost control. In particular, the IT systems in the inventory management/logistics area and especially the systems used in the sale of the TOM TAILOR GROUP's products via the Internet (e-shop), as well as the related service providers, are of major importance to the TOM TAILOR GROUP. The failure of these IT systems could result in the business processes being impacted and higher costs being incurred. The TOM TAILOR GROUP also manages a significant part of its processes using IT systems. Even though the IT systems are secured in multiple ways, it is not possible to rule out data loss and loss of sales in the event of damage caused by, for example, fire, power failures, system errors, hacker attacks, fraud or terrorism, which might have an effect on the Group's earnings. The TOM TAILOR GROUP will continue to make targeted investments in the expansion and enhancement of its IT systems in the future in order to ensure and increase the continuous operability of its systems and the effectiveness of its processes. The probability of this risk occurring is assessed as very low and the extent of any losses is considered to be moderate. Although we assess the probability of occurrence of this risk as very low, we cannot completely rule out negative effects on the net assets, financial position and results of operations of the TOM TAILOR GROUP. We classify this risk as low.

OPPORTUNITY MANAGEMENT

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

The following describes the significant opportunities that could have positive effects on the net assets, financial position and results of operations of the TOM TAILOR GROUP. The order in which the opportunities are presented within the five categories reflects the current assessment of the relative potential of opportunities for the TOM TAILOR GROUP and hence provides an indication of the present significance of these opportunities. Unless specified otherwise, the opportunities mentioned relate to all of the TOM TAILOR GROUP's segments.

The opportunities that are relevant to the TOM TAILOR GROUP can be divided into five categories that correspond to the risk categories: external, strategic, financial, operational and Company-related opportunities.

EXTERNAL OPPORTUNITIES

The TOM TAILOR GROUP intends to further extend and multiply its existing business model – selling fashionable casual wear in the mid-range price segment – for the TOM TAILOR brands (TOM TAILOR, TOM TAILOR Denim and TOM TAILOR POLO TEAM) and BONITA on its domestic market of Germany and on the core international markets. It also plans to expand its market position in Eastern Europe. If economic growth in Germany and/or the TOM TAILOR GROUP's core markets exceeds expectations consistently, overall consumer demand and hence also demand for TOM TAILOR GROUP products could rise more strongly than predicted. In Central and Eastern Europe in particular there is additional catch-up potential and opportunities for per capita spending on clothing.

A continuing shift from bricks-and-mortar retailers to online retail can be seen within the clothing market. Germany is one of the forerunners when it comes to online shopping in the clothing market. The expanded online offering for all of the TOM TAILOR GROUP's brands is directly influencing this change in buying behaviour, intensifying contact with customers and building brand loyalty. This could give rise to opportunities in the form of increased revenue and income for the TOM TAILOR GROUP.

Changes to laws and regulations, particularly in the international markets, could potentially have a positive impact on the chances of higher sales and hence on the profitability of the TOM TAILOR GROUP. In particular, this includes reductions in import duties or taxes, which would have a positive effect on the TOM TAILOR GROUP's growth potential.

These external opportunities could therefore positively impact the Group's revenue and results, thus also exceeding short- and medium-term forecasts.

STRATEGIC OPPORTUNITIES

Identifying and implementing trends is a key success factor in the fashion business. The design and product manufacturing process, as well as the TOM TAILOR GROUP's proximity to customers in its own retail stores and online, offer opportunities to use the feedback from consumers to rapidly identify and implement new trends. If the TOM TAILOR GROUP succeeds in capturing and implementing trends faster than before, this could have a positive effect on the Group's revenue and earnings position above and beyond the previous forecasts.

The brand image and long-term positioning of the TOM TAILOR brands (TOM TAILOR, TOM TAILOR Denim and TOM TAILOR POLO TEAM) and BONITA play an important role in the future success of the TOM TAILOR GROUP. If the TOM TAILOR GROUP tops its previous success in establishing the brands both in Germany and abroad for the long term and increasing customer demand, this could positively impact the Group's revenue and earnings position.

FINANCIAL OPPORTUNITIES

The TOM TAILOR GROUP continually analyses and manages its own financial position and the situation on the financial markets in order to identify and take advantage of related opportunities. Favourable exchange rates or interest rate changes could have a positive effect on the Group's results.

The management also makes use of opportunities that arise to secure existing financing for the long term and to negotiate the underlying conditions to the benefit of the Group.

OPERATIONAL OPPORTUNITIES

The TOM TAILOR GROUP has operated its own sourcing organisation for procurement in Asia since 2012. Starting in February 2014, purchasing for the BONITA brand will be transferred to this sourcing organisation. This opens up opportunities to cut costs and to exploit synergies and economies of scale thanks to greater purchasing volumes in the entire Group.

With respect to sales, opportunities exist to find above-average locations for the retail segment and that existing stores also report above-average performance. This may enable the Group both to reduce the depreciation period for its own stores and to minimise inventory risk and potential discounts. Corresponding opportunities exist in the wholesale segment in particular with regard to revenue growth in the controlled spaces. To this extent, the existing opportunities in both segments could have a positive effect on the Group's results.

COMPANY-RELATED OPPORTUNITIES

In 2013, the integration of the BONITA Group focused on the product manufacturing process (particularly shortening lead times), restructuring purchasing, establishing a dedicated online shop and expanding the distribution network by own outlet stores. The measures, which have already been implemented, will offer the opportunity in the future to make a positive contribution to the Group's revenue and earnings situation more quickly. In addition, there are opportunities in other areas to generate positive results by leveraging synergy effects. In particular, BONITA's successful retail logistics organisation (push-and-pull logistics) has been tested in selected TOM TAILOR retail stores since March 2013 as part of a pilot project. If the test proves successful, this logistics organisation could contribute to increasing space productivity in all TOM TAILOR brand retail stores (TOM TAILOR, TOM TAILOR Denim and TOM TAILOR POLO TEAM).

The members of the Company's Management Board possess many years of in-depth experience in the industry and market as well as extensive knowledge of the organisational structure and workflows within the TOM TAILOR GROUP. To promote operational efficiency, the internal structure and workflows for the TOM TAILOR GROUP brands have been broken down into divisions with clear responsibilities for revenue and earnings. The TOM TAILOR GROUP promotes continuous professional development measures, performance-oriented remuneration and maintaining an attractive corporate culture in order to increase employees' and managers' productivity and commitment, and at the same time create closer ties with the Company. Lower staff turnover would also lead to higher productivity and reduce recruitment expenditure. If these effects on employee motivation have a stronger influence than currently expected, this could have a positive impact on the Group's results of operations.

The TOM TAILOR GROUP's human resources and technical equipment, as well as the organisation of its logistics, procurement and distribution functions have created an infrastructure that increases the opportunities for achieving the planned further growth and increased revenue without a corresponding rise in staff, administrative and product organisation costs. Additional economies of scale could reduce unit costs for development, manufacturing and samples in the case of further growth due to the increased number of units.

OVERALL ASSESSMENT BY THE MANAGEMENT BOARD OF THE GROUP'S RISK AND OPPORTUNITY POSITION

Having determined the probability of occurrence and effects of all the risks described above, these risks do not, either individually or in the aggregate, currently represent a threat to the TOM TAILOR GROUP's continued existence within a reasonable period of time. Overall, there were no significant changes with regard to the Group's risk position compared to the end of financial year 2012. With regard to the impact on the BONITA subgroup's earnings, which was addressed in relation to sales and inventory risk, the Company's management expects that the situation will improve significantly in 2014, and that the TOM TAILOR GROUP's increasing earnings power will form a solid basis for future business development and will furnish the resources necessary to pursue the opportunities available to the Group. The Company's management is confident that it will successfully counter the challenges arising from the above-mentioned risks in 2014 as well.

REPORT ON POST-BALANCE-SHEET DATE EVENTS

In the period up to 24 February 2014, there were no significant operational and structural changes or transactions within the TOM TAILOR GROUP that materially altered the net assets, financial position and results of operations as against 31 December 2013.

REPORT ON EXPECTED DEVELOPMENTS

STRATEGIC OUTLOOK

The TOM TAILOR GROUP's strategy is to develop attractive fashion brands and bring these fashion brands to a broad group of buyers. The Group significantly expanded its presence in August 2012 when it acquired BONITA and had 1,364 retail stores at the end of 2013. Going forward, too, the TOM TAILOR GROUP intends to use its business model to continuously progress its growth path in Germany and in its core international markets of Austria, Switzerland, the Benelux countries and France.

POSITIVE GLOBAL ECONOMIC DEVELOPMENT EXPECTED

The International Monetary Fund (IMF) largely confirmed its autumn 2013 growth forecast in January 2014. Global economic output is expected to improve in 2014 (+3.7%) and 2015 (+3.9%), based on the stronger second half of 2013. The main reason for this is likely to be the continuing recovery of the industrialised nations, where GDP is expected to increase by 2.2% in 2014 (2013: 1.3%). The highest growth momentum worldwide will probably be in China (+7.5%) and in India (+5.4%). According to the experts, the eurozone is set to see growth for the first time since 2011; the IMF is expecting economic output there to increase by 1.0% (2013: –0.4%). Following the recession in recent years, GDP in Italy (+0.6%) and Spain (+0.6%) should also pick up again. GDP in Germany is forecast to increase by 1.6%. The IMF is also expecting to see a positive economic trend in the TOM TAILOR GROUP's core markets; in addition to Germany, these are Austria, Switzerland, the Benelux countries and France. It is anticipating a 1.4% increase for the eurozone economy in 2015.

Central and Eastern Europe (+2.8%), which are increasingly important for the TOM TAILOR GROUP, and Russia (+2.0%) are also expected to develop positively in 2014. Solid growth rates are expected to continue in Poland, Serbia and Slovakia.

Consumer sentiment in Germany improved year-on-year. The GfK consumer confidence index rose in 2013, closing at 7.4 points (end of 2012: 5.6 points). Consumers believe the German economy is picking up speed again. As in the past financial year, the domestic economy should be the primary source of momentum. The recovery being recorded in a number of eurozone countries should also have a positive effect on exports.

The consumer price index recorded a further year-on-year decline in 2013 to 1.5% (previous year: 2.0%). Inflation in the eurozone was also down significantly to 0.9% (2012: 2.2%). For 2014, the ECB is forecasting that consumer prices will rise by 1.1%.

For the textile and clothing industry, raw cotton prices are the crucial factor. The trend will primarily depend on the extent to which the Chinese government decides to subsidise domestic cotton production in 2014. If China raises cotton export levels, cotton prices are expected to fall. The anticipated decline in production in the United States would have the opposite effect. Overall, the experts are expecting prices to be down on 2013 and are forecasting a range of between 76 and 82 US cents per pound. (Source: Cotton forward curve, NYB-ICE Futures US Softs)

With respect to production costs, however, the textile industry must be prepared for permanent cost increases in Asia, due to further increases in labour costs.

Since August 2012, merchandise purchased from Asia has been sourced directly via TOM TAILOR's own central purchasing company in Asia, the Hong Kong-based TOM TAILOR Sourcing

Ltd. Having its own company on the ground allows the TOM TAILOR GROUP to be closer to suppliers and secures the required production capacity in the long term as well as ensuring that cotton is procured and processed in a timely manner. As from the beginning of 2014, TOM TAILOR Sourcing Ltd. is expected to also assume procurement for BONITA in Asia to a large extent, hence delivering cost benefits for BONITA and further economies of scale for the Group. Due to the expected synergies after the integration of BONITA is complete and the stable development in the Group's core markets, the TOM TAILOR GROUP sees itself in a strong position to continue its profitable growth and sustainably increase its enterprise value.

EXPECTED BUSINESS DEVELOPMENTS

PERFORMANCE OF THE TOM TAILOR AND BONITA BRANDS

The TOM TAILOR GROUP has two strong brands, TOM TAILOR and BONITA, which are aimed at complementary target age groups, and which therefore cover the entire fashion market in the area of casual wear. The two brands each have their own brand profile and a strictly separate market presence. TOM TAILOR comprises the TOM TAILOR, TOM TAILOR Denim and TOM TAILOR POLO TEAM brands. At the end of 2013, the Company revamped the TOM TAILOR brand profile, realigning it to underscore its international image. The collections designed in line with the new profile will be available from August 2014. The BONITA brand comprises the BONITA and BONITA men lines. The TOM TAILOR GROUP is planning to strengthen the brand in the first half of 2014 by continuing to modernise the BONITA branches and by optimising the collections using TOM TAILOR's proven design and development process.

In addition, it is transferring the production of the BONITA collections to Asia and driving forward its moves to bundle the Group-wide purchasing activities in Asia at its TOM TAILOR Sourcing Ltd. purchasing company. The resulting synergy effects should both improve the gross margin and directly contribute to product improvements.

After BONITA's integration process was largely completed at the end of 2013, the Company will focus in 2014 on restoring like-for-like growth and positive gross margin development in the BONITA segment. In the case of the TOM TAILOR brands, which are divided into the TOM TAILOR wholesale and TOM TAILOR retail segments, the goal is to continue the existing positive trend.

EXPANSION PLUS FOCUS ON PROFITABILITY

The TOM TAILOR GROUP will continue its growth path in 2014 with a focus on increasing its profitability.

The ongoing expansion of the controlled selling spaces will take place primarily in the retail segments, with new TOM TAILOR and BONITA brand stores being opened in particular. With the new stores, the Company will place even more importance on profitability, which means that no flagship stores will be opened in 2014 – while these stores have an extremely positive effect on brand image, their exclusivity and size can also lead to low or even negative profitability. In addition, unprofitable branches will be closed where economically sensible. The TOM TAILOR GROUP is planning to open around 100 new stores in 2014. The BONITA brand's new online shop went live on 6 June 2013, recording a successful launch with revenue of around EUR 1.2 million. This online shop is to be expanded going forward as the group sees high revenue potential from the growing over-40 target group on the one hand and as online retail is expected to become increasingly important in the textile industry on the other. In addition, a customer card was introduced at BONITA – and nearly 390,000 had been issued by the end of the year. The aim here is to further increase the number of cardholders. We are expecting to see revenue from the TOM TAILOR online shop to continue to climb, in addition to the BONITA online shop.

The TOM TAILOR GROUP is also planning further growth in the wholesale segment for 2014 and to increase the number of shop-in-shops by around 200 and the number of franchise stores by around 15. In particular, the objective is to expand business activities with existing wholesale partners.

Overall, the aim is to expand the TOM TAILOR GROUP mainly in Germany and in the core international markets. Experts are continuing to forecast stable consumer spending and rising growth for these markets.

The TOM TAILOR GROUP is planning to invest around EUR 30 million in financial year 2014 to expand and modernise the controlled selling spaces and the necessary infrastructure.

EXPECTED DEVELOPMENT OF THE GROUP'S POSITION

TARGET REVENUE OF OVER EUR 950 MILLION

From today's perspective, the Management Board of TOM TAILOR Holding AG is aiming for Group revenue of more than EUR 950 million in financial year 2014. The Company is expecting the TOM TAILOR wholesale and TOM TAILOR retail segments to be the main drivers of the revenue increase. Due to the strategic focus on the retail segment, revenue is anticipated to grow faster in that segment than in the wholesale segment, which means that the share of total revenue accounted for by the retail business should increase. In addition to the planned revenue growth from the expansion of controlled selling spaces (primarily own stores), the revenue forecast is also based on the assumption that the slightly positive economic development being predicted by experts for 2014, in particular in the eurozone, will actually occur and that there will not be an economic slowdown.

RECURRING EBITDA MARGIN OF AROUND 10%

The TOM TAILOR GROUP is planning to steadily increase its profitability in financial year 2014. The Management Board of TOM TAILOR Holding AG is aiming for a recurring EBITDA margin of roughly 10%. The increase in profitability is expected to come from the higher share of the Group's total revenue to be generated by the retail business, the planned increase in revenue and an improved gross margin. The Management Board is expecting profitability to rise by more than average in the BONITA segment in 2014. No material changes are expected in the key factors affecting the gross margin, such as trends in cotton prices and exchange rates (EUR/USD), compared with 2013. In addition, the Management Board is not anticipating any non-recurring items/special factors to impact the EBITDA margin as was the case in particular with the integration costs incurred in 2013. The expected growth will lead to a commensurate increase in non-staff operating expenses, as well as in particular in personnel expenses, rental expenses and logistics costs.

With respect to the change in the EBITDA margin in financial year 2013 and the deviation between target and actual figures for this, please see the disclosures in the section entitled "Overall Assessment by the Management Board of Net Assets, Financial Position and Results of Operations".

FURTHER REDUCTION IN NET DEBT AND INCREASE IN EQUITY RATIO

Based on the planned increase in revenue and the improved EBITDA margin, the TOM TAILOR GROUP is expecting a positive effect on operating cash flow in 2014. Taking into account the planned investments of around EUR 30 million, the TOM TAILOR GROUP is anticipating a low double-digit million euro reduction in net debt for 2014. The TOM TAILOR GROUP is planning to reach its long-term goal of an equity ratio of 30% in 2014.

OVERALL ASSESSMENT OF EXPECTED DEVELOPMENTS BY THE MANAGEMENT BOARD

The Management Board of TOM TAILOR Holding AG continues to assess the Group's position as positive despite the fact that financial year 2013 did not meet expectations. It views the negative earnings trend in the BONITA segment and the challenging weather conditions in financial year 2013 as being temporary factors, since the TOM TAILOR wholesale and TOM TAILOR retail segments in particular performed extremely well in 2013. In addition, the measures necessary to stabilise and increase profitability in the BONITA segment in future were initiated and implemented as part of the integration process, which was largely completed at the end of 2013. The Management Board is anticipating to increase TOM TAILOR's profitability on the one hand, while also putting BONITA on track for profitable growth. Overall, the Management Board therefore expects the net assets, financial position and results of operations to develop positively in financial year 2014.

The following aspects play a key role in increasing profitability:

- A significant improvement in the BONITA segment's gross margin, to be achieved by realising economies of scale and synergy effects as well as by optimising inventory and pricing policies. In addition, the process of transferring purchasing to Asia and bundling the Group-wide purchasing volume in its own purchasing organisation will continue
- Continued expansion with a focus on the retail segment
- Further expansion of direct sourcing in Asia for TOM TAILOR and BONITA
- An increase in selling space productivity

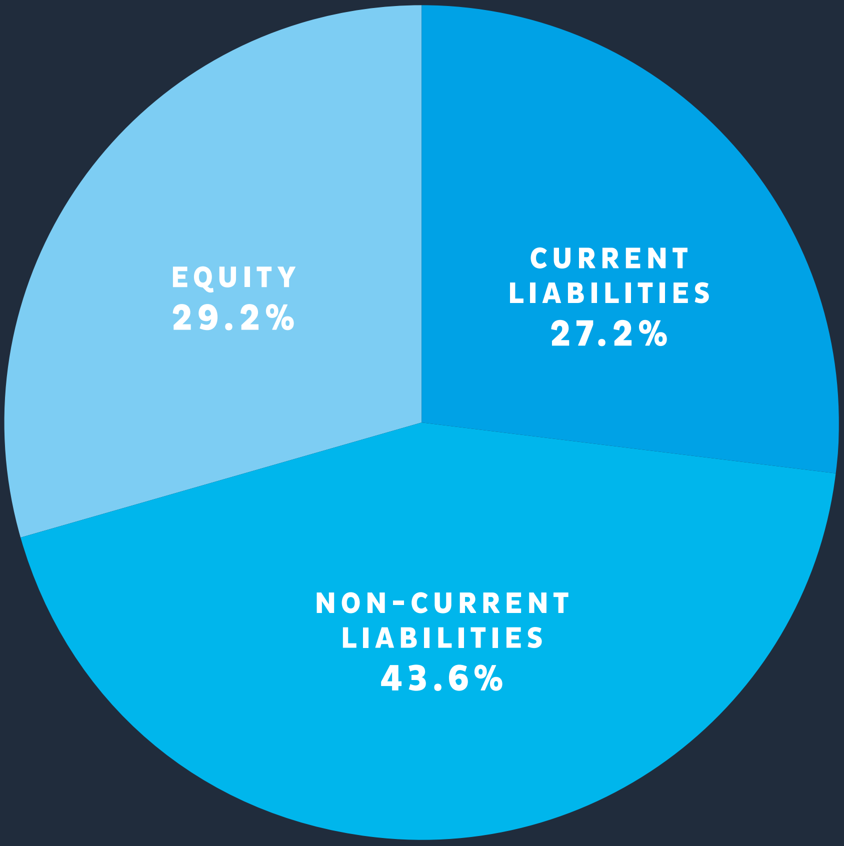
The forecast for 2014 takes into account all currently known events that could influence business developments at the TOM TAILOR GROUP. However, actual business performance could differ from the forecasts due to political and economic developments or the impact of the weather – factors that the Group cannot predict or influence in any way.

Hamburg, 24 February 2014

The Management Board

Dieter Holzer Chief Executive Officer	**Dr Axel Rebien** Chief Financial Officer
Udo Greiser Chief Product Development and Procurement Officer	**Dr Marc Schumacher** Chief Retail Officer

CONSOLIDATED FINANCIAL STATEMENTS



CAPITAL STRUCTURE AS OF 31 DECEMBER 2013

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CONSOLIDATED INCOME STATEMENT

Consolidated Income Statement
For the Financial Year from 1 January to 31 December 2013

EUR thousand	Note	2013	2012
Revenue	(1)	**907,249**	**629,697**
Other operating income	(2)	27,432	29,423
Cost of materials	(3)	−408,265	−296,546
Personnel expenses	(4)	−193,504	−121,501
Depreciation, amortisation and impairments	(5)	−57,674	−38,791
Other operating expenses	(6)	−268,781	−186,063
Profit from operating activities		**6,457**	**16,219**
Financial result	(7)	**−18,301**	**−15,783**
Result before income taxes		**−11,844**	**436**
Income taxes	(8)	−4,397	2,670
Net income for the period		**−16,241**	**3,106**
thereof: Shareholders of TOM TAILOR Holding AG		−21,255	288
Non-controlling interests		5,014	2,818
Earnings per share	(9)		
Basic earnings per share (in EUR)		−0.87	0.01
Diluted earnings per share (in EUR)		−0.87	0.01

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

EUR thousand	2013	2012
Net income for the period	**−16,241**	**3,106**
Exchange differences on translating foreign operations	−230	−903
Change in fair value of cash flow hedges	−3,323	−9,249
Deferred taxes on change in fair value of cash flow hedges	1,041	2,775
Items that may be reclassified subsequently to profit or loss	**−2,512**	**−7,377**
Other comprehensive income	**−2,512**	**−7,377**
Total comprehensive income, net of tax	**−18,753**	**−4,271**
thereof: Shareholders of TOM TAILOR Holding AG	−23,643	−6,926
Non-controlling interests	4,890	2,655

CONSOLIDATED STATEMENT OF CASH FLOWS

Consolidated Statement of Cash Flows
For the Financial Year from 1 January to 31 December 2013

EUR thousand	2013	2012
Net income for the period	**–16,241**	**3,106**
Depreciation, amortisation and impairment losses	57,674	38,791
Income taxes	4,397	–2,670
Interest income/expense	18,301	15,783
Change in non-current provisions	–2,681	10,193
Change in current provisions	–1,905	–6,837
Proceeds from disposal of intangible assets and items of property, plant and equipment	704	727
Change in inventories	–13,695	–32,110
Change in receivables and other assets	441	–2,875
Change in liabilities	16,556	31,848
Income taxes paid/refunded	–635	–14,154
Other non-cash changes	–3,209	–21,432
Cash generated from/used in operations	**59,707**	**20,370**
Interest paid	–12,937	–14,667
Interest received	80	30
Net cash provided by/used in operating activities	**46,850**	**5,733**
Payments to acquire intangible assets and items of property, plant and equipment	–26,914	–35,638
Additions due to change in basis of consolidation	–61	–116,049
Payments from disposal of intangible assets and items of property, plant and equipment	972	2,908
Net cash provided by/used in investing activities	**–26,003**	**–148,779**
Cash capital increase by issuing new shares	29,544	20,660
Costs of raising equity capital	–913	–843
Dividend payment	–	–2,810
Dividend payment to non-controlling interest shareholders	–2,643	–
Change in non-controlling interests	–	–
Change in foreign currency reserve/cash flow hedges	–	–
Change in current financial liabilities	–	–
Proceeds from financial liabilities	80,000	237,500
Repayments of financial liabilities	–133,034	–67,462
Net cash provided by/used in financing activities	**–27,046**	**187,045**
Effect of exchange rate changes on cash and cash equivalents	–54	7
Net change in cash and cash equivalents	–6,253	44,006
Cash and cash equivalents at beginning of period	53,382	9,376
Cash and cash equivalents at end of period	**47,129**	**53,382**

Composition of cash and cash equivalents		
Cash funds	47,129	53,382

CONSOLIDATED BALANCE SHEET

Consolidated Balance Sheet
As at 31 December 2013

EUR thousand	Note	31.12.2013	31.12.2012
Assets			
Non-current assets			
Intangible assets	(10)	**337,276**	352,765
Property, plant and equipment	(11)	**159,633**	163,500
Other assets	(13)	**10,434**	8,369
		507,343	**524,634**
Current assets			
Inventories	(14)	**137,809**	123,737
Trade receivables	(15)	**47,945**	51,917
Income tax receivables		**1,851**	2,242
Other assets	(13)	**17,526**	15,276
Cash and cash equivalents	(16)	**47,129**	53,382
		252,260	**246,554**
Total assets		**759,603**	**771,188**

EUR thousand	Note	31.12.2013	31.12.2012
Liabilities and Shareholders' Equity			
Shareholders' equity			
Subscribed capital	(17)	26,027	24,209
Capital reserves	(17)	298,378	274,486
Consolidated net accumulated losses	(17)	–101,600	–80,345
Accumulated other comprehensive income		–7,452	–5,064
Shareholders of TOM TAILOR Holding AG		**215,353**	**213,286**
Non-controlling interests		6,377	5,680
		221,730	**218,966**
Non-current liabilities			
Provisions for pensions	(20)	619	511
Other provisions	(21)	10,773	11,845
Deferred tax liabilities	(22)	76,671	78,635
Non-current financial liabilities	(23)	239,146	204,579
Other non-current liabilities	(25)	4,342	5,000
		331,551	**300,570**
Current liabilities			
Other provisions	(21)	29,165	29,616
Income tax payables		9,737	5,641
Current financial liabilities	(23)	26,478	96,615
Trade payables	(24)	111,820	93,302
Other current liabilities	(25)	29,122	26,478
		206,322	**251,652**
Total equity and liabilities		**759,603**	**771,188**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Consolidated Statement of Changes in Equity For the Financial Year from 1 January to 31 December 2013

EUR thousand, if not stated otherwise	Number of shares [thousands]	Subscribed capital	Capital reserves
Balance at 1 January 2013	24,209	24,209	274,486
Change in basis of consolidation	–	–	–
Acquisition of non-controlling interests without change of control	–	–	–3,450
Comprehensive income, net of tax	–	–	–
Cash capital increase	1,818	1,818	27,726
Non-cash capital increase	–	–	–
Costs of raising equity capital	–	–	–634
Dividends paid	–	–	–
Withdrawal from capital reserves	–	–	–
Other changes	–	–	250
Balance at 31 December 2013	**26,027**	**26,027**	**298,378**

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

EUR thousand, if not stated otherwise	Number of shares [thousands]	Subscribed capital	Capital reserves
Balance at 1 January 2012	**16,528**	**16,528**	**187,856**
Change in basis of consolidation	–	–	–
Comprehensive income, net of tax	–	–	–
Cash capital increase	1,653	1,653	19,007
Non-cash capital increase	6,028	6,028	86,201
Costs of raising equity capital	–	–	–590
Dividends paid	–	–	–
Withdrawal from capital reserves	–	–	–17,970
Other changes	–	–	–18
Balance at 31 December 2012	**24,209**	**24,209**	**274,486**

	Accumulated other comprehensive income					
Consolidated net accumulated losses	Currency translation differences	Cash flow hedge reserve (IAS 39)	Deferred taxes on fair value measure-ment of hedges	Attributable to shareholders of TOM TAILOR Holding AG	Non-controlling interests	**Total**
−80,345	−1,556	−4,895	1,387	213,286	5,680	218,966
–	–	–	–	–	–	–
–	–	–	–	−3,450	−1,550	−5,000
−21,255	−106	−3,323	1,041	−23,643	4,890	−18,753
–	–	–	–	29,544	–	29,544
–	–	–	–	–	–	–
–	–	–	–	−634	–	−634
–	–	–	–	–	−2,643	−2,643
–	–	–	–	–	–	–
–	–	–	–	250	–	250
−101,600	**−1,662**	**−8,218**	**2,428**	**215,353**	**6,377**	**221,730**

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

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GENERAL INFORMATION

The TOM TAILOR GROUP is a vertically integrated fashion and lifestyle company that offers casual wear in the mid-range price segment. The TOM TAILOR brand comprises the TOM TAILOR brand with collections from the TOM TAILOR MEN, WOMEN, KIDS, MINIS and BABY product lines, the TOM TAILOR Denim brand with the Denim Male and Denim Female product lines, and the TOM TAILOR POLO TEAM brand. The BONITA brand comprises the BONITA and BONITA men lines, which have their own profile and are aimed at the over-40 target group. This product portfolio is complemented by a wide range of fashionable accessories.

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

BASIS OF PREPARATION

The consolidated financial statements of TOM TAILOR Holding AG ("the consolidated financial statements") were prepared in accordance with the International Financial Reporting Standards (IFRSs) effective as at the reporting date, as adopted by the EU. The applicable interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) for financial year 2013 were also applied.

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

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

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

Changes Applicable in 2013

The TOM TAILOR GROUP applied the following new or amended standards and interpretations in financial year 2013:

New Regulations and Amendments in Financial Reporting

	Effective date	Date of EU endorsements
New standards/interpretations		
IFRS 13 Fair Value Measurement	1/1/2013	29/12/2012
IAS 19 Employee Benefits (revised 2011)	1/1/2013	6/6/2012
Amendments to standards		
Amendment to IAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income	1/7/2012	6/6/2012
Amendment to IAS 12 Income Taxes: Deferred Tax – Recovery of Underlying Assets	1/1/2013	29/12/2012
Amendment to IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities	1/1/2013	29/12/2012
IASB Annual Improvements Project 2009–2011	1/1/2013	28/3/2013

IFRS 13 Fair Value Measurement

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

IAS 19 Employee Benefits

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

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

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

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

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

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

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

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

Annual Improvements (AIP) 2009–2011

In June 2011, the IASB issued its fourth round of annual improvements as an exposure draft of proposed amendments to five IFRSs. The amendments are intended to eliminate ambiguities in existing IFRSs. The following areas have been clarified: requirements regarding voluntary comparative information (IAS 1), classification of servicing equipment as inventory or as property, plant and equipment (IAS 16), income tax implications of distributions to holders of an equity instrument and transaction costs of an equity transaction (IAS 32 and IAS 12), disclosure of segment information in an interim report (IAS 34).

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

Standards, Interpretations and Amendments to Published Standards Approved by the IASB, But Not Yet Adopted by the EU as at 31 December 2013

In financial year 2013, the TOM TAILOR GROUP did not apply the following new or amended accounting standards that have already been approved by the IASB, as they were not yet required to be applied:

Future New Regulations and Amendments in Financial Reporting

	Effective date	Date of EU endorsements
New standards/interpretations		
IFRS 10 Consolidated Financial Statements	1/1/2014	29/12/2012
IFRS 11 Joint Arrangements	1/1/2014	29/12/2012
IFRS 12 Disclosure of Interests in Other Entities	1/1/2014	29/12/2012
IAS 27 Separate Financial Statements (revised 2011)	1/1/2014	29/12/2012
IAS 28 Investments in Associates and Joint Ventures (revised 2011)	1/1/2014	29/12/2012
IFRS 9 Financial Instruments	Outstanding	Outstanding
IFRIC 21 Levies	1/1/2014	Q2/2014
Amendments to standards		
Amendment to IFRS 10, IFRS 11, IFRS 12 Consolidated Financial Statements, Joint Arrangements, Disclosure of Interests in Other Entities – Transition Guidance	1/1/2013	5/4/2013
Amendment to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	1/1/2014	29/12/2012
Amendment to IFRS 10, IFRS 12, IAS 27 Separate Financial Statements – Exemption from Consolidation for Investment Entities	1/1/2014	20/11/2013
Amendment to IAS 36 Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets	1/1/2014	19/12/2013
Amendment to IAS 39 Novation of Derivatives	1/1/2014	19/12/2013
Amendment to IAS 19 Defined Benefit Plans – Employee Contributions	1/7/2014	Q4/2014
IASB Annual Improvements Project 2010–2012	1/7/2014	Q4/2014
IASB Annual Improvements Project 2011–2013	1/7/2014	Q4/2014

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

IFRS 10 Consolidated Financial Statements

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

As part of the initial application of IFRS 10 Consolidated Financial Statements, the Group reassessed the control relationships in respect of its equity interest in TT OFF SALE (NI) LTD. and its subsidiary TT OFF SALE (Ireland) LTD., which was previously accounted for using the equity method. Based on the current circumstances and control relationships, the Management Board determined that the Group controls the company and its subsidiary. The two companies are therefore required to be consolidated. The impact of the investees' previous earnings situation on the consolidated financial statements was largely offset by consolidation effects, particularly impairment losses on trade receivables from the investees. As a result, there was no material effect on earnings in the consolidated financial statements.

IFRS 11 Joint Arrangements

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

IFRS 12 Disclosures of Interests in Other Entities

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

Amendment to IAS 27 Consolidated and Separate Financial Statements

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

Amendment to IAS 28 Investments in Associates

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

IFRS 9 Financial Instruments

IFRS 9 will eventually completely replace IAS 39 Financial Instruments: Recognition and Measurement. In a first step, IFRS 9 Financial Instruments – Classification and Measurement of Financial Assets was issued in November 2009. Under IFRS 9, financial assets are either measured at amortised cost or at fair value. Classification in one of the two measurement categories is based on how an entity manages its financial instruments and on the contractual cash flow characteristics of the financial assets. The standard was supplemented by requirements on accounting for financial liabilities and the derecognition of financial assets and liabilities issued in October 2010. The issued version of IFRS 9 no longer includes an effective date, as certain phases of the project are still awaiting completion. In November 2013, the IASB tentatively decided that the mandatory effective date of IFRS 9 would be no earlier than 1 January 2017.

Due to the postponement of the effective date to 1 January 2017 at the earliest and the fact that adoption of the standard by the EU has not yet been recommended, the Group has not yet performed an in-depth evaluation of the potential effects of IFRS 9.

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

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

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

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

Amendment to IFRS 10, IFRS 12 and IFRS 27 Investment Entities

To be considered as an investment entity, a company must satisfy three criteria and possess four further typical characteristics. An investment entity does not consolidate its subsidiaries, unless the subsidiary solely provides services related to investment activities. Investment entities are required to account for their subsidiaries at fair value through profit or loss in accordance with IFRS 9 (and IAS 39). A parent of an investment entity, which does not itself meet the criteria to be classified as an investment entity, is still required to consolidate the investment entity and its subsidiaries. The fair value measurement applied by the subsidiary cannot be retained.

Amendment to IAS 36 Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets

The amendments issued by the IASB provide for minor adjustments to IAS 36 Impairment of Assets. The amendments rectify the requirement to disclose the recoverable amount of each cash-generating unit to which a significant amount of goodwill or indefinite-lived intangible assets have been allocated, which was introduced to IAS 36 by IFRS 13 Fair Value Measurement. The IASB's intention was to require such disclosures only for cash-generating units for which an impairment loss or reversal of an impairment loss has been recognised in the reporting period. The amendments address the problem that made the disclosure requirements under IAS 36 broader than intended. The amendments also introduce new disclosure requirements if the recoverable amount of an asset or cash-generating unit for which an impairment loss has been recognised or reversed has been determined based on fair value less costs of disposal (e.g. description of the valuation technique used to measure fair value, disclosure of all key assumptions used in the measurement).

Amendment to IAS 39 Novation of Derivatives

In response to the new derivatives trading rules under the European Market Infrastructure Regulation (EMIR) introduced due to the tougher regulation of the derivative market worldwide, the IASB published narrow scope amendments to IFRS 9 and IAS 39 on the recognition of financial instruments. Previously, novation to a central counterparty required the discontinuation of hedging relationships if a derivative was the hedging instrument. The amendments provide for the continuation of the original hedging relationship subject to certain conditions and should help avoid ineffectiveness for cash flow hedges. Novation to a counterparty must happen as a consequence of laws or regulations. In addition, any changes to the contract terms must be limited to those areas that are required for the novation. Following the novation, the central counterparty must become the new counterparty to each of the parties to the derivative.

Amendment to IAS 19 Defined Benefit Plans: Employee Contributions

The amendments are intended to provide relief by allowing entities to deduct employee or third-party contributions to defined benefit plans in the period in which service is rendered. If the employee contributions are independent of the number of years of service, they can be recognised as a reduction of the service cost in the period in which the service is rendered. Otherwise, the employee contributions are attributed to the years of service in accordance with the plan's benefit formula.

Annual Improvements (AIP) 2010–2012

In December 2013, the IASB issued its fifth round of annual improvements as an exposure draft of proposed amendments to six IFRSs. The amendments are intended to eliminate ambiguities in existing IFRSs. The EU is expected to adopt the final standard in the fourth quarter of 2014. Unless otherwise specified below, the proposed amendments are applicable prospectively from 1 January 2014. The following areas have been clarified: requirements regarding share-based payments (IFRS 2), business combinations (IFRS 3), segment reporting (IFRS 8), fair value measurement (IFRS 13), property, plant and equipment and intangible assets (IAS 16 and IAS 38), related party disclosures (IAS 24).

Annual Improvements (AIP) 2011–2013

In December 2013, the IASB issued its sixth round of annual improvements as an exposure draft of proposed amendments to four IFRSs. The amendments are intended to eliminate ambiguities in existing IFRSs. The EU is expected to adopt the final standard in the fourth quarter of 2014. Unless otherwise specified below, the proposed amendments are applicable prospectively from 1 January 2014. The following areas have been clarified: first-time adoption of IFRSs (IFRS 1), business combinations (IFRS 3), fair value measurement (IFRS 13), investment property (IAS 40).

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

BASIS OF CONSOLIDATION

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

Direct Subsidiaries

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

Indirect Subsidiaries

- Tom Tailor Retail GmbH, Hamburg/Germany
- TOM TAILOR E-Commerce GmbH & Co. KG, Oststeinbek/Germany
- TOM TAILOR Verwaltungs-GmbH, Hamburg/Germany
- TOM TAILOR Gesellschaft m.b.H., Wörgl/Austria
- TOM TAILOR Retail Gesellschaft m.b.H., Wörgl/Austria
- TOM TAILOR Retail Joint Venture GmbH, Bregenz/Austria
- TT RETAIL GmbH, Lindau/Germany
- TT Franchise AG, Buchs/Switzerland
- Tom Tailor Benelux B.V., Almere/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
- Tom Tailor Sarajevo d.o.o., Sarajevo/Bosnia-Herzegovina
- TOM TAILOR Beograd d.o.o., Belgrade/Serbia
- Tom Tailor Sofia EOOD, Sofia/Bulgaria
- Tom Tailor Zagreb d.o.o., Zagreb/Croatia
- TOM TAILOR Lesce d.o.o., Lesce/Slovenia
- TOM TAILOR Retail Poland Sp. z o.o., Warsaw/Poland
- TOM TAILOR Sourcing Ltd., Hong Kong/China
- TOM TAILOR Asia Ltd., Hong Kong/China
- TOM TAILOR RUS LLC, Moscow/Russia
- TOM TAILOR Retail Slovakia s.r.o., Bratislava/Slovakia
- TOM TAILOR VELEPRODAJA d.o.o., Lesce/Slovenia
- TOM TAILOR VELEPRODAJA d.o.o., Belgrade/Serbia
- TOM TAILOR Italy SRL, Bolzano/Italy
- TOM TAILOR RETAIL RO SRL, Bucharest/Romania

- BONITA Deutschland Holding Verwaltungs GmbH, Hamminkeln/Germany
- BONITA E-commerce GmbH, Oststeinbeck/Germany
- GEWIB GmbH, Hamminkeln/Germany
- GEWIB GmbH & Co. KG, Pullach/Germany
- BONITA SAS, Paris/France
- BONITA (Schweiz) Retail AG, Baar/Switzerland
- BONITA ITALIA S.R.L. UNIPERSONALE, Verona/Italy
- BONITA Österreich Handels GmbH, Salzburg/Austria

Indirect Equity Interests

- TT OFF SALE (NI) LTD., Belfast/United Kingdom
- TT OFF SALE (Ireland) LTD., Dublin/Ireland

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

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

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

In financial year 2013, Tom Tailor GmbH increased its interest in TOM TAILOR South Eastern Europe Holding GmbH, Wörgl/Austria, from 51% to 75% for a purchase price of EUR 5.0 million. Tom Tailor GmbH has a call option to acquire the remaining 25% non-controlling interest in TOM TAILOR South Eastern Europe Holding GmbH, Wörgl/Austria. The option can be exercised at any time and expires in November 2016.

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

Tom Tailor GmbH has a call option to acquire the 49% non-controlling interest. This option can be exercised on 1 January 2016 for the first time and has an indefinite term.

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

Changes in the Basis of Consolidation

To streamline the previous structure of the BONITA subgroup at a company law level, BONITA GmbH & Co. Kommanditgesellschaft, Hamminkeln, and BONITA Werbeagentur Logistik & Service GmbH & Co. KG, Hamminkeln, were merged with BONITA Deutschland Holding GmbH, Hamminkeln, following withdrawal of the general partner companies. BONITA Deutschland Holding GmbH was renamed BONITA GmbH.

BONITA (Schweiz) Retail AG, Baar/Switzerland, and Bonita SAS, Paris/France, were formed to develop and expand the BONITA brand's retail business in Switzerland and France. BONITA GmbH, Hamminkeln, holds all shares of both subsidiaries.

In addition, BONITA ITALIA S.R.L. UNIPERSONALE, Verona/Italy, was formed. The company's goal is to drive the BONITA brand's future retail expansion in Italy. BONITA GmbH, Hamminkeln, holds all of the share capital amounting to EUR 100 thousand.

On 10 July 2013, BONITA GmbH, Hamminkeln, acquired all of the shares of BONITA Österreich Handels GmbH, Salzburg, Austria, for a purchase price of EUR 1.8 million. The purchase was not classified as a business combination in accordance with IFRS 3. The beneficial leases acquired were recognised as intangible assets in the amount of EUR 1.6 million in the consolidated balance sheet.

The new subsidiaries TOM TAILOR VELEPRODAJA d.o.o., domiciled in Belgrade/Serbia, and TOM TAILOR ITALY SRL, domiciled in Bolzano/Italy, were formed to expand wholesale activities in South-East Europe and Italy. Tom Tailor GmbH, Hamburg, holds all shares of both subsidiaries, amounting to EUR 10 thousand each.

Effective 1 May 2013, the TOM TAILOR GROUP acquired a 51% interest in S.C. TOM TAILOR RETAIL RO SRL, Bucharest, Romania.

This acquisition is designed to accelerate the strategic expansion of the controlled selling spaces and the TOM TAILOR brand in Romania. As a result of the agreement, the TOM TAILOR GROUP has acquired five stores that are operated as its own retail stores.

The purchase price for the 51% interest acquired, which has been recognised as a cash expenditure, initially amounts to EUR 0.5 million of the entire share capital of EUR 0.5 million. The acquired company has been consolidated effective 1 May 2013 in the TOM TAILOR GROUP, and no non-controlling interests are reported, because it is controlled and because it is certain that the remaining 49% interest will be acquired by 2018 on the basis of the existing put/call options and the other contractual arrangements. The purchase price for the acquisition of the remaining interest is largely variable and is contingent on the earnings performance of the acquired company. Based on the agreements that have been entered into and the planning assumptions for the period up to 2016, the provisional cost of the acquisition has been estimated at approximately EUR 1.0 million. Only EUR 0.5 million of the total purchase price has been recognised as a cash expenditure to date. The liability recognised provisionally for the purchase price is reported at its fair value as a non-current liability.

Purchase price allocation (PPA) for the acquisition is still preliminary overall.

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

Preliminary Fair Values at Acquisition Date

EUR thousand	Preliminary fair value
Property, plant and equipment	623
Inventories	377
Cash and cash equivalents	27
Other assets	122
Total assets	**1,149**
Trade payables	979
Other liabilities	530
Total liabilities	**1,509**
Net assets acquired	–360
Purchase price	1,048
Positive goodwill	**1,408**

In accordance with the requirements of IFRS 3, Business Combinations, all assets acquired and liabilities and contingent liabilities assumed are recognised at their fair value. Purchase price allocation resulted in the recognition of goodwill amounting to EUR 1.4 million. This goodwill is justified economically by the fact that the acquirer will benefit from the expected positive business development of the acquiree in the future.

Since the acquisition date, the acquired stores of S.C. TOM TAILOR RETAIL RO SRL have contributed EUR 1.5 million to consolidated revenue and EUR – 0.1 million to consolidated net income for the period. Because of the existing customer relationships in the wholesale segment and the lack of comparable delivery and payment conditions, it is not possible to estimate the effects of the business combination as if it had occurred at the beginning of financial year 2013.

GROUP REPORTING DATE AND GROUP FINANCIAL YEAR

As in the previous year, the consolidated financial statements were prepared as at the Group reporting date, 31 December. The Group's financial year covers the period from 1 January to 31 December 2013 (2012: 1 January to 31 December 2012).

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

ACCOUNTING POLICIES AND CONSOLIDATION METHODS

GENERAL PRINCIPLES

The financial statements of the companies included in the consolidated financial statements are prepared using uniform accounting policies in accordance with IAS 27.

CONSOLIDATION METHODS

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

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

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

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

In the reporting period, the consolidated Group was expanded to include the following companies and their subsidiaries:

- TOM TAILOR VELEPRODAJA d.o.o., Belgrade/Serbia
- TOM TAILOR Italy SRL, Bolzano/Italy
- TOM TAILOR RETAIL RO SRL, Bucharest/Romania
- BONITA SAS, Paris/France
- BONITA (Schweiz) Retail AG, Baar/Switzerland
- BONITA ITALIA S.R.L. UNIPERSONALE, Verona/Italy
- BONITA Österreich Handels GmbH, Salzburg/Austria

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

CURRENCY TRANSLATION

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

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

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

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

Key Exchange Rates

	Closing rate		Average rate	
EUR versus	31/12/2013	31/12/2012	2013	2012
US dollars	1.38	1.32	1.33	1.28
Swiss francs	1.23	1.21	1.23	1.21

RECOGNITION OF INCOME AND EXPENSES

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

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

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

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

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

BUSINESS COMBINATIONS

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

GOODWILL

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

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

OTHER INTANGIBLE ASSETS

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

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

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

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

PROPERTY, PLANT AND EQUIPMENT

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

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

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

Useful Lives of Property, Plant and Equipment

	Useful lives
Buildings	25–50 years
Shop fittings and fixtures and leasehold improvements	5–10 years
IT and other technical equipment	3–10 years
Other equipment, operating and office equipment	1–5 years

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

IMPAIRMENT OF ASSETS

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

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

FINANCE LEASES

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

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

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

INVESTMENT SECURITIES

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

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

FINANCIAL INSTRUMENTS

General

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

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

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

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

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

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

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

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

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

Financial assets with no fixed maturity are measured at cost.

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

Derivatives and Hedge Accounting

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

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

Derivatives were used at the Group in the reporting period to hedge interest rate and exchange rate risks from the operating business, and in particular to hedge forecast purchases of goods in foreign currencies. TOM TAILOR Holding AG hedges cash flows on the basis of predefined minimum hedge ratios. At the level of the Company, highly probable forecast transactions that are expected to occur within a 12-month period are hedged against exchange rate risks using rolling budget planning. These hedges are reported as cash flow hedges in accordance with IAS 39.

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

DEFERRED TAXES

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

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

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

The composite tax rate determined for deferred taxes in Germany was 30.6% (2012: 30.5%). This comprises the corporation tax rate of 15.0% (2012: 15.0%), the solidarity surcharge of 5.5% of the corporation tax rate (2012: 5.5%) and the average trade tax rate in the Group of 14.8% (2012: 14.7%). In the case of foreign companies, the relevant national tax rates are applied.

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

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

RECEIVABLES AND OTHER ASSETS

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

INVENTORIES

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

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

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

CASH FUNDS

Cash funds are measured at their nominal value.

COSTS OF RAISING EQUITY CAPITAL

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

DIVIDEND DISTRIBUTION

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

EMPLOYEE BENEFITS

Pension Obligations

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

Actuarial gains and losses have been expensed in full so far. In the year concerned, actuarial gains and losses were recognised in other comprehensive income for the first time. The interest cost on expected pension obligations and the expected return on plan assets are reported in the financial result. All other expenses from the funding of pension obligations are reported in the personnel expenses item.

Other Long-Term Employee Benefits

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

SHARE-BASED PAYMENT

In accordance with IFRS 2, the obligations under the Matching Stock Programme (MSP) established for the Management Board are measured using valuation techniques based on option pricing models (Monte Carlo simulation).

The obligations under the stock option programme established for management in 2013 (hereinafter referred to as the Long-Term Stock Option Programme) are measured using option pricing models (Black-Scholes model), in accordance with IFRS 2.

Equity-settled share-based payment transactions are measured at the fair value of the equity instruments as at the grant date. For further information on how the fair value of the equity-settled share-based payment transactions is calculated, please see section "Other Disclosures and Explanations".

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

OTHER PROVISIONS

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

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

FINANCIAL AND OTHER LIABILITIES

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

SIGNIFICANT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

BORROWING COSTS

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

EVENTS AFTER THE END OF THE REPORTING PERIOD

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

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

INCOME STATEMENT DISCLOSURES

The individual items in the income statement for financial years 2012 and 2013 are only comparable to a limited extent due to the acquisition of the BONITA Group on 8 August 2012.

(1) REVENUE

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

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

(2) OTHER OPERATING INCOME

Other operating income is composed of the following items:

Other Operating Income

EUR thousand	2013	2012
Royalties	4,784	3,612
Foreign exchange gains	4,445	983
Rental income	3,446	1,908
Insurance refunds	3,166	193
Income from recharged marketing expenses	2,026	1,817
Recharged freight and other costs	1,690	1,966
Shopfitting commissions/bonuses	1,128	3,541
Onward charging of delivery costs of online business	1,037	311
Income from claims for compensation	519	655
Income from negative goodwill	–	11,092
Miscellaneous operating income	5,191	3,345
	27,432	**29,423**

In addition to the largely revenue-related increase in royalties, insurance refunds for transport damage to goods in transit increased from EUR 0.2 million to EUR 3.2 million in financial year 2013.

Rental income is attributable to the subletting of space we lease ourselves. The year-on-year increase is mainly due to rental income in the first seven months of financial year 2013, which was not included in the prior-year figures due to the acquisition of the BONITA Group in August 2012.

(3) COST OF MATERIALS

Cost of materials primarily comprises expenses for purchased merchandise.

(4) PERSONNEL EXPENSES

Personnel expenses are composed of the following items:

Personnel Expenses

EUR thousand	2013	2012
Wages and salaries	163,835	104,262
Social security contributions, post-employment and other employee benefit costs	29,669	17,239
	193,504	**121,501**

The wages and salaries item includes expenses in the amount of EUR 233 thousand (2012: EUR 257 thousand) for the MSP share-based remuneration programme, as well as expenses in the amount of EUR 972 thousand (2012: EUR 7,599 thousand) and EUR 122 thousand for the LTI programme and Long-Term Stock Option Programme granted to managers.

The sharp year-on-year rise in personnel expenses is primarily due to the considerable increase in the average number of employees in the financial year. In the retail segment, the higher average number of employees is mainly attributable to the acquisition of BONITA Group in August 2012 and the further expansion in the past financial year.

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

Number of Employees

	2013	2012
Wholesale	562	521
Retail	5,791	2,954
	6,353	**3,475**

Payroll expenses included severance payments in the amount of EUR 2,140 thousand (2012: EUR 1,180 thousand). Together with additions to defined benefit plans in the amount of EUR 26 thousand (2012: EUR 399 thousand), personnel expenses also included defined contribution obligations in the form of employer contributions to statutory pension insurance in the amount of EUR 12.3 million (2012: EUR 5.9 million).

(5) DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES

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

The increase in depreciation, amortisation and impairment losses was due in particular to the acquisition of the BONITA Group in 2012 and capital expenditure in connection with TOM TAILOR's expansion activities in previous financial years and in the reporting period.

(6) OTHER OPERATING EXPENSES

Other operating expenses are composed of the following items:

Other Operating Expenses

EUR thousand	2013	2012
Distribution expenses	49,233	39,888
Administrative expenses	39,473	31,882
Operating and other expenses	180,075	114,293
	268,781	**186,063**

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

At EUR 29.3 million (2012: EUR 25.0 million), distribution expenses mainly related to marketing expenses, including the cost of producing and broadcasting a TV commercial.

The most significant expense within the administrative expenses item was legal and consulting fees, which totalled EUR 11.1 million (2012: EUR 13.6 million). Legal and consulting fees are mainly attributable to the integration costs for BONITA, which amounted to EUR 10.7 million in 2013.

At EUR 120.0 million (2012: EUR 68.4 million), total rent was the largest cost item of operating and other expenses. Rental expenses and incidental rental costs almost doubled as against the previous year as a result of the absorption of BONITA stores in the Group and further expansion. The higher costs for order picking and costs for the fulfilment provider, which handles the online business, also led to an increase in operating and other expenses. Expenses rose in line with the positive revenue trend.

(7) FINANCIAL RESULT

Financial Result

EUR thousand	2013	2012
Financial income	80	323
Financial expense	−18,381	−16,106
	−18,301	**−15,783**

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

Financial expenses primarily increased due to the higher interest payments resulting from the acquisition financing obtained in 2012 and transaction-related financing costs of EUR 3.5 million (2012: EUR 4.7 million). The increased seasonal use of operating bank lines of credit as a result of the expansion of business activities also contributed to the increase.

The financial result included financial expenses of EUR 1.2 million (2012: financial income of EUR 0.1 million) from the fair value measurement of financial liabilities.

As well as these effects, financial expenses included expenses of EUR 58 thousand (2012: EUR 89 thousand) from the unwinding of discounted pension provisions, as well as expenses of EUR 147 thousand (2012: EUR 0 thousand) from the unwinding of discounts on other provisions.

Fees and structuring costs paid in connection with the refinancing in 2013 totalling EUR 0.6 million (2012: EUR 9.1 million) are amortised over the expected term of the underlying loan using the effective interest method.

(8) INCOME TAXES

Income taxes are primarily composed of the following items:

Tax Expenses

EUR thousand	2013	2012
Current taxes		
Current income taxes for the financial year	–5,359	–7,477
Prior-period adjustments	306	352
	–5,053	**–7,125**
Deferred taxes		
Utilisation of loss carryforwards/ interest carried forward	–760	9,359
Origination and reversal of temporary differences	1,695	689
Tax effect of costs of raising equity capital recognised in equity	–279	–253
	656	**9,795**
	–4,397	**2,670**

In financial year 2012, deferred tax assets totalling EUR 8.5 million were recognised in respect of cumulative interest carried forward (EUR 31.6 million) due to the probability that they can be offset against future taxable profit. The interest carried forward arose as a result of the earnings stripping rule, which limits the deductibility of interest expenses to a maximum of 30 % of taxable profit before interest, taxes, depreciation and amortisation.

In the reporting period, the interest carried forward and the interest expenses from the financial year could not be utilised for tax purposes, or only in part. Cumulative interest-related carryforwards therefore amounted to EUR 27.7 million at the end of 2013. Deferred tax assets recognised for these carryforwards now amount to EUR 5.6 million. In addition, deferred tax assets totalling EUR 7.6 million were recognised for corporation and trade tax loss carryforwards of EUR 27.9 million and EUR 21.9 million respectively due to the probability that they can be offset against future taxable profit.

The deferred tax assets of EUR 0.6 million recognised for tax loss carryforwards relating to TOM TAILOR FRANCE SARL that can be carried forward for an indefinite period were reversed in financial year 2013 due to the company's ongoing losses.

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

As at the reporting date, the Group's total tax loss carryforwards and interest carried forward amounted to EUR 59.7 million (2012: EUR 58.4 million). No deferred tax assets were recognised for tax loss carryforwards in the amount of EUR 14.3 million (2012: EUR 7.3 million) because it will not be possible to offset them against future taxable profit.

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

Tax Reconciliation

EUR thousand	2013	2012
Net income before income tax	–11,844	436
Average composite tax rate	30.6%	30.5%
Expected income tax expense	3,624	–133
Reconciliation		
Effects of tax rate differences	1,858	–185
Non-recognition of deferred tax assets	–5,459	–
Other tax effects from differences in the basis of tax assessment	–1,780	2,089
Usable other loss carryforwards	–2,663	34
Prior-period effects	240	352
Permanent differences	–	530
Other effects	–217	–16
Reported income tax income/expense	**–4,397**	**2,670**
Effective tax rate	–37%	–612%

Deferred taxes were calculated on the basis of a uniform tax rate of 30.6 % (2012: 30.5 %) for reasons of simplification. Please refer to our disclosures in section "Accounting Policies and Consolidation Methods" for information on how the tax rate is calculated.

The non-recognition of deferred tax assets is mainly due to loss carryforwards of foreign subsidiaries for which no deferred taxes were recognised.

The effects from interest and losses carried forward are primarily attributable to interest carried forward that could not be utilised.

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

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

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

(9) EARNINGS PER SHARE

Earnings per share are calculated in accordance with IAS 33 by dividing the consolidated net income attributable to shareholders of TOM TAILOR Holding AG by the weighted average number of shares outstanding in the reporting period based on the assumption that all option rights with a potentially dilutive effect will be exercised. Shares with a potentially dilutive effect are taken into account in the calculation of diluted earnings per share if the vesting conditions of the stock option programme are fully met at the reporting date. Please refer to the disclosures under note 18 “Stock Option Programme”.

The vesting conditions for the stock options were not met at 31 December 2013, so there were no outstanding shares that could dilute earnings. Diluted earnings per share are therefore identical to basic earnings per share.

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

Earnings per Share

	31/12/2013	31/12/2012
Total shares as at the reporting date	26,027,133	24,209,035
	2013	**2012**
Share of consolidated net income attributable to shareholders of the parent (EUR thousand)	–21,255	288
Weighted average number of ordinary shares (thousands of shares)	24,553	19,861
Basic earnings per share (EUR)	–0.87	0.01
Diluted earnings per share (EUR)	–0.87	0.01

TOM TAILOR Holding AG issued 1,818,098 new, no-par-value registered shares on 24 October 2013 as part of a cash capital increase from authorised capital. Following the cash capital increase, there were a total of 26,027,133 no-par-value shares.

BALANCE SHEET DISCLOSURES

(10) INTANGIBLE ASSETS

Intangible assets are composed of the following items:

Intangible Assets

EUR thousand	31/12/2013	31/12/2012
Hidden reserves identified in the course of initial consolidation		
Brands	249,953	249,953
Customer bases	22,517	25,274
Beneficial leases	16,022	18,663
Licensing agreements and similar rights	13,080	15,777
	301,572	309,667
Other		
Key money/store subsidies	5,981	10,482
Other rights of use	7,482	12,041
Software	10,625	10,388
	24,088	32,911
Software leased under finance leases	271	261
	325,931	342,839
Goodwill		
arising from the acquisition of a non-controlling interest in TOM TAILOR Gesellschaft m.b.H., Wörgl	3,361	3,361
arising from the initial consolidation of Tom Tailor GmbH by TOM TAILOR Holding GmbH	2,291	2,291
arising from the initial consolidation of TOM TAILOR South Eastern Europe Holding GmbH, Wörgl	2,025	2,025
arising from the initial consolidation of TOM TAILOR Retail Joint Venture GmbH, Bregenz	2,152	2,152
arising from the initial consolidation of S.C. TOM TAILOR RETAIL RO SRL, Bucharest	1,408	–
	11,237	9,829
Prepayments		
Licences	108	97
	337,276	352,765

There were no impaired intangible assets.

Brands and goodwill are not amortised as there are no corresponding indicators. Brands, as significant intangible assets, and existing goodwill were tested for impairment at the reporting date by comparing the recoverable amount, which is determined on the basis of the net selling price (fair value less costs to sell), with the carrying amount in each case. In the absence of an active market, the net selling price was calculated using the discounted cash flow (DCF) method.

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

EUR 44.8 million (2012: EUR 44.8 million) of the brands item is allocated to the TOM TAILOR wholesale segment in connection with impairment testing, EUR 17.4 million (2012: EUR 17.4 million) to the TOM TAILOR retail segment and EUR 187.7 million (2012: EUR 187.7 million) to the BONITA segment. EUR 4.9 million (2012: EUR 4.9 million) of goodwill relates to the TOM TAILOR wholesale segment and EUR 6.3 million (2012: EUR 4.9 million) to the TOM TAILOR retail segment.

Impairment testing is based on corporate planning, with a detailed three-year planning period followed by a perpetual annuity, and thus Level 3 fair value measurement in accordance with IFRS 13.

To calculate fair value less costs to sell, cash flows for the next three years are forecast on the basis of past experience, current operating results, management's best estimates of future performance and market assumptions. The parameters used in the measurement may differ from year to year due to inputs that are specific to the reporting date (e.g. interest rates, beta factors) and knowledge gained in relation to future developments.

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

Cash flow is extrapolated using a growth rate of 1% (2012: 1%) for the perpetual annuity. The costs to sell were recognised at 1% of the enterprise value. The cost of capital used to discount future cash flows (weighted average cost of capital, WACC) is calculated on the basis of market data. As at 31 December 2013, the WACC before taxes for the brands was between 9.3% and 9.9% (2012: 9.6% and 10.4%), while the

WACC after taxes was between 6.5% and 7.2% (2012: 6.9% and 7.0%). The adjustment of measurement parameters does not lead to the adjustment of carrying amounts.

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

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

Intangible assets changed as follows in 2013:

Changes in Intangible Assets in 2013

EUR thousand	Brands	Goodwill	Customer bases	Licensing agreements and similar rights	Beneficial leases	Other	Pre-payments	Total
Cost								
Balance at 1 January 2013	**249,953**	**10,100**	**67,074**	**32,596**	**20,359**	**85,168**	**97**	**465,347**
Foreign exchange differences	–	–	–	–	–	–57	–	**–57**
Change in basis of consolidation	–	1,408	–	–	1,635	1,676	–	**4,719**
Additions	–	–	–	–	–	5,105	183	**5,288**
Reclassifications	–	–	–	–	–	172	–172	**–**
Disposals	–	–	–	–	–	–14,626	–	**–14,626**
Balance at 31 December 2013	**249,953**	**11,508**	**67,074**	**32,596**	**21,994**	**77,437**	**108**	**460,671**
Amortisation and impairment losses								
Balance at 1 January 2013	**–**	**271**	**41,800**	**16,819**	**1,696**	**51,996**	**–**	**112,582**
Foreign exchange differences	–	–	–	–	–	–33	–	**–33**
Change in basis of consolidation	–	–	–	–	–	862	–	**862**
Additions	–	–	2,757	2,697	4,276	15,462	–	**25,192**
Reclassifications	–	–	–	–	–	–	–	**–**
Disposals	–	–	–	–	–	–15,208	–	**–15,208**
Balance at 31 December 2013	**–**	**271**	**44,557**	**19,516**	**5,972**	**53,079**	**–**	**123,395**
Carrying amount								
Balance at 1 January 2013	**249,953**	**9,829**	**25,274**	**15,777**	**18,663**	**33,172**	**97**	**352,765**
Balance at 31 December 2013	**249,953**	**11,237**	**22,517**	**13,080**	**16,022**	**24,358**	**108**	**337,276**
of which leased								**271**

Additions from the change in the basis of consolidation were attributable to the acquisition of shares in S.C. TOM TAILOR RETAIL RO SRL, Bucharest, Romania, and BONITA Österreich Handels GmbH, Salzburg, Austria. Please refer to our disclosures on the change in the basis of consolidation.

Customer bases changed as follows in 2013:

Changes in Capitalised Customer Bases 2013

EUR thousand	Recurring customers	Franchise partners	SIS customers	Multi-label customers	**Total customer bases**
Cost					
Balance at 1 January 2013	**46,873**	**1,705**	**8,498**	**9,998**	**67,074**
Balance at 31 December 2013	**46,873**	**1,705**	**8,498**	**9,998**	**67,074**
Amortisation and impairment losses					
Balance at 1 January 2013	**21,599**	**1,705**	**8,498**	**9,998**	**41,800**
Additions	2,757	–	–	–	**2,757**
Balance at 31 December 2013	**24,356**	**1,705**	**8,498**	**9,998**	**44,557**
Carrying amount					
Balance at 1 January 2013	**25,274**	**–**	**–**	**–**	**25,274**
Balance at 31 December 2013	**22,517**	**–**	**–**	**–**	**22,517**

Intangible assets changed as follows in financial year 2012:

Changes in Intangible Assets in 2012

EUR thousand	Brands	Goodwill	Customer bases	Licensing agreements and similar rights	Beneficial leases	Other	Pre-payments	**Total**
Cost								
Balance at 1 January 2012	**62,221**	**9,053**	**67,074**	**32,696**	**–**	**50,558**	**–**	**221,502**
Foreign exchange differences	–	–	–	–	–	−17	–	**−17**
Change in basis of consolidation	187,732	1,047	–	–	20,359	33,280	–	**242,418**
Additions	–	–	–	–	–	9,219	97	**9,316**
Reclassifications	–	–	–	–	–	2	–	**2**
Disposals	–	–	–	–	–	−7,874	–	**−7,874**
Balance at 31 December 2012	**249,953**	**10,100**	**67,074**	**32,596**	**20,359**	**85,168**	**97**	**465,347**
Amortisation and impairment losses								
Balance at 1 January 2012	**–**	**–**	**39,043**	**14,122**	**–**	**29,505**	**–**	**82,670**
Foreign exchange differences	–	–	–	–	–	6	–	**6**
Change in basis of consolidation	–	271	–	–	–	19,339	–	**19,610**
Additions	–	–	2,757	2,697	1,696	11,000	–	**18,150**
Reclassifications	–	–	–	–	–	1	–	**1**
Disposals	–	–	–	–	–	−7,855	–	**−7,855**
Balance at 31 December 2012	**–**	**271**	**41,800**	**16,819**	**1,696**	**51,996**	**–**	**112,582**
Carrying amount								
Balance at 1 January 2012	**62,221**	**9,053**	**28,031**	**18,474**	**–**	**21,053**	**–**	**138,832**
Balance at 31 December 2012	**249,983**	**9,829**	**25,274**	**15,777**	**18,663**	**33,172**	**97**	**352,765**
of which leased								**261**

Customer bases changed as follows in 2012:

Changes in Capitalised Customer Bases 2012

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

(11) PROPERTY, PLANT AND EQUIPMENT

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

Changes in Property, Plant and Equipment in 2013

EUR thousand	Land and buildings, including buildings on third-party land	Other equipment, operating and office equipment	Pre-payments	**Total**
Cost				
Balance at 1 January 2013	**50,279**	**268,787**	**331**	**319,397**
Foreign exchange differences	–21	–136	–1	**–158**
Change in basis of consolidation	–	758	36	**794**
Additions	331	28,959	1,081	**30,371**
Reclassifications	70	748	–818	**–**
Disposals	–437	–6,384	–	**–6,821**
Balance at 31 December 2013	**50,222**	**292,732**	**629**	**343,583**
Depreciation and impairment losses				
Balance at 1 January 2013	**14,997**	**140,900**	**–**	**155,897**
Foreign exchange differences	–7	–54	–	**–61**
Change in basis of consolidation	–	196	–	**196**
Additions	2,485	29,997	–	**32,482**
Reclassifications	–	–	–	**–**
Disposals	–104	–4,460	–	**–4,564**
Balance at 31 December 2013	**17,371**	**166,579**	**–**	**183,950**
Carrying amount				
Balance at 1 January 2013	**35,282**	**127,887**	**331**	**163,500**
Balance at 31 December 2013	**32,851**	**126,153**	**629**	**159,633**
of which leased				**18,765**

Changes in Property, Plant and Equipment in 2012

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

In 2013, additions related largely to shop fittings and fixtures for new retail and outlet stores opened in the reporting period.

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

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

Please refer to section 23 “Disclosures on Collateral” for information on the provision of items of property, plant and equipment as collateral.

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

Future Minimum Lease Payments for Finance Leases

EUR thousand	31/12/2013	31/12/2012
Minimum lease payments		
Up to 1 year	5,506	5,168
1 to 5 years	12,961	11,871
	18,467	**17,039**
Interest component		
Up to 1 year	1,028	1,054
1 to 5 years	1,244	1,428
	2,272	**2,482**
Present value of minimum lease payments		
Up to 1 year	4,478	4,115
1 to 5 years	11,717	10,443
	16,195	**14,558**

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

Operating Leasing

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

(12) INVESTMENT SECURITIES

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

The contribution was paid in cash and amounted to GBP 100 (corresponding to EUR 104). In 2012, the company recorded revenue of GBP 675 thousand (corresponding to EUR 832 thousand) and a net loss for the year of GBP 412 thousand (corresponding to EUR 508 thousand). As the share of losses attributable to the Group (EUR 249 thousand) exceeded the carrying amount of the equity interest, the share of losses was only recognised in the Group up to the carrying amount of the equity interest (EUR 0 thousand). The cumulative share of losses (EUR 1,561 thousand) was thus not included in the consolidated financial statements. The financial statements for financial year 2013 are not yet available.

In its annual financial statements for the year ended 31 December 2012, TT OFF SALE (NI) LTD. reported non-current assets in the amount of GBP 502 thousand (corresponding to EUR 615 thousand), current assets in the amount of GBP 909 thousand (corresponding to EUR 1,114 thousand), current liabilities in the amount of GBP 3,994 thousand (corresponding to EUR 4,898 thousand) and equity in the amount of GBP −2,584 thousand (corresponding to EUR −3,168 thousand).

Tom Tailor GmbH supplied TT OFF SALE (NI) LTD. with merchandise valued at EUR 905 thousand in the reporting period (2012: EUR 1,584 thousand). The gross profit generated from this delivered merchandise was reversed in the consolidated financial statements of TOM TAILOR Holding AG to the extent that TT OFF SALE (NI) LTD. had not resold it to third parties by the reporting date. It was charged to trade receivables because the carrying amount of the equity interest was not sufficient to eliminate these intercompany profits. Revenue was reduced by the same amount. Deferred tax assets were recognised in respect of the consolidation adjustment.

TT OFF SALE (Ireland) LTD., Dublin/Ireland, was formed in 2009. Tom Tailor GmbH holds 49.0% of the shares in the company indirectly via TT OFF SALE (NI) LTD. The financial statements for financial year 2013 are not yet available.

According to the company's annual financial statements, it recorded revenue of EUR 1,487 thousand and a net loss for the year of EUR 118 thousand in financial year 2012. TT OFF SALE (Ireland) LTD. has non-current assets in the amount of EUR 98 thousand, current assets in the amount of EUR 694 thousand and current liabilities in the amount of EUR 1,003 thousand. The prior-year results and the net loss for the year led to negative equity of EUR 211 thousand.

There is no existing fair value for the equity interest.

(13) OTHER CURRENT ASSETS

Other assets are composed of the following items:

Other Assets

EUR thousand	31/12/2013	31/12/2012
Creditors with debit accounts	7,359	3,937
Security deposits	4,622	2,099
Store subsidies	4,616	4,688
Receivables from online business	4,199	4,495
Procurement agent commissions	1,582	2,580
Prepaid rent	915	2,020
VAT receivables	248	967
Other assets	4,419	2,859
	27,960	**23,645**
of which non-current	10,434	8,369
of which current	17,256	15,276

Other assets include receivables from online business with a carrying amount of EUR4,199 thousand (2012: EUR4,495 thousand). These receivables are not reported as receivables from end customers, but as receivables from the service provider concerned due to contractual arrangements. The contractual right to receive the cash flows from the financial asset was transferred to the service provider, who is responsible for collecting the receivable and bears the full customer credit risk.

(14) INVENTORIES

Inventories are composed of the following items:

Inventories

EUR thousand	31/12/2013	31/12/2012
Raw materials, consumables and supplies	3,601	2,928
Merchandise	134,208	120,809
	137,809	**123,737**

Write-downs to the lower net realisable value rose by EUR1,273 thousand compared with the previous year (2012: increase of EUR828 thousand). The change was recognised in the cost of materials item in profit or loss. This included expected costs to sell that are still to be incurred. Write-downs reversed to profit or loss were recognised in connection with disposals of an immaterial amount.

The carrying amount of inventories, which were recognised at the lower of purchase costs and net realisable value, amounted to EUR6,516 thousand as at the reporting date (2012: EUR6,108 thousand). These include goods in transit in the amount of EUR33,463 thousand (2012: EUR23,099 thousand). The increase in inventories was primarily due to the increase in the number of controlled selling spaces and the positive revenue trend. The expansion in the retail segment in particular led to a corresponding increase in inventories.

The inventories recognised in the cost of materials in financial year 2013 amounted to EUR408,265 thousand (2012: EUR296,546 thousand).

(15) TRADE RECEIVABLES

Trade Receivables

EUR thousand	31/12/2013	31/12/2012
Trade receivables	47,945	49,845
Receivables from associate	–	2,072
	47,945	**51,917**

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

At EUR2,072 thousand, the decline in receivables from associate is mainly due to impairment losses on receivables from TT OFF SALE (NI) LTD., Belfast, United Kingdom.

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

Valuation Allowances on Current Receivables

EUR thousand	2013	2012
Balance at 1 January	**5,619**	**3,632**
Additions recognised in profit or loss	2,454	2,573
Utilisation	–657	–511
Reversals	–9	–75
Balance at 31 December	**7,407**	**5,619**

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

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

Age Structure of Trade Receivables

EUR thousand	31/12/2013	31/12/2012
Neither due nor impaired	35,489	37,967
Carrying amount of receivables impaired	2,685	4,592
Past due but not impaired		
< 30 days	4,889	5,035
30–90 days	3,196	2,301
> 90 days	1,686	2,022
	47,945	**51,917**

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

Expenses relating to losses on receivables and valuation allowances on receivables totalled EUR 3,873 thousand (2012: EUR 3,075 thousand).

(16) CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents

EUR thousand	31/12/2013	31/12/2012
Overnight funds and other bank deposits	42,633	47,396
Cash-in-hand	4,496	5,986
	47,129	**53,382**

(17) EQUITY

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

TOM TAILOR Holding AG issued 1,818,098 new no-par-value registered shares on 24 October 2013 as part of a cash capital increase. The new shares were issued at a price of EUR 16.25 per share under the terms of a private placement for institutional investors using an accelerated bookbuilding procedure. The Company generated gross issue proceeds of approximately EUR 29.5 million.

The 1,818,098 new registered shares were issued by way of a capital increase from authorised capital. The implementation of the capital increase was entered in the commercial register on 24 October 2013. Shareholders' pre-emptive rights were disapplied. The new shares bear dividend rights as from 1 January 2013.

The Company's subscribed capital after the cash capital increase amounts to a total of EUR 26,027,133 and is composed of 26,027,133 no-par-value shares.

The capital reserves contain the additional payments by the shareholders as well as the amounts in excess of the notional interest in the share capital received on issuance of the shares. After adjustment for the issuing costs attributable to TOM TAILOR Holding AG (adjusted for the income tax benefit) in the amount of EUR 0.6 million, which are recognised directly in equity, total capital reserves rose by EUR 27.1 million.

The EUR 5.0 million cost of increasing the equity interest in TOM TAILOR South Eastern Europe Holding GmbH, Wörgl/Austria, by 24 percentage points to 75% was offset in the amount of EUR 1.6 million by the corresponding non-controlling interest. The remainder of the purchase price (EUR 3.4 million) was charged to capital reserves.

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

The foreign currency derivatives recognised in equity at their fair value in 2012 (a total of EUR –4.9 million), net of the related deferred taxes (EUR 1.4 million), were reclassified in their entirety to net income for the period in 2013 because the underlying hedged items were recognised in the income statement. The Group bought new foreign currency derivatives in the reporting period as part of its hedging strategy. In this context, a total of EUR 8.3 million was appropriated to the hedge reserve. Deferred taxes on the measurement of derivative financial instruments amounted to EUR 2.5 million. After adjustment for deferred taxes and the amount recognised in net income for the period, the hedge reserve amounted to EUR –5.8 million as at 31 December 2013 (31 December 2012: EUR –3.5 million).

Consolidated net accumulated losses changed as follows:

Accumulated Loss (Development)

EUR thousand	2013	2012
1 January	**–80,345**	**–95,793**
Distribution	–	–2,810
Consolidated net income attributable to shareholders of TOM TAILOR Holding AG	–16,241	3,106
Less non-controlling interests	5,014	–2,818
After non-controlling interests	–21,255	288
Withdrawal from capital reserves	–	17,970
31 December	**–101,600**	**–80,345**

The foreign currency translation reserve includes exchange rate gains or losses from the translation of the financial statements of the consolidated foreign subsidiaries whose functional currency is not the euro.

The Extraordinary General Meeting on 24 March 2010 authorised the Management Board to increase the Company's share capital, with the consent of the Supervisory Board, on one or more occasions until 24 March 2015 by up to a total of EUR 8,264,084.00 by issuing new no-par-value registered shares against cash and/or non-cash contributions (Authorised Capital I). EUR 7,680,866.00 of the authorised limit was used for the cash and non-cash capital increase in the previous year in connection with the acquisition of the BONITA Group.

At the Annual General Meeting on 3 June 2013, the Management Board's authorisation to increase the authorised capital by the remaining amount of up to EUR 583,218.00 was withdrawn and replaced as follows. The Management Board is now authorised to increase the Company's share capital in full or in part, with the consent of the Supervisory Board, on one or more occasions until 2 June 2018 by up to a total of EUR 7,262,710.00 by issuing new no-par-value registered shares against cash contributions (Authorised Capital 2013 I).

In addition, the Management Board is authorised to increase the Company's share capital in full or in part, with the consent of the Supervisory Board, on one or more occasions until 2 June 2018 by up to a total of EUR 4,841,807.00 by issuing new no-par-value registered shares against cash and/or non-cash contributions (Authorised Capital 2013 II).

The Company's share capital has been contingently increased by up to EUR 2,400,000 by issuing no-par-value registered shares (Contingent Capital 2013). The purpose of the contingent capital is to grant shares to the holders of stock option rights under the Long-Term Stock Option Programme. Overall, 2,400,000 stock option rights can therefore be granted. A total of up to 1,200,000 stock option rights can be granted to members of the Company's Management Board, up to 600,000 to members of the management of affiliated companies, and up to 600,000 to employees of the Company and of affiliated companies. The stock option rights may be issued in four yearly tranches of up to 600,000 stock option rights each. During the reporting period, a total of 485,000 of the available 600,000 stock options were issued on 26 August 2013.

(18) STOCK OPTION PROGRAMME

On 3 June 2013, the Annual General Meeting of TOM TAILOR Holding AG resolved a Company stock option programme in order to be able to grant stock option rights to members of the Company's Management Board, members of the management of affiliated companies and selected employees below Management Board level of the Company and below management level of affiliated companies (hereinafter referred to as the Long-Term Stock Option Programme). The associated performance targets are measured on the basis of a multi-year assessment and comply with the legal requirements of the Aktiengesetz (AktG – German Stock Corporation Act) and the German Corporate Governance Code.

For the purposes of granting shares to the holders of stock option rights under the Long-Term Stock Option Programme, the Annual General Meeting also resolved to contingently increase share capital by up to EUR 2,400,000.00 by issuing up to 2,400,000 no-par-value registered shares in the Company. Overall, 2,400,000 stock option rights can therefore be granted. A total of up to 1,200,000 stock option rights can be granted to members of the Company's Management Board, up to 600,000 to members of the management of affiliated companies, and up to 600,000 to employees of the Company and of affiliated companies. The stock option rights may be issued in four yearly tranches of up to 600,000 stock option rights each.

In the four issuing periods, the option beneficiaries will receive stock option rights with two different strike prices. For 75% of the issued stock option rights (type A stock option rights), the strike price corresponds to the issue price; for the remaining 25%, the strike price of the stock option rights issued (type B stock option rights) corresponds to 120% of the issue price.

The stock option rights may be exercised no earlier than four years after the date of issue (vesting period). The stock option rights have a maximum term of seven years from the date of issue. The stock option rights may only be exercised if (1) the closing price of the shares on the last five trading days of the vesting period exceeds the issue price by an average of at least 35%, whereby the issue price shall correspond to the average closing price of the shares on the last 30 trading days before the date of issue of the respective stock option right, and (2) diluted consolidated earnings per share (EPS) adjusted for special factors for the financial year ending prior to the end of the respective vesting period have increased by at least 50% compared with the EPS for the financial year ending prior to the issue of the respective stock option rights.
The gain achieved by the option beneficiaries when exercising their options may not exceed three times the issue price (cap).

If the cap is exceeded, the strike price of the relevant option type will be adjusted in such a way that the difference between the market price on exercise and the adjusted strike price does not exceed three times the issue price.

During the reporting period, a total of 485,000 of the available 600,000 stock options were issued on 26 August 2013. The remaining 115,000 stock options available for this first tranche were not issued. None of the stock options are exercisable yet due to the vesting period. The strike price of the 485,000 stock options granted in the reporting period is EUR 16.30 (type A) and EUR 19.56 (type B).

The fair value of the stock options was determined using the Black-Scholes method. The fair value per share for the type A and type B stock option rights is EUR 3.39 and EUR 2.77, respectively. The 250-day historical volatility was 30%, the expected dividend was 1.83% and the risk-free interest rate was 1.77%. The share price on the issue date was EUR 16.30 and the share price hurdle is therefore EUR 22.00 (+35%). The pay-out is capped at 400% for type A stock option rights and 420% for type B stock option rights. On average, it was assumed that the options would be exercised after a period of 5.5 years. A fluctuation of 3% p.a. was assumed.

During the reporting period, the expense for share-based payments to members of the Company's Management Board, members of the management of affiliated companies and selected employees below Management Board level of the Company and below management level of affiliated companies amounted to EUR 122 thousand.

(19) DIVIDEND PER SHARE

The new syndicated loan agreement entered into in connection with the acquisition of BONITA in 2012 provides for a restriction on future dividend payments in order to protect the consortium banks. Under the agreement, dividends may only be paid if the equity ratio at Group level amounts to at least 30%. In addition, the size of the dividend depends on net debt and EBITDA. A maximum of 30% of the consolidated net income for the period may be distributed for as long as the ratio of net debt to EBITDA exceeds 2.5. The loan agreement provides for a maximum potential dividend of 50% if the ratio of net debt to EBITDA is less than 2.0.

(20) PROVISIONS FOR PENSIONS

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

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

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

Assumptions

%	2013	2012
Discount rate	3.60	3.80

As in the previous year, pension and pay trends are set at 0.0% and do not affect future pension payments because pension commitments only relate to fixed amounts. This is based on a fluctuation of 0.0%, as in the previous year, since some of the beneficiaries are no longer actively employed. The average expected return on plan assets is approximately 4% (2012: 7%).

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

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

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

Pension Provisions

EUR thousand	31/12/2013	31/12/2012
Present value of defined benefit obligation (funded by provisions only)	1,642	1,533
Less pension liability insurance	−1,023	−1,022
Net obligations	619	511
Carrying amount	**619**	**511**

The present value of defined benefit obligations changed as follows:

Pension Provisions: Change in Present Value of Defined Benefit Obligation

EUR thousand	2013	2012
Present value of defined benefit obligation as at 1 January	**1,533**	**1,650**
Service cost	26	21
Interest cost	58	89
Actuarial gains and losses		
from experience adjustments	−10	–
from changes in financial assumptions	34	541
from changes in demographic assumptions	–	–
Payment of pension claims	–	−768
Present value of defined benefit obligation as at 31 December	**1,642**	**1,533**

A 0.25 percentage point increase or decrease in the discount rate would lead to a EUR 43 thousand rise or EUR 44 thousand reduction in pension obligations, respectively. All other assumptions used in the sensitivity analysis remained unchanged.

The present value of the defined benefit obligation used in this sensitivity analysis was determined using the projected unit credit method.

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

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

EUR thousand	2013	2012
Capitalised surrender value of pension liability insurance as at 1 January	**1,022**	**1,369**
Contributions to capitalised surrender value of pension liability insurance	46	53
Gains on capitalised surrender value of pension liability insurance	6	1
Payment of pension claims	–	−768
Other changes	−51	367
Capitalised surrender value of pension liability insurance as at 31 December	**1,023**	**1,022**

According to the insurer, the fair value of the pension liability insurance was EUR 1,154 thousand as at the reporting date (2012: EUR 1,101 thousand). EUR 131 thousand (2012: EUR 79 thousand) was not offset as at the reporting date due to the cap on offsetting the capitalised surrender value of the pension liability insurance up to the present value of pension commitments.

Expenses from the unwinding of discounted pension provisions are reported in the financial result. The actuarial gains and losses arising from increases or decreases in the present value of the defined benefit obligation or the market value of the pension liability insurance have been recognised in other comprehensive income from the beginning of financial year 2013. Previous years have not been retrospectively adjusted with regard to the recognition of actuarial gains and losses as the amounts involved are not material. All other pension expense components are reported in personnel expenses.

Plan assets are measured on the basis of an expected return corresponding to the discount rate on the pension obligations.

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

Historical Information

EUR thousand	2013	2012	2011	2010	2009
Present value of defined benefit obligation	1,642	1,533	1,650	1,550	1,376
Fair value of plan assets	–1,023	–1,022	–1,369	–1,295	–1,200
Plan deficit	**619**	**511**	**281**	**255**	**176**

(21) OTHER PROVISIONS/CONTINGENT LIABILITIES

Other provisions changed as follows:

Other Provisions 2013

EUR thousand	Employee-related provisions	Customer bonuses	Returns	Outstanding invoices	Restoration obligations	Other	Total
Balance at 31 December 2012	**20,512**	**4,469**	**4,092**	**1,627**	**8,264**	**2,497**	**41,461**
Additions	12,540	3,312	288	1,446	1,908	1,819	21,313
Reversals	12	–	–	–	–	127	139
Unwinding of discounts/changes in interest rates	–16	–	–	–	–1,261	–	–1,277
Utilisation	17,016	89	680	1,627	6	2,002	21,420
Balance at 31 December 2013	**16,008**	**7,692**	**3,700**	**1,446**	**8,905**	**2,187**	**39,938**
Current	13,759	7,692	3,700	1,446	381	2,187	29,165
Non-current	2,249	–	–	–	8,524	–	10,773

Other Provisions 2012

EUR thousand	Employee-related provisions	Customer bonuses	Returns	Outstanding invoices	Restoration obligations	Other	Total
Balance at 31 December 2011	**5,970**	**3,244**	**3,168**	**1,246**	**100**	**1,980**	**15,708**
Additions	13,568	4,469	3,680	1,627	–	1,167	24,529
Reversals	16	–	–	–	–	420	436
Unwinding of discounts/changes in interest rates	34	–	–	–	–168	–	–134
Changes in consolidated Group	8,097	–	1,032	–	8,621	2,339	20,089
Utilisation	7,159	3,244	3,788	1,246	289	2,569	18,295
Balance at 31 December 2012	**20,512**	**4,469**	**4,092**	**1,627**	**8,264**	**2,497**	**41,461**
Current	16,633	4,469	4,092	1,627	298	2,497	29,616
Non-current	3,879	–	–	–	7,966	–	11,845

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

A long-term incentive programme (LTI) was introduced in July 2010 for the TOM TAILOR GROUP's management. It serves to retain personnel and achieve the Company's long-term goals. This remuneration system runs for a period of eight years (starting in financial year 2010) and is based on a comparison of target and actual revenue and the operating result over a three-year observation period in each case. Any bonus is granted in tranches every financial year on an individual basis. Together with revenue and the operating result, share price performance is another component that is taken into consideration. The share price of the issued tranches was modelled at each reporting date using a Monte Carlo method, taking into account expected volatility (tranche 2: 41.54%; tranche 3: 41.17%; tranche 4: 29.77%), the risk-free interest rate (tranche 2: 2.84%; tranche 3: 3.19%; tranche 4: 0.01%), and the expected dividend distribution (2.5%). The programme is also open to the members of the Management Board. Tranche 1 under this remuneration system was paid out in 2013. Tranche 2 and tranche 3 can first be paid out in 2014 and 2015 respectively.

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

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

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

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

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

There were no material contingent liabilities as at the reporting date.

Provisions for restoration obligations are uncertain with regard to the timing of the outflow of resources, as they are only incurred when the shop is restored.

(22) DEFERRED TAXES

Recognised deferred tax assets relate to the following items:

Deferred Tax Assets in the Reporting Period

EUR thousand	31 December 2013 Basis of assessment	Deferred tax assets
Tax loss carryforwards and interest carried forward	45,432	13,900
Measurement of currency forwards	8,334	2,550
Consolidation adjustments (consolidation of intercompany balances, elimination of intercompany profits/losses)	4,580	1,401
Pension provisions	451	138
Restoration obligations	4,201	1,285
Other	1,163	357
	64,161	**19,631**
Set off against deferred tax liabilities	-64,161	-19,631
	–	–

Deferred tax assets relate primarily to the future usability of cumulative interest carried forward, as well as corporation and trade tax loss carryforwards. This led to total deferred tax assets of EUR 13.9 million.

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

Deferred Tax Assets in the Previous Year

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

As at 31 December 2013, recognised deferred tax liabilities were attributable to the following recognition and measurement differences:

Deferred Tax Liabilities in the Reporting Period

EUR thousand	31 December 2013 Basis of assessment	Deferred tax liabilities
Intangible assets	300,141	91,307
Treatment of transaction costs	4,153	1,271
Leases	2,558	743
Measurement of receivables	599	173
Currency translation differences	2,084	638
Other	7,029	2,170
	316,564	**96,302**
Set off against deferred tax assets	-64,161	-19,631
	252,403	**76,671**

In the previous year, deferred tax liabilities in the amount of EUR 63.2 million were recognised as intangible assets in connection with the recognition of intangible assets in the course of the initial consolidation of BONITA Deutschland Holding GmbH (now: BONITA GmbH), Hamminkeln/Germany, and its subsidiaries; these had a residual carrying amount of EUR 61.8 million as at the reporting date.

As at 31 December 2012, recognised deferred tax liabilities were attributable to the following recognition and measurement differences:

Deferred Tax Liabilities in the Previous Year

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

(23) FINANCIAL LIABILITIES

Composition

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

Financial Liabilities in the Reporting Period

				31 December 2013
EUR thousand	Up to 1 year	1 to 5 years	Over 5 years	**Total**
Liabilities				
to banks	15,000	222,995	–	**237,995**
Lease liabilities	4,478	11,717	–	**16,195**
to third parties	7,000	4,434	–	**11,434**
	26,478	**239,146**	**–**	**265,624**

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

Financial Liabilities in the Previous Year

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

Disclosures

Liabilities to Banks

At the end of May 2013, TOM TAILOR Holding AG issued a borrower's note loan of EUR 80 million to refinance short-term bank liabilities from the acquisition of the BONITA companies. The issue was placed mainly with institutional investors (banks) in Germany and other European countries. The borrower's note loan has three tranches with maturities of 2.6, 3.6 and 5 years, and bears both fixed and variable rates of interest. It matures no later than the end of May 2018, depending on the maturity of the individual tranches.

The coupons reflect the present favourable level of interest rates and are within the range of previously payable interest rates.

As was the case with the previous financing structure, continued loan finance is dependent on compliance with certain financial covenants (EBITDA/net interest income, net debt/EBITDA and an equity ratio > 27.5 %); these are to be calculated on the basis of the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRSs) as at each year-end.

Bank commission of EUR 0.6 million relating to the borrower's note loan has been amortised over the term of the liabilities to banks using the effective interest method and recognised in the interest expense item in profit or loss over the term of the loan.

The other bank lines of credit of EUR 365 million comprise a current account overdraft facility of EUR 137.5 million, a guaranteed line of credit of EUR 137.5 million and term loans of EUR 90 million.

The variable effective interest rate for the lines drawn down is based on three-month and six-month EURIBOR plus a margin that ultimately depends on the ratio of net debt to EBITDA.

The credit lines are available to the TOM TAILOR GROUP for three years from the date they were granted in 2012 plus two one-year extension options. A one-year extension option is still available, so the bank lines of credit will expire in June 2016 if this option is exercised.

Bank commissions and transaction costs of EUR 3.6 million (2012: EUR 7.0 million) relating to the finance are amortised over the term of the liabilities to banks using the effective interest method. The deferred commission will be recognised in the interest expense item in profit or loss over the term of the loans.

The other loans, adjusted for the repayments in the amount of EUR 22.5 million, fall due at the end of June 2015 unless a prolongation option has been exercised by then. At most, the prolongation options would result in repayments of EUR 37.5 million and a maturity date of the end of June 2016.

Liabilities from overdraft facilities amounted to EUR 72.1 million as at the reporting date (2012: EUR 108.4 million).

In 2013, the variable effective interest rate for long-term loans was based on three-month EURIBOR plus a margin that depends on the ratio of net debt to EBITDA after adjustment for one-off effects.

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

The existing financial covenants were met in 2013.

Disclosures on Collateral

Liabilities to banks (EUR 170 million) are collateralised by the pledge of the shares in the following subsidiaries: Tom Tailor GmbH, Hamburg/Germany, Tom Tailor Retail GmbH, Hamburg/Germany, TOM TAILOR E-Commerce GmbH & Co. KG, Oststeinbek/Germany, TOM TAILOR Gesellschaft m.b.H., Wörgl/Austria, TOM TAILOR Retail Gesellschaft m.b.H., Wörgl/Austria, BONITA GmbH, Hamminkeln/Germany, and GEWIB GmbH, Hamminkeln/Germany. TOM TAILOR E-Commerce GmbH & Co. KG, Oststeinbek, is liable for only EUR 90 million. The right to realise collateral can be asserted if there are grounds for termination in accordance with the existing syndicated loan agreement.

Liabilities to Third Parties

Liabilities to third parties include the present value (discounted at a rate of 6.5%) of the purchase price obligation arising from the acquisition of the 51% interest in TOM TAILOR South Eastern Europe Holding GmbH, Wörgl/Austria, in the amount of EUR 2,000 thousand, which is payable within one year. In addition to the remainder of the purchase price for the acquisition of the 51% interest, current financial liabilities also include the purchase price obligation of EUR 5,000 thousand to increase the interest from 51% to 75%.

The purchase price of EUR 3,886 thousand for 51% of the shares of TOM TAILOR Retail Joint Venture GmbH, Bregenz/Austria, is recognised in full under non-current financial liabilities in line with the settlement date of the purchase price.

Non-current financial liabilities also include a provisional purchase price liability of EUR 548 thousand for the acquisition of shares in S.C. TOM TAILOR RETAIL RO SRL, Bucharest/Romania.

(24) TRADE PAYABLES

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

Standard retention of title applies.

(25) OTHER LIABILITIES

Other liabilities are composed of the following items:

Other Liabilities

EUR thousand	31/12/2013	31/12/2012
Other taxes (mainly VAT)	**11,531**	9,563
Fair value of currency futures	**8,334**	5,011
Customer vouchers, prepayments and credits	**5,539**	5,517
Fair value of interest rate hedges	**2,616**	3,340
Employee-related liabilities and social security contributions	**1,887**	2,064
Contributions	**886**	1,039
Supervisory Board remuneration	**385**	425
Debtors with credit balances	**221**	402
Logistics fee	**–**	1,446
Purchase price adjustment relating to the acquisition of BONITA	**–**	1,284
Other liabilities	**2,065**	1,387
Carrying amount	**33,464**	**31,478**
of which non-current	**4,342**	5,000
of which current	**29,122**	26,478

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

MANAGEMENT OF FINANCIAL RISK AND FINANCIAL DERIVATIVES

CAPITAL MANAGEMENT

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

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

Loan finance granted by banks is dependent on compliance with certain financial covenants; these are to be calculated on the basis of the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRSs). They include a mandatory equity ratio and restrictions on distributions if the equity ratio is inadequate. The external minimum capital requirements have increased compared with the previous year.

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

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

Equity amounted to EUR 221,730 thousand (2012: EUR 218,966 thousand).

In the reporting period, the change in equity was driven by both a cash capital increase from which TOM TAILOR received gross proceeds totalling around EUR 29.5 million and the negative consolidated net income of EUR 16.2 million.

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

USE AND MANAGEMENT OF FINANCIAL INSTRUMENTS

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

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

FAIR VALUES OF FINANCIAL INSTRUMENTS

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

Fair Value of Financial Instruments

EUR thousand	Category under IAS 39	Carrying amount 2013	Carrying amount 2012	Fair value 2013	Fair value 2012
Financial assets					
Trade receivables and other assets	LaR	71,041	69,276	71,041	69,276
Cash and cash equivalents	LaR	47,129	53,382	47,129	53,382
Financial liabilities					
Liabilities to banks					
Acquisition loan	Flac	165,847	172,962	165,847	172,962
Other liabilities to banks	Flac	72,148	108,447	72,148	108,447
Finance lease liabilities	Flac	16,195	14,558	16,195	14,558
Liabilities to third parties	Flac	7,000	2,500	7,000	2,500
Liabilities to third parties	Fvtpl	4,434	2,727	4,434	2,727
Derivatives used to hedge interest rate and currency risk that are not part of a hedging relationship	Fvtpl	2,616	3,340	2,616	3,340
Derivatives used to hedge interest rate and currency risk that are part of a hedging relationship	n.a.	8,334	5,011	8,334	5,011
Trade payables and other liabilities	Flac	114,491	96,800	114,491	96,800

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

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

With the exception of the derivatives entered into to hedge interest rate risk, the hedges existing at the reporting date meet the requirements for hedge accounting under IAS 39. All changes in the fair value of derivatives in an effective hedging relationship are recognised in accumulated other comprehensive income (EUR –8,334 thousand; 2012: EUR –5,011 thousand). Derivatives that are not part of an effective hedging relationship are recognised in the income statement immediately.

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

Trade receivables in particular are measured by the Group mainly on the basis of the individual customer's credit quality. Based on this measurement, valuation allowances are recognised to account for the losses expected on these receivables. As at 31 December 2013 the carrying amounts of these receivables less valuation allowances did not differ significantly from their assumed fair values.

The TOM TAILOR GROUP generally determines the fair value of liabilities to banks and other financial liabilities, finance lease liabilities and other non-current financial liabilities by discounting the expected future cash flows at the rates applicable to similar financial liabilities with a comparable remaining maturity. Interest is paid on the syndicated loan granted by the banks at current market rates, as a result of which its carrying amount and fair value at the reporting date are largely the same. The fair value measurement also takes into account any collateral provided. No changes in the value of collateral are apparent.

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

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

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

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

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

The following table show the financial instruments for financial years 2013 and 2012 that are subsequently measured at fair value.

Fair Value of Financial Instruments

				2013				2012
EUR thousand	**Total**	Level 1	Level 2	Level 3	**Total**	Level 1	Level 2	Level 3
Financial liabilities at fair value through profit or loss								
Derivatives used to hedge interest rate risk (interest rate swap)	**2,616**	–	2,616	–	3,340	–	3,340	–
Contingent consideration from business combinations	**4,434**	–	–	4,434	2,727	–	–	2,727
Hedging instruments designated as cash flow hedges (currency forwards)	**8,334**	–	8,334	–	5,011	–	5,011	–
	15,384	**–**	**10,950**	**4,434**	**11,078**	**–**	**8,351**	**2,727**

The financial liabilities based on a Level 3 fair value measurement are the contingent purchase price payments arising from the acquisition of the majority interests in TOM TAILOR Retail Joint Venture GmbH, Bregenz/Austria, and S.C. TOM TAILOR RETAIL RO SRL, Bucharest/Romania.

Expenses of EUR 1,159 thousand (2012: income of EUR 125 thousand) related to the contingent consideration were recognised in the consolidated income statement during the reporting period.

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

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

							31 December 2013
				Total gains and losses			
EUR thousand	**Opening balance**	Acquisitions	Disposals	Recognised in the income statement	Recognised in other comprehensive income	Reclassifications	**Closing balance**
Purchase price liabilities	**2,727**	548	–	1,159	–	–	**4,434**

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

Net Gains and Net Losses on Financial Instruments

EUR thousand	2013	2012
Loans and receivables	–4,066	–4,819
of which net interest income	96	–761
Financial liabilities measured at amortised cost	–11,621	–8,606
of which net interest income	–10,843	–6,980
Financial assets/liabilities at fair value through profit or loss	–1,625	–1,639
of which net interest income	–1,499	–1,119

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

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

MARKET RISK

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

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

Derivative financial instruments are entered into to manage existing interest rate and currency risk. These include:

- currency forwards to hedge the foreign exchange risk that results from importing items of clothing produced mainly in Asia
- interest rate swaps to reduce the risk of rising interest rates on variable-rate financial liabilities

The sensitivity analyses in the following sections refer in each case to the data as at 31 December 2013 and 2012.

The sensitivity analyses were prepared on the basis of the hedging relationships existing on 31 December 2013 and on the assumption that net debt, the ratio of fixed to variable interest rates on liabilities and derivatives, and the percentage of financial instruments in foreign currencies remain unchanged.

Credit Risk

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

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

The Group only enters into business transactions with third parties with a good credit rating. Credit checks are run on all customers wanting to do business with the Group on a credit basis. In addition, the risk is mitigated by taking out credit insurance policies and obtaining collateral. Identifiable credit risks are accounted for by recognising specific valuation allowances.

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

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

Liquidity Risk

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

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

Analysis of Maturity in the Reporting Period

	Non-derivative financial liabilities			Derivative liabilities	
EUR thousand	Liabilities to banks	Finance leases	Other liabilities	Interest rate hedges	Currency hedges
Carrying amount at 31 December 2013	**237,995**	**16,195**	**125,925**	**2,616**	**8,334**
Cash flows in 2014					
Interest payments	7,750	1,028	–	888	–
Principal repayments	15,000	4,478	121,491	–	8,334
Cash flows 2015 to 2018					
Interest payments	9,831	1,244	–	1,728	–
Principal repayments	222,995	11,717	4,434	–	–
Cash flows 2019 f.					
Interest payments	–	–	–	–	–
Principal repayments	–	–	–	–	–

Analysis of Maturity in the Previous Year

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

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

The notional value of the forward exchange contracts amounts to USD 237,200 thousand and falls due ratably over a period up to and including 2015.

Currency Risk

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

In the same period, cash inflows from those currency forwards were allocated to specific expected cash outflows for merchandise purchases, as a result of which the currency forwards entered into were designated as cash flow hedges (hedges of cash flows from forecast transactions). In addition to the intrinsic value, the time value of the option is designated. At the reporting date, the currency forwards were measured at their fair value. The fair values were determined by banks using the exchange rates for hedges with matching maturities at the reporting date. The fair value of the currency forwards existing at the reporting date in the amount of EUR –8,334 thousand (2012: EUR –5,011 thousand) was recognised net of deferred taxes in the amount of EUR –2,544 thousand (2012: EUR –1,503 thousand) in the hedge reserve and accordingly in other comprehensive income if the hedging relationship was regarded as effective. Income and expenses from currency forwards are included in the purchase costs of merchandise and realised in the short term through cost of materials. The prior-year amounts were included in profit or loss for the period. All hedged future merchandise purchases and therefore all cash flows are expected to occur in 2014.

Losses of EUR 4,193 thousand (2012: income of EUR 4,879 thousand) were reclassified from other comprehensive income to profit and loss in financial year 2013. Corresponding deferred taxes amounted to EUR 1,283 thousand (2012: EUR 1,490 thousand).

In addition, the Swiss Group companies are exposed to currency risk as a result of business relationships with TOM TAILOR that are accounted for in euros. The Group's trade receivables and payables denominated in foreign currencies (less cash and cash equivalents in foreign currencies) are primarily as follows:

Currency Risk in the Reporting Period

	31 December 2013		
EUR thousand	**Amount** in local currency	**Closing rate** local currency/ EUR	**Amount** EUR thousand
Trade receivables	TCHF 1,621	1.23	**1,321**
			1,321
Trade payables	TUSD 20,441	1.38	**14,822**
			14,822

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

Currency Risk in the Previous Year

	31 December 2012		
EUR thousand	**Amount** in local currency	**Closing rate** local currency/ EUR	**Amount** EUR thousand
Trade receivables	TCHF 1,050	1.21	**870**
			870
Trade payables	TUSD 17,181	1.32	**13,022**
			13,022

Comprehensive income from foreign exchange gains and losses (excluding derivatives) amounted to EUR 1,275 thousand in financial year 2013 (2012: EUR –1,627 thousand).

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

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

If the euro had risen (fallen) by 10% against the US dollar at the reporting date, the net exchange rate gain on liabilities recognised in US dollars would have been EUR 1,347 thousand higher or EUR 1,647 thousand lower, respectively (2012: EUR 1,279 thousand higher or EUR 1,563 thousand lower). By contrast, the hedge reserve recognised in equity for currency forwards entered into in US dollars would have been EUR 16,590 thousand lower or EUR 17,391 thousand higher, respectively (2012: EUR 16,623 thousand lower or EUR 16,549 thousand higher).

A 10% rise (fall) in the euro against the Swiss franc would have resulted in the currency translation reserve for financial statements not prepared in the reporting currency being EUR 104 thousand higher or EUR 127 thousand lower, respectively (2012: EUR 244 thousand higher or EUR 298 thousand lower).

Interest Rate Risk

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

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

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

Interest Rate Hedges

EUR thousand	2013	2012
Notional amount	53,690	54,977
Carrying amount	–2,616	–3,340
Fair value	–2,616	–3,340

In the reporting period, interest income of EUR 1,033 thousand (2012: interest expense of EUR 258 thousand) on interest rate hedging instruments at fair value through profit or loss was reported in the net financial result.

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

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

If market interest rates had been 100 basis points higher (lower) at the reporting date, net interest income would have been EUR 3,961 thousand higher or EUR 2,409 thousand lower, respectively (2012: EUR 3,150 thousand higher or EUR 2,563 thousand lower).

Other Price Risk

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

CASH FLOW DISCLOSURES

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

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

The cash generated by the Group's operating activities amounted to EUR 46.9 million in financial year 2013 (2012: EUR 5.7 million). The year-on-year decline in net income for the period (down EUR 19.3 million) was largely offset by the increase in non-cash depreciation/amortisation (up EUR 18.9 million) compared with the previous year. The significant year-on-year reduction in tax payments (EUR +13.5 million) was offset by the further increase in inventories due to expansion (negative effect of EUR –13.7 million). Overall, funds tied up in inventories were much lower than in the previous year. Cash flow was also positively impacted by the seasonal and expansion-related increase in trade payables.

Investing activities led to a cash outflow of EUR 26.0 million for the TOM TAILOR GROUP in financial year 2013, compared with EUR 148.8 million in the previous year. This decline is attributable to the acquisition of BONITA in 2012 and the associated cash outflow of EUR 116.0 million (purchase price payment of EUR 144.5 million less the liquid assets acquired of EUR 28.5 million). Adjusted for these effects, net cash used in investing activities was down year-on-year. Investments of EUR 26.9 million (2012: EUR 35.6 million) were made to increase selling spaces for the three segments, TOM TAILOR wholesale, TOM TAILOR retail and BONITA.

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

Net cash used in financing activities amounted to EUR 27.0 million in the period under review, compared with net cash from financing activities of EUR 187.0 million in the previous year. The gross proceeds of the cash capital increase implemented in October 2013 provided net cash of EUR 29.5 million. However, the scheduled repayment of long-term loans of EUR 10.0 million and the seasonal drawdowns of existing bank lines of credit in connection with the Group's operating activities led to a cash outflow. The entire EUR 80 million issued under the borrower's note loan was used to refinance the short-term bank liabilities from the acquisition of the BONITA group of companies.

As at 31 December 2013, financing activities also included unused lines of credit amounting to EUR 65.4 million (2012: EUR 29.1 million).

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

SEGMENT REPORTING

Operating Segments 2013 (2012)

	Wholesale	Retail				
EUR thousand	TOM TAILOR	TOM TAILOR	BONITA	Total	Consoli-dation	**Group**
Third-party revenue	**302,448** (269,908)	**254,070** (205,840)	**350,731** (153,949)	**604,801** (359,789)	**–** (–)	**907,249** (629,897)
Intersegment revenue	**90,632** (83,623)	**–** (–)	**–** (–)	**–** (–)	**−90,632** (−83,623)	**–** (–)
Revenue	**393,080** (353,531)	**254,070** (205,840)	**350,731** (153,949)	**604,801** (359,789)	**−90,632** (−83,623)	**907,249** (629,897)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**26,315** (124)	**25,521** (19,379)	**12,006** (33,890)	**37,528** (53,270)	**289** (1,616)	**64,131** (55,010)
Material non-cash expenses/income	**17,779** (25,370)	**1,885** (1,919)	**5,734** (−8,361)	**7,619** (−6,442)	**–** (–)	**25,398** (18,928)

Information about Regions 2013 (2012)

EUR thousand	Germany	International markets	**Group**
Revenue	**590,702** (419,238)	**316,547** (210,459)	**907,249** (629,697)
Non-current assets	**433,501** (457,646)	**73,842** (58,619)	**507,343** (516,265)

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

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

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

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

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

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

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

Intersegment income, expenses and earnings are eliminated in consolidation.

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

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

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

OTHER DISCLOSURES AND EXPLANATIONS

RESEARCH AND DEVELOPMENT

Research and development costs reported under expenses amounted to EUR 10,750 thousand (2012: EUR 9,791 thousand). They relate to the development of the collections.

CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

Contingent Assets and Liabilities

As at the reporting date, there were no contingent assets and liabilities that have a material effect on the net assets, financial position and results of operations.

Other Financial Obligations

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

Other Financial Obligations 2013

	31 December 2013			
EUR thousand	Within one year	Between one and five years	More than five years	Total
Leases	98,899	299,672	106,565	**505,136**
of which Nordport logistics centre	1,513	3,278	–	**4,791**
Receivables from sublease: Nordport logistics centre	–1,513	–3,278	–	**–4,791**
Other operating leases	2,460	3,497	237	**6,194**
Other	9,571	75,620	97,100	**182,291**
	109,417	**375,511**	**203,902**	**688,830**

Other Financial Obligations 2012

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

Financial obligations from rental agreements were largely attributable to the leasing of retail and outlet stores.

Other financial obligations primarily consist of minimum purchase obligations under an existing logistics outsourcing contract and a new logistics outsourcing contract entered into in 2013 with a term until 2024.

As at 31 December 2013, the Group had obligations to purchase goods in 2014 amounting to EUR 95.8 million (2012: EUR 96.5 million) resulting from binding purchase orders placed with suppliers by the reporting date.

SUPPLEMENTARY DISCLOSURES ON RENTAL AGREEMENTS AND LEASES

The payments under leases recognised as an expense in the reporting period amounted to EUR 7,883 thousand (2012: EUR 6,755 thousand). These related solely to minimum lease payments. Contingent lease payments are largely revenue-based and amounted to EUR 2,091 thousand in the reporting period (2012: EUR 1,601 thousand). In addition, leases may contain escalation agreements (index-adjusted rents, graduated rent) and common industry lease prolongation options. There were no sublease payments with a material effect in either financial year 2013 or 2012.

Expenses for other operating leases of EUR 4,175 thousand were recognised in the reporting period (2012: EUR 2,797 thousand).

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

BORROWING COSTS

No borrowing costs were capitalised in the reporting period because there were no qualifying assets that take a substantial period of time to get ready for their intended use or sale.

RELATED PARTY DISCLOSURES

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

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

Joint Ventures and Associates

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

The Northern Irish company is TT OFF SALE (NI) LTD., Belfast/United Kingdom, and its wholly owned subsidiary, TT OFF SALE (Ireland) LTD., Dublin/Ireland, in which Tom Tailor GmbH directly and indirectly holds 49% of the shares as part of a franchise partnership. TT Off Sale (NI) LTD. is operated by the partner. The goods and services provided to the company amounted to EUR905 thousand in the reporting period (2012: EUR1,584 thousand). The receivables from the company (net of valuation allowances) amounted to EUR0 thousand as at 31 December 2013 and EUR2,072 thousand as at 31 December 2012. Valuation allowances on receivables from TT OFF SALE (NI) LTD. of EUR2,197 thousand were recognised as expenses in financial year 2013 (2012: EUR1,438 thousand).

Related Parties (Persons)

Management Board

Mr Dieter Holzer
Businessman, Ravensburg/Germany
(Chief Executive Officer)
Dr Axel Rebien
Businessman, Quickborn/Germany
Dr Marc Schumacher
Businessman, Hamburg/Germany
Mr Udo Greiser
Businessman, Konstanz/Germany

With the exception of Mr Holzer, the members of the Management Board were not members of other supervisory boards or governing bodies during the reporting period.

Mr Dieter Holzer has been a member of the Advisory Board of JW Germany Holding GmbH, Idstein/Taunus since 1 July 2013.

Management Board Remuneration: Share-Based Remuneration System

On 20 January 2010, the Supervisory Board resolved to implement a stock-based remuneration system (the Matching Stock Programme, or MSP) for the members of the Management Board. The MSP runs for a total of 14 years from the date of the initial listing and serves to align the mutual interests of the Management Board and the shareholders.

The MSP consists of a total of five tranches. The first tranche was allotted on the date of initial listing; the following tranches are each allotted one year after the respective preceding tranche. The members of the Management Board must have an ongoing service or employment contract with TOM TAILOR Holding AG and hold shares of TOM TAILOR Holding AG (MSP shares) at the time of allotment. Each MSP share conveys the right to 0.4 (Chief Executive Officer) or three (other members of the Management Board) phantom shares per tranche. The phantom shares are subject to a vesting period of four years from the date of allotment of the relevant tranche. They are automatically exercised during defined windows, provided the exercise threshold is reached, an MSP gain can be determined and the participant has not objected to the exercise in due time. The exercise threshold is reached if TOM TAILOR Holding AG's shares have outperformed the SDAX® since the allotment of the relevant tranche. On exercise, the members of the Management Board are paid the difference between the price at the time of exercise and the strike price of all of the phantom shares exercised, less payroll tax and other deductions, in the form of TOM TAILOR Holding AG shares. The amount determined before payroll tax and other deductions is capped for each tranche at 2.5% of the EBITDA reported in the most recent consolidated financial statements of TOM TAILOR Holding AG.

The MSP was classified and measured as an equity-settled share-based payment transaction. Cash settlement is not permitted, with the exception of fractional shares. The fair value of the equity instruments has been estimated for all tranches based on a Monte Carlo model, taking into consideration the conditions in which the phantom shares were granted.

This includes modelling the exercise threshold and the simulation of future exercise prices and strike prices. Fair value measurement was carried out based on the following parameters:

Fair Value Parameters

	2011 tranche	2012 tranche
Dividend yield	2.50%	2.50%
Remaining term	7.5 to 11.5 years	7.5 to 11.5 years
Expected volatility	31.65 to 32.90%	29.25 to 29.70%
Risk-free interest rate	3.10 to 3.54%	2.90 to 3.26%
Share price at measurement date	EUR 12.85	EUR 13.91
SDAX® price at measurement date	3,832.91	5,466.82
Expected SDAX® volatility	19.23 to 19.56%	19.05 to 19.46%

The term in each case has been determined as the period from the measurement date until the maturity of the relevant tranche. The expected share price volatility has been determined based on comparable listed companies, due to the lack of historical data available. The expected volatility is based on the assumption that future trends can be predicted on the basis of historical volatility. Consequently, actual volatility may differ from the assumptions made. The Company reviews its estimates of the number of equity instruments and the parameters at each reporting date. Differences compared with the initial recognition of the options are adjusted and recognised in the income statement.

The weighted average fair value of the phantom shares awarded in previous reporting periods and calculated based on these parameters was EUR 3.12, or EUR 3.14.

As part of the MSP, the members of the Management Board have contributed a total of 282,000 MSP shares to the programme, with 72,500 MSP shares contributed in financial year 2011. In 2010, 209,500 MSP shares with a strike price of EUR 13.00 were contributed, while the strike price of the 72,500 newly contributed shares is EUR 13.63. These MSP shares convey the right to acquire a total of 925,000 phantom shares (of which 220,000 phantom shares relate to the MSP shares contributed in 2011).

At the reporting date, all of the phantom shares were outstanding and were not exercisable.

The MSP gave rise to an expense for equity-settled share-based payment transactions of EUR 233 thousand in the reporting period (2012: EUR 257 thousand).

With regard to the long-term incentive programme (LTI), please refer to the disclosures under note 21 “Other Provisions”.

In June 2013, the Annual General Meeting resolved a stock option programme (Long-Term Stock Option Programme), which is described under note 18 “Long-Term Stock Option Programme”. Under the Long-Term Stock Option Programme, up to 1,800,000 stock option rights can be issued to members of the Management Board of TOM TAILOR Holding AG. 200,000 stock option rights were issued to members of the Management Board in financial year 2013. The measurement of the issued stock option rights led to a ratable expense of EUR 51 thousand for 2013.

Governing Body Remuneration

EUR thousand	2013	2012
Salaries and short-term benefits	6,263	4,671
Other long-term incentives (LTI)	642	2,196
Long-term share-based remuneration (MSP)	233	257
Stock option programme	51	–
	7,189	7,124

The fixed and variable remuneration components were paid during the course of the year or will fall due shortly after the annual financial statements are adopted. The long-term benefits are variable. At the reporting date, they included Management Board entitlements under the MSP, the Long-Term Stock Option Programme and the LTI programme totalling EUR 2,464 thousand (2012: EUR 3,519 thousand). These benefits will fall due for payment in 2014 and 2015 at the earliest. Details of the remuneration of the individual Management Board members in accordance with section 314 (1) no. 6 a, sentences 5 to 8 of the Handelsgesetzbuch (HGB – German Commercial Code) are presented in the remuneration report in the Group Management Report.

Related Party Disclosures (Persons)

In accordance with IAS 19, a provision of EUR 223 thousand was recognised for pension obligations to former members of the management and their surviving dependants (2012: EUR 199 thousand).

Shareholdings of Members of the Management Board

At 31 December 2013 and 31 December 2012, the Management Board held the following number of shares:

Shareholdings of the Members of the Management Board

Number of shares	31/12/2013	31/12/2012
Dieter Holzer	266,610	266,610
Dr Axel Rebien	20,000	20,000
Udo Greiser	4,000	4,000

Supervisory Board

In accordance with the Articles of Association, the Supervisory Board is composed of six members.

The members are:
Mr Uwe Schröder
Businessman, Hamburg/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
Dr Christoph Schug
Entrepreneur, Mönchengladbach/Germany
Mr Gerhard Wöhrl
Businessman, Munich/Germany

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

Mr Uwe Schröder (Chairman) indirectly holds shares in TOM TAILOR Holding AG. As a related party of Mr Uwe Schröder, Schröder Consulting GmbH receives sponsorship payments from TOM TAILOR GmbH for TOM TAILOR's brand association with the sport of polo. Sponsorship payments of EUR 377 thousand were made in 2013. There is an employment contract between TOM TAILOR Holding AG and the son of Supervisory Board Chairman Uwe Schröder, Mr Oliver Schröder.

Mr Oliver Schröder has been employed by the TOM TAILOR GROUP since 1998.

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

Members of the Supervisory Board directly held the following shares as at 31 December 2013: Dr Christoph Schug 18,400 shares, Gerhard Wöhrl 16,700 shares and Andreas W. Bauer 5,400 shares.

Mr Gerhard Wöhrl is the majority shareholder of Rudolf Wöhrl AG. The TOM TAILOR GROUP generated revenue of around EUR 4.9 million with Rudolf Wöhrl AG in 2013. Trade receivables amounted to EUR 0.3 million as at 31 December 2013.

Mr Andreas W. Bauer is a partner in the consulting firm Roland Berger Strategy Consultants, Munich. A consultancy agreement was entered into between TOM TAILOR and Roland Berger Strategy Consultants in connection with the integration of BONITA and the related due diligence processes. In financial year 2013, EUR 980 thousand was paid for consulting services. Trade payables amounted to EUR 0 thousand as at 31 December 2013.

Other Appointments of the Members of the Supervisory Board

Members of TOM TAILOR Holding AG's Supervisory Board are also members of a governing body of the following companies:

Uwe Schröder (Chairman of the Supervisory Board)
Member of the Advisory Board of eterna Mode GmbH, Passau/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 Supervisory Board of Hansische Treuhand AG, Hamburg/Germany
Chairman of the Verband der Fertigwarenimporteure e.V. (VFI – Association of Non-Food Importers), Hamburg/Germany

Thomas Schlytter-Henrichsen
(Deputy Chairman of the Supervisory Board)
Managing Director of ALPHA Beteiligungsberatung GmbH & Co. KG, Frankfurt am Main/Germany
Managing Director of ALPHA Management GmbH, Frankfurt am Main/Germany

Managing Director of ACapital Beteiligungsberatung GmbH, Frankfurt am Main /Germany
Managing Director of Agrippina S.a.r.l., Luxembourg
Managing Director of Bulowayo GmbH, Königstein im Taunus /Germany
Member of the Supervisory Board of Nero AG, Karlsbad/Germany
Member of the Supervisory Board of ALPHA ASSOCIES Conseil SAS, Paris/France

Andreas W. Bauer
Partner at Roland Berger Strategy Consultants GmbH, Munich/Germany

Andreas Karpenstein
Partner and Managing Director of Raupach & Wollert Elmendorff Rechtsanwaltsgesellschaft mbH, Düsseldorf/Germany
Member of the Supervisory Board (Deputy Chairman) of Trusted Advice AG, Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Düsseldorf/Germany

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

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

DISCLOSURES ON SHAREHOLDINGS IN TOM TAILOR HOLDING AG

On 24 January 2013, TOM TAILOR Holding AG received a voting rights notification regarding the company listed below, reporting the following circumstances:

Allianz Global Investors Europe GmbH

On 23 January 2013, in accordance with section 21(1) sentence 1 of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act), Allianz Global Investors Europe GmbH, Frankfurt am Main, Germany, notified us that its share of the voting rights in TOM TAILOR HOLDING AG fell below the threshold of 5% on 16 January 2013, reaching 4.90% on that date. This corresponds to 1,186,266 voting rights. 0.03% of this amount (6,650 voting rights) is attributable to Allianz Global Investors Europe GmbH in accordance with section 22(1) sentence 1 no. 6 of the WpHG.

On 19 February 2013, TOM TAILOR Holding AG received a voting rights notification regarding the company listed below, reporting the following circumstances:

River and Mercantile Asset Management LLP

On 18 February 2013, in accordance with section 21(1) sentence 1 WpHG, River and Mercantile Asset Management LLP, London, United Kingdom, notified us that its share of the voting rights in TOM TAILOR Holding AG fell below the threshold of 3% on 15 February 2013, reaching 2.94% on that date. This corresponds to 711,301 voting rights. 2.94% of this amount (711,301 voting rights) is attributable to River and Mercantile Asset Management LLP in accordance with section 22(1) sentence 1 no. 6 WpHG.

On 5 April 2013, TOM TAILOR Holding AG received a voting rights notification regarding the company listed below, reporting the following circumstances:

DWS Investment GmbH

On 2 April 2013, in accordance with section 21(1) sentence 1 WpHG, DWS Investment GmbH, Frankfurt am Main, Germany, notified us that its share of the voting rights in TOM TAILOR Holding AG fell below the threshold of 5% on 27 March 2013, reaching 4.85% on that date. This corresponds to 1,174,768 voting rights.

On 31 May 2013, TOM TAILOR Holding AG received a voting rights notification regarding the company listed below, reporting the following circumstances:

Vanguard Whitehall Funds

On 29 May 2013, in accordance with section 21(1) sentence 1 WpHG, Vanguard Whitehall Funds, Delaware, USA, notified us that its share of the voting rights in TOM TAILOR Holding AG fell below the threshold of 3% on 27 May 2013, reaching 2.999% on that date. This corresponds to 726,102 voting rights.

On 3 June 2013, TOM TAILOR Holding AG received a voting rights notification regarding the company listed below, reporting the following circumstances:

T. Rowe Price International Ltd

On 23 May 2013, in accordance with section 21(1) sentence 1 WpHG, T. Rowe Price International Ltd, London, United Kingdom, notified us that its share of the voting rights in TOM TAILOR Holding AG exceeded the threshold of 3% on 31 December 2010, reaching 3.97% on that date. This corresponds to 656,467 voting rights. 3.97% of this amount (656,467 voting rights) is attributed to T. Rowe Price International Ltd by the T. Rowe Price International Discovery Fund in accordance with section 22(1) sentence 1 no. 6 WpHG.

On 7 June 2013, TOM TAILOR Holding AG received a voting rights notification regarding the company listed below, reporting the following circumstances:

T. Rowe Price International Discovery Fund

On 6 June 2013, in accordance with section 21(1) sentence 1 WpHG, T. Rowe Price International Discovery Fund, Baltimore, Maryland, USA, notified us that its share of the voting rights in TOM TAILOR Holding AG fell below the threshold of 3% on 31 May 2013, reaching 2.97% on that date. This corresponds to 720,127 voting rights.

On 12 August 2013, TOM TAILOR Holding AG received voting rights notifications regarding the following companies reporting the circumstances specified below:

Henderson Group Plc

On 9 August 2013, in accordance with section 21 (1) WpHG, Henderson Group Plc, London, United Kingdom, notified us that its share of the voting rights in TOM TAILOR Holding AG exceeded the threshold of 3 % on 8 August 2013, reaching 3.12 % on that date. This corresponds to 756,328 voting rights. These voting rights are attributed to it in accordance with section 22 (1) sentence 1 no. 6 in conjunction with section 22 (1) sentence 2 WpHG.

Henderson Global Investors (Holdings) Plc

On 9 August 2013, in accordance with section 21 (1) WpHG, Henderson Global Investors (Holdings) Plc, London, United Kingdom, notified us that its share of the voting rights in TOM TAILOR Holding AG exceeded the threshold of 3 % on 8 August 2013, reaching 3.12 % on that date. This corresponds to 756,328 voting rights. These voting rights are attributed to it in accordance with section 22 (1) sentence 1 no. 6 in conjunction with section 22 (1) sentence 2 WpHG.

Henderson Global Investors Limited

On 9 August 2013, in accordance with section 21 (1) WpHG, Henderson Global Investors Limited, London, United Kingdom, notified us that its share of the voting rights in TOM TAILOR Holding AG exceeded the threshold of 3 % on 8 August 2013, reaching 3.12 % on that date. This corresponds to 756,328 voting rights. These voting rights are attributed to it in accordance with section 22 (1) sentence 1 no. 6 WpHG.

On 16 August 2013, TOM TAILOR Holding AG received a voting rights notification regarding the company listed below, reporting the following circumstances:

Vanguard Whitehall Funds

On 15 August 2013, in accordance with section 21 (1) sentence 1 WpHG, Vanguard Whitehall Funds, Delaware, USA, notified us that its share of the voting rights in TOM TAILOR Holding AG exceeded the threshold of 3% on 9 August 2013, reaching 3.26 % on that date. This corresponds to 789,209 voting rights.

On 22 August 2013, TOM TAILOR Holding AG received a voting rights notification regarding the company listed below, reporting the following circumstances:

DWS Investment GmbH

On 21 August 2013, in accordance with section 21 (1) sentence 1 WpHG, DWS Investment GmbH, Frankfurt am Main, Germany, notified us that its share of the voting rights in TOM TAILOR Holding AG fell below the threshold of 3 % on 20 August 2013, reaching 2.99 % on that date. This corresponds to 725,000 voting rights.

On 2 September 2013, TOM TAILOR Holding AG received voting rights notifications regarding the following companies reporting the circumstances specified below:

Schroders PLC

In accordance with section 21 (1) WpHG, we were informed that, on 27 August 2013, the voting interest of Schroders PLC, London, United Kingdom, in our Company exceeded the threshold of 5 % and amounted to 5.02 % (1,215,737 voting rights). 5.02 % of this amount (1,215,737 voting rights) is attributed to it in accordance with section 22 (1) sentence 1 no. 6 in conjunction with section 22 (1) sentence 2 WpHG.

Schroder Administration Limited

In accordance with section 21 (1) WpHG, we were informed that, on 27 August 2013, the voting interest of Schroder Administration Limited, London, United Kingdom, in our Company exceeded the threshold of 5 % and amounted to 5.02 % (1,215,737 voting rights). 5.02 % of this amount (1,215,737 voting rights) is attributed to it in accordance with section 22 (1) sentence 1 no. 6 in conjunction with section 22 (1) sentence 2 WpHG.

Schroders Investment Management Limited

In accordance with section 21 (1) WpHG, we were informed that, on 27 August 2013, the voting interest of Schroders Investment Management Limited, London, United Kingdom, in our Company exceeded the threshold of 5 % and amounted to 5.02 % (1,215,737 voting rights). 5.02 % of this amount (1,215,737 voting rights) is attributed to it in accordance with section 22 (1) sentence 1 no. 6 WpHG.

On 5 September 2013, TOM TAILOR Holding AG received a voting rights notification regarding the company listed below, reporting the following circumstances:

Deutsche Asset & Wealth Management Investment GmbH

On 3 September 2013, in accordance with section 21 (1) sentence 1 WpHG, Deutsche Asset & Wealth Management Investment GmbH, Frankfurt am Main, Germany, notified us that its share of the voting rights in TOM TAILOR Holding AG exceeded the threshold of 3 % on 29 August 2013, reaching 3.16 % on that date. This corresponds to 765,000 voting rights. In addition, Deutsche Asset & Wealth Management Investment GmbH informed us that 2.99 % (725,000 voting rights) of the total voting rights in TOM TAILOR Holding AG is directly attributable to it and that 0.17% (40,000 voting rights) is indirectly attributable to it in accordance with section 22 (1) sentence 1 no. 6 WpHG.

On 29 October 2013, TOM TAILOR Holding AG received voting rights notifications regarding the following companies reporting the circumstances specified below:

Wellington Management Company, LLP

On 28 October 2013, in accordance with section 21 (1) WpHG, Wellington Management Company, LLP, Boston, Massachusetts, USA, notified us that its share of the voting rights in TOM TAILOR Holding AG exceeded the threshold of 3 % on 24 October 2013, reaching 3.30 % on that date. This corresponds to 858,654 voting rights. These voting rights are attributed to it in accordance with section 22 (1) sentence 1 no. 6 WpHG.

Allianz Global Investors Europe GmbH

On 28 October 2013, in accordance with section 21 (1) sentence 1 WpHG, Allianz Global Investors Europe GmbH, Frankfurt am Main, Germany, notified us that its share of the voting rights in TOM TAILOR Holding AG fell below the threshold of 3 % on 24 October 2013, reaching 2.94 % on that date. This represents 765,263 of a total of 26,027,133 voting rights. 0.03 % of this amount (7,530 of a total of 26,027,133 voting rights) is attributable to Allianz Global Investors Europe GmbH in accordance with section 22 (1) sentence 1 no. 6 WpHG.

On 30 October 2013, TOM TAILOR Holding AG received voting rights notifications regarding the following companies reporting the circumstances specified below:

Allianz Global Investors Europe GmbH

On 29 October 2013, in accordance with section 21 (1) sentence 1 WpHG, Allianz Global Investors Europe GmbH, Frankfurt am Main, Germany, notified us that its share of the voting rights in TOM TAILOR Holding AG exceeded the threshold of 3 % on 28 October 2013, reaching 3.17% on that date. This represents 825,263 of a total of 26,027,133 voting rights. 0.03 % of this amount (7,530 of a total of 26,027,133 voting rights) is attributable to Allianz Global Investors Europe GmbH in accordance with section 22 (1) sentence 1 no. 6 WpHG.

On 1 November 2013, TOM TAILOR Holding AG received voting rights notifications regarding the following companies reporting the circumstances specified below:

Commerzbank Aktiengesellschaft

On 29 October 2013, in accordance with section 21 (1) sentence 1 WpHG, Commerzbank Aktiengesellschaft, Frankfurt am Main, Germany, notified us that its share of the voting rights in TOM TAILOR Holding AG exceeded the thresholds of 3 % and 5 % on 24 October 2013, reaching 7.11% on that date. This corresponds to 1,849,604 voting rights.

Commerzbank Aktiengesellschaft

On 30 October 2013, in accordance with section 21 (1) sentence 1 WpHG, Commerzbank Aktiengesellschaft, Frankfurt am Main, Germany, notified us that its share of the voting rights in TOM TAILOR Holding AG fell below the thresholds of 3 % and 5 % on 28 October 2013, reaching 0.00 % on that date. This corresponds to 0 voting rights.

On 2 December 2013, TOM TAILOR Holding AG received a voting rights notification regarding the company listed below, reporting the following circumstances:

Allianz Global Investors Europe GmbH

On 2 December 2013, in accordance with section 21 (1) sentence 1 WpHG, Allianz Global Investors Europe GmbH, Frankfurt am Main, Germany, notified us that its share of the voting rights in TOM TAILOR Holding AG fell below the threshold of 3 % on 29 November 2013, reaching 2.995 % on that date. This represents 779,741 of a total of 26,027,133 voting rights.

On 13 December 2013, TOM TAILOR Holding AG received a voting rights notification regarding the company listed below, reporting the following circumstances:

Allianz Global Investors Europe GmbH

On 13 December 2013, in accordance with section 21(1) sentence 1 WpHG, Allianz Global Investors Europe GmbH, Frankfurt am Main, Germany, notified us that its share of the voting rights in TOM TAILOR Holding AG exceeded the threshold of 3% on 12 December 2013, reaching 3.07% on that date. This represents 797,917 of a total of 26,027,133 voting rights.

On 23 December 2013, TOM TAILOR Holding AG received a voting rights notification regarding the company listed below, reporting the following circumstances:

Deutsche Asset & Wealth Management Investment GmbH

On 23 December 2013, in accordance with section 21(1) sentence 1 WpHG, Deutsche Asset & Wealth Management Investment GmbH, Frankfurt am Main, Germany, notified us that its share of the voting rights in TOM TAILOR Holding AG fell below the threshold of 3% on 20 December 2013, reaching 2.66% on that date. This corresponds to 692,011 voting rights.

On 6 January 2014, TOM TAILOR Holding AG received voting rights notifications regarding the following companies reporting the circumstances specified below:

Morgan Finance S.A.

On 3 January 2014, in accordance with section 21(1) WpHG, Morgan Finance S.A., Luxembourg, Grand Duchy of Luxembourg, notified us that its share of the voting rights in TOM TAILOR Holding AG fell below the threshold of 5% on 24 October 2013, reaching 4.77% on that date. This corresponds to 1,241,000 voting rights.

Ar Mor 1 S.A.

On 3 January 2014, in accordance with section 21(1) WpHG, Ar Mor 1 S.A., Luxembourg, Grand Duchy of Luxembourg, notified us that its share of the voting rights in TOM TAILOR Holding AG fell below the threshold of 5% on 24 October 2013, reaching 4.77% on that date. This corresponds to 1,241,000 voting rights. These voting rights are attributed to it by Morgan Finance S.A. in accordance with section 22(1) sentence 1 no. 1 WpHG.

ADWAY Corp.

On 3 January 2014, in accordance with section 21(1) WpHG, ADWAY Corp., Panama City, Panama, notified us that its share of the voting rights in TOM TAILOR Holding AG fell below the threshold of 5% on 24 October 2013, reaching 4.77% on that date. This corresponds to 1,241,000 voting rights. These voting rights are attributed to it by Morgan Finance S.A. and Ar Mor 1 S.A. in accordance with section 22(1) sentence 1 no. 1 WpHG.

On 22 January 2014, TOM TAILOR Holding AG received a voting rights notification regarding the company listed below, reporting the following circumstances:

Litman Gregory Masters International Fund

On 21 January 2014, in accordance with section 21(1) sentence 1 WpHG, Litman Gregory Masters International Fund, Orinda, USA, notified us that its share of the voting rights in TOM TAILOR Holding AG exceeded the threshold of 3% on 27 December 2013, reaching 3.01% on that date. This corresponds to 782,751 voting rights.

DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

The Management Board and Supervisory Board of TOM TAILOR Holding AG issued the declaration required by section 161 of the Aktiengesetz (AktG – German Stock Corporation Act) and made it available to the shareholders on TOM TAILOR Holding AG's website (http://ir.tom-tailor-group.com) in December 2013.

FEES OF THE AUDITORS (DISCLOSURE IN ACCORDANCE WITH SECTION 314 (1) NO. 9 HGB)

The fees recognised as an expense in financial year 2013 amounted to EUR 227 thousand (of which EUR 37 thousand relate to 2012; 2012: EUR 206 thousand) for the audit of the financial statements (including expenses), EUR 40 thousand (2012: EUR 3 thousand) for other assurance and valuation services, EUR 46 thousand (2012: EUR 37 thousand) for tax advisory services and EUR 0 thousand (2012: EUR 8 thousand) for other services.

EVENTS AFTER THE END OF THE REPORTING PERIOD

There were no events with a material effect on the net assets, financial position and results of operations of the Group after the reporting date.

EXEMPTING CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH SECTION 264 (3) AND SECTION 264 B HGB

The following consolidated German subsidiaries
- Tom Tailor GmbH, Hamburg
- Tom Tailor Retail GmbH, Hamburg
- TOM TAILOR E-Commerce GmbH & Co. KG, Oststeinbek
- BONITA GmbH, Hamminkeln
- GEWIB GmbH, Hamminkeln
- BONITA Deutschland Holding Verwaltungs GmbH, Hamminkeln
- BONITA E-commerce GmbH, Oststeinbek
- GEWIB GmbH & Co. KG, Pullach

plan to make use of the simplification options allowed by section 264 (3) and section 264 b HGB regarding the management report, as well as the publication of the documentation relating to their annual financial statements.
The subsidiaries
- BONITA Deutschland Holding Verwaltungs GmbH, Hamminkeln
- BONITA E-commerce GmbH, Oststeinbek
- GEWIB GmbH & Co. KG, Pullach

also exercise the simplification options regarding the preparation of notes (including compulsory elective notes).

PUBLICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Management Board approved the consolidated financial statements prepared in accordance with IFRSs for publication on 23 February 2014.

Hamburg, 23 February 2014

The Management Board

Dieter Holzer
Chief Executive Officer

Dr Axel Rebien
Chief Financial Officer

Udo Greiser
Chief Product Development and Procurement Officer

Dr Marc Schumacher
Chief Retail Officer

CONFIRMATIONS

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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, 23 February 2014

The Management Board

Dieter Holzer
Chief Executive Officer

Dr Axel Rebien
Chief Financial Officer

Udo Greiser
Chief Product Development and Procurement Officer

Dr Marc Schumacher
Chief Retail Officer

AUDITORS' REPORT

ENGLISH TRANSLATION OF THE INDEPENDENT AUDITORS' REPORT

We have audited the consolidated financial statements prepared by TOM TAILOR Holding AG, Hamburg, comprising the consolidated income 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 2013. he preparation of the consolidated financial statements and group management report in accordance with IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315 a (1) German Commercial Code (HGB) are the responsibility of the legal representatives of the Company. Our responsibility is to express an opinion on the consolidated financial statements and on the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB (Handelsgesetzbuch; "German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer – IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in the consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the additional requirements of German Commercial Law pursuant to § 315 a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group, in accordance with these requirements. The Group management report is consistent with the consolidated financial statements, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Hamburg, 24 February 2014

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

signed
Thomas Götze
Wirtschaftsprüfer

signed
Jürgen Richter
Wirtschaftsprüfer

CORPORATE GOVERNANCE

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CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE STATEMENT IN ACCORDANCE WITH § 289 A OF THE HANDELSGESETZBUCH (HGB – GERMAN COMMERCIAL CODE)

DECLARATION OF COMPLIANCE

IN ACCORDANCE WITH § 161 OF THE AKTIENGESETZ (AKTG – GERMAN STOCK CORPORATION ACT)

The Management Board and the Supervisory Board of TOM TAILOR Holding AG submitted a declaration of compliance in accordance with section 161 AktG in December 2013.

Text of the Declaration by the Management Board and the Supervisory Board of TOM TAILOR Holding AG on the German Corporate Governance Code in Accordance with Section 161 AktG (Declaration of Compliance)
TOM TAILOR Holding AG, Hamburg, Germany
ISIN: DE000A0STST2

TOM TAILOR Holding AG has complied with the recommendations of the Government Commission of the German Corporate Governance Code published by the Federal Ministry of Justice in the Bundesanzeiger (Federal Gazette), most recently in the version dated 13 May 2013, with the exception of section 5.1.2 (age limit for members of the Management Board), section 5.3.3 (formation of a nomination committee), and section 5.4.1 sentence 2 (age limit for members of the Supervisory Board) since it submitted its most recent declaration of compliance in February 2013.

- In a departure from the recommendation contained in section 5.1.2 of the German Corporate Governance Code ("the Code"), the Supervisory Board has not currently specified an age limit for the members of the Management Board above and beyond the universal retirement age laid down in the Management Board employment contracts because it believes that a general age limit for Management Board members would restrict the Supervisory Board's options when selecting suitable members of the Management Board. Although the Supervisory Board has not seen a reason to specify such a limit to date, it intends to deal with this question when a concrete occasion arises.
- The Supervisory Board does not currently intend to form a nomination committee within the meaning of section 5.3.3 of the Code. Because it is composed of six members, the Supervisory Board considers itself to be in a position to appoint new members based on a suggestion by the full Board, should this become necessary.
- In a departure from the recommendation contained in section 5.4.1 sentence 2, no age limit has been specified for the Supervisory Board. TOM TAILOR Holding AG does not consider restricting possible nominations by implementing an age limit to make sense, as this would restrict the choice of experienced candidates in particular.

Hamburg, December 2013

This declaration of compliance and all previous declarations of compliance are published on TOM TAILOR Holding AG's website at http://ir.tom-tailor-group.com

DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES

RESPONSIBLE CORPORATE GOVERNANCE

TOM TAILOR Holding AG is the management holding company and parent of the TOM TAILOR GROUP. The various TOM TAILOR Holding AG subsidiaries conduct the operating business (the subsidiaries and TOM TAILOR Holding AG are also referred to jointly as “TOM TAILOR” or the “TOM TAILOR GROUP”). TOM TAILOR Holding AG and its governing bodies are committed to good, responsible corporate governance. This philosophy is shared by the entire TOM TAILOR GROUP.

In addition to compliance with these principles of good corporate governance, company-specific guidelines and standards also contribute to good, sustainable business performance at TOM TAILOR.

WORKING PRACTICES OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

TOM TAILOR Holding AG is a stock corporation established in accordance with German law. The legal framework for corporate governance is therefore primarily provided by German stock corporation law, and in particular by the provisions governing the Management Board and the Supervisory Board.

MANAGEMENT BOARD

The Management Board conducts TOM TAILOR Holding AG’s business and represents the Company in dealings with third parties. It manages the Company on its own responsibility and in the Company’s best interests with the aim of ensuring sustained value creation. The Management Board develops the corporate strategy, and manages and supervises its implementation. In addition, it ensures that all statutory provisions and applicable internal corporate guidelines are observed (compliance). The Board has also implemented an internal control and risk management system. This is an integral part of its business processes and a key element in corporate decisions. The planning system, internal reporting and risk reporting are key components of this.

The Supervisory Board has adopted by-laws for the Management Board, which set out the transactions and measures for which a resolution by the full Management Board is required, as well as the principles for decision-making within the Management Board as a whole. In addition, the Supervisory Board has listed a catalogue of transactions in the by-laws that may only be performed with the approval of the Supervisory Board. These include transactions and measures that have a material effect on the net assets, financial position and results of operations of the TOM TAILOR GROUP. As part of the implementation of the provisions of the by-laws, the full Management Board has adopted a schedule of responsibilities that assigns responsibility for specific areas of activity to individual members of the Management Board, without this affecting the overall responsibility of the Management Board.

The Management Board currently consists of four members. The members cooperate in a collegial manner and inform one another on an ongoing basis about important measures and events within their areas of responsibility. Generally speaking, the Management Board passes resolutions in regular meetings. Resolutions require a simple majority.

The members of the Management Board are Dieter Holzer (Chief Executive Officer), Dr Axel Rebien, Udo Greiser and Dr Marc Schumacher.

The members of the Management Board were appointed at different times.

Appointment of Management Board Members

	First appointment		Current appointment
Dieter Holzer Born in 1964 Chief Executive Officer/CEO	Since 21 December 2007	Chief Executive Officer of TOM TAILOR Holding AG	Until 31 January 2015
	Since 2006	Member of the management of Tom Tailor Holding GmbH (legal predecessor of TOM TAILOR Holding AG)	
Dr Axel Rebien Born in 1971 Chief Financial Officer/CFO	Since 17 January 2008	Member of the Management Board of TOM TAILOR Holding AG	Until 31 January 2016
	Since 2008	Chief Financial Officer/CFO of TOM TAILOR Holding AG	
	From 2005 to 2008	Head of finance at the former Tom Tailor Holding GmbH	
Udo Greiser Born in 1957 Chief Product Development and Procurement Officer/CPO	Since 1 March 2012	Member of the Management Board of TOM TAILOR Holding AG	Until 28 February 2015*
Dr Marc Schumacher Born in 1977 Chief Retail Officer/CRO	Since 21 June 2011	Member of the Management Board of TOM TAILOR Holding AG	Until 30 June 2017
	From 2008 to 2010	Head of the TOM TAILOR GROUP's retail unit	

* Udo Greiser's appointment as board member was terminated effective 28 February 2014 and he was appointed as managing director of BONITA GmbH.

The members of the Company's Management Board do not currently serve on the Board of Directors, Management Board or Supervisory Board, or as members of comparable German or foreign governing bodies outside the TOM TAILOR GROUP, nor have they done so in the past five years.

SUPERVISORY BOARD

The Supervisory Board of TOM TAILOR Holding AG advises and supervises the Management Board in the management of the Company. The Supervisory Board is also responsible for appointing the members of the Management Board, for approving the annual financial statements and the consolidated financial statements, and for engaging the Company's auditors.

The Management Board and the Supervisory Board of TOM TAILOR Holding AG work together closely and in an atmosphere of mutual trust for the benefit of the Company. The Management Board agrees the Company's strategic orientation with the Supervisory Board and regularly discusses the status of the strategy's implementation with it. The Management Board informs the Supervisory Board regularly, promptly and extensively on all issues related to strategy, planning, business development, the risk position, the internal control and risk management system and compliance that are relevant for the Company. The Chief Executive Officer also regularly exchanges information with the Chairman of the Supervisory Board between the Supervisory Board meetings.

The Supervisory Board has adopted by-laws for itself. These contain, among other things, detailed procedural rules for its meetings and how they are to be chaired by the Chairman of the Supervisory Board, as well as rules on committee work.

The Supervisory Board consists of six members.

In principle, the Supervisory Board's period of office is five years.

The members of the Supervisory Board are:

Uwe Schröder
(Chairman of the Supervisory Board)
Co-founder of the TOM TAILOR GROUP, Hamburg, Germany

Thomas Schlytter-Henrichsen
(Deputy Chairman of the Supervisory Board)
Managing Director of ALPHA Beteiligungsberatung GmbH & Co. KG, Frankfurt am Main, Germany

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

Andreas Karpenstein
Partner and Managing Director of Raupach & Wollert Elmendorff Rechtsanwaltsgesellschaft mbH, Düsseldorf, Germany

Dr Christoph Schug
Businessman, Mönchengladbach, Germany

Gerhard Wöhrl
Former CEO of Rudolf Wöhrl AG, Nuremberg, Germany

Other Appointments of the Members of the Supervisory Board

Uwe Schröder
(Chairman of the Supervisory Board)
- Chairman of the Verband der Fertigwarenimporteure e.V. (VFI – Association of Non-Food Importers), Hamburg, Germany
- Member of the Advisory Board of Kassenhalle Restaurant GmbH & Co. KG, Hamburg, Germany
- Managing Director of Schröder Consulting GmbH, Flensburg, Germany

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

Andreas W. Bauer
- Managing Director of Titus Ventures UG (haftungsbeschränkt), Munich, Germany

Andreas Karpenstein
- Member of the Supervisory Board (Deputy Chairman) of Trusted Advice AG, Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Düsseldorf, Germany

Dr Christoph Schug

- Managing Director of Consulta Verwaltungs- und Treuhand GmbH, Mönchengladbach, Germany
- Member of the Supervisory Board of Baden-Baden Cosmetics Group AG, Baden-Baden, Germany
- Member of the Supervisory Board of Norma Group SE, Maintal, Germany
- Member of the Board of Directors of AMEOS Gruppe AG, Zurich, Switzerland

Gerhard Wöhrl

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

Composition of the Supervisory Board

The Supervisory Board updated the objectives for its composition in accordance with section 5.4.1 (2) of the German Corporate Governance Code on 1 February 2013. Taking into account the following objectives, the Supervisory Board is to be composed in such a way that, taken as a whole, its members have the knowledge, skills and specialist expertise to duly carry out their tasks.

International Orientation

TOM TAILOR Holding AG is an international fashion company primarily active in the European market. The Supervisory Board takes this international orientation into account with respect to its composition.

For this reason, at least one member of the Supervisory Board should, if possible, be particularly qualified with respect to the Company's international activities. This means, for example, that he or she should have long-term experience, preferably gained outside Germany, of international business – in particular in TOM TAILOR's core markets (Austria, Switzerland, the Benelux countries and France).

Diversity, in Particular an Appropriate Degree of Female Representation

The composition of the Supervisory Board reflects the interests of the Company and must ensure effective supervision of and advice to the Management Board. Consequently, when determining its composition, the Supervisory Board focuses particularly on the knowledge, skills and specialist expertise required to duly carry out these tasks. Additionally, the Supervisory Board believes that as a whole, its composition should comply with the principles of diversity. In line with this, the Supervisory Board strives for an appropriate degree of female representation in particular.

If possible, at least one member of the Supervisory Board should be a woman. When examining potential candidates, the Supervisory Board should include qualified women in the selection process and take them into account appropriately when proposing candidates. Where multiple candidates are considered to be equally qualified, the Supervisory Board shall examine whether a female candidate should be preferred in order to facilitate an appropriate degree of female representation. The Supervisory Board considers this level of female representation to be appropriate with regard to the composition of the Company's other managers and in view of other companies in the industry.

Potential Conflicts of Interest

In selecting Supervisory Board members, the focus is on their knowledge, ability and specialist expertise; these qualities shall be given priority during the evaluation process.
In addition, the Supervisory Board shall take potential conflicts of interest among its members into account when determining its composition. Therefore, no persons should be on the Supervisory Board who could probably have a material and more than temporary conflict of interest.
In order to avoid from the start any potential conflicts of interest that could arise during their term of office, members of the governing bodies of the Company's major competitors should not be proposed.

Number of Independent Members of the Supervisory Board

A Supervisory Board member is not considered to be independent within the meaning of the Code in particular if he or she has personal or business relations with the Company, its governing bodies, a controlling shareholder, or an enterprise associated with a controlling shareholder, that could give rise to a material and more than temporary conflict of interest. In view of this and given the size of this governing body, the Supervisory Board should have at least two independent members.

The Supervisory Board currently considers five of its members to be independent within the meaning of the Code. Consequently, the independence of the Supervisory Board is sufficiently ensured.

Implementation of the Objectives

The Company's interests must always be given preference when implementing all of the objectives mentioned. In view of this, the Supervisory Board intends to implement the objectives with respect to the appropriate degree of representation of women within the next five years as the opportunity arises. The Supervisory Board considers the remaining objectives to be met at this time.

The members of the Supervisory Board include finance experts (Dr Schug), a representative of the legal profession (Mr Karpenstein) and a management consultant (Mr Bauer), as well as representatives of the fashion industry (Mr Wöhrl and Mr Schröder).

Company founder Mr Schröder is the only member of the Supervisory Board who has an indirect interest of more than 1% in the Company.

MANAGEMENT BOARD AND SUPERVISORY BOARD COMMITTEES

The Management Board has not currently established any committees.

The Supervisory Board has established an Executive Committee and an Audit and Finance Committee to efficiently perform its tasks. Both committees perform only advisory and preparatory tasks. They consist of two members each and do not currently have any decision-making powers.

The Executive Committee is responsible for preparing the Supervisory Board meetings and supervises the implementation of resolutions adopted by the Supervisory Board or its committees, as well as preparing and conducting preliminary negotiations in connection with the signature, amendment and termination of contracts of service with Management Board members.

Members: Uwe Schröder (Chairman of the Executive Committee), Thomas Schlytter-Henrichsen

The Audit and Finance Committee is responsible for the preliminary examination of the documents relating to the annual financial statements and the consolidated financial statements. It prepares the resolutions on the annual financial statements and the consolidated financial statements to be passed by the full Supervisory Board as well as the Board's decision on the Management Board's proposed resolution on the utilisation of the net retained profits. The Audit and Finance Committee also prepares the Supervisory Board's proposal to the Annual General Meeting for the election of the auditors. Should the committee have at least three members and hence decision-making powers, it negotiates the fee with the auditors, issues the audit engagement and specifies the areas of emphasis of the audit. Furthermore, it monitors the independence of the auditors. It is also responsible for supervising the financial reporting process, the audit, any additional services performed by the auditors, the effectiveness of the internal control system, the risk management system, compliance and the internal audit system, as well as for discussing the quarterly and half-yearly reports with the Management Board.

Members: Dr Christoph Schug (Chairman of the Audit and Finance Committee), Andreas Karpenstein

At least one independent member of the Supervisory Board has expertise in accounting or auditing, in the person of the Chairman of the Audit and Finance Committee.

REMUNERATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

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

REMUNERATION OF THE MANAGEMENT BOARD MEMBERS

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

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

The variable remuneration components for financial year 2013 are EUR 2,860 thousand for Mr Holzer, EUR 655 thousand for Dr Rebien, EUR 178 thousand for Dr Schumacher and EUR 264 thousand for Mr Greiser. The fixed remuneration components amounted to EUR 924 thousand for Mr Holzer, EUR 594 thousand for Dr Rebien, EUR 268 thousand for Dr Schumacher and EUR 520 thousand for Mr Greiser.

On 20 January 2010, the Supervisory Board resolved to implement a stock-based remuneration system (the Matching Stock Programme, or MSP) for the members of the Management Board. The MSP runs for a total of 14 years from the date of the initial listing and serves to align the mutual interests of the Management Board and the shareholders. A detailed description of this remuneration system is provided in the notes. Measurement of the MSP on 31 December 2013 resulted in remuneration entitlements of EUR 613 thousand for Mr Holzer and of EUR 232 thousand for Dr Rebien. These remuneration entitlements will be paid out in 2014 at the earliest.

A Long-Term Incentive Programme (LTI) was introduced in July 2010 for the TOM TAILOR GROUP's management. It serves to retain personnel and achieve the Company's long-term goals. The programme is also open to the members of the Management Board. The remuneration system runs for a period of eight years (starting in financial year 2010) and grants an additional, individual bonus based on a comparison of target and actual revenue and the operating result over a three-year observation period in each case. Share price performance is another component that is taken into consideration. Measurement of the LTI programme as at 31 December 2013 resulted in a total remuneration entitlement of EUR 930 thousand for Mr Holzer, EUR 374 thousand for Dr Rebien, EUR 237 thousand for Dr Schumacher and EUR 28 thousand for Mr Greiser. The portion from the second tranche, which was issued in 2011, will become payable in 2014 (the first tranche became payable in 2013) and amounts to EUR 548 thousand for Mr Holzer, EUR 213 thousand for Dr Rebien and EUR 131 thousand for Dr Schumacher. The remaining tranches from this remuneration system will be paid out after certain prerequisites have been met, starting in 2015 at the earliest.

On 3 June 2013, the Annual General Meeting of TOM TAILOR Holding AG resolved a Company stock option programme in order to be able to grant stock option rights to members of the Company's Management Board, members of the management of affiliated companies and selected employees below Management Board level of the Company, and below management level of affiliated companies (hereinafter referred to as the Long-Term Stock Option Programme). The associated performance targets are measured on the basis of a multi-year assessment and comply with the legal requirements of the Aktiengesetz (AktG – German Stock Corporation Act) and the German Corporate Governance Code. The stock option rights may be exercised no earlier than four years after the date of issue. The stock option rights have a maximum term of seven years from the date of issue. A detailed description of this remuneration system is provided in the notes.

During the reporting period, a total of 485,000 of the 600,000 stock options available in 2013 were issued on 26 August 2013. Of these, 100,000 stock options were issued to Dr Rebien and 50,000 each to Dr Schumacher and Mr Greiser. The fair value per share for type A (75% of the options issued) and type B (25% of the options issued) option rights is EUR 3.39 and EUR 2.77, respectively. Expenses were incurred for the options in financial year 2013 in the amount of EUR 25 thousand for Dr Rebien and EUR 13 thousand each for Mr Schumacher and Mr Greiser due to the allocation of expenses to the periods until the options can potentially be exercised.

REMUNERATION OF THE SUPERVISORY BOARD MEMBERS

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

SHAREHOLDINGS

SHAREHOLDINGS OF THE MEMBERS OF THE MANAGEMENT BOARD

The CEO, Mr Dieter Holzer, directly held 266,610 shares as at the publication date of this annual report, corresponding to 1.02% of the Company's shares.

CFO Dr Axel Rebien directly held 20,000 of the Company's shares as at the publication date of this annual report, corresponding to 0.08% of the Company's shares.

CPO Mr Udo Greiser directly held 4,000 shares as at the publication date of this annual report, corresponding to 0.02% of the Company's shares.

SHAREHOLDINGS OF THE MEMBERS OF THE SUPERVISORY BOARD

Two members of the Supervisory Board, Mr Uwe Schröder (Chairman) and Mr Thomas Schlytter-Henrichsen (Deputy Chairman), have indirect interests in TOM TAILOR Holding AG. Mr Schröder and close relatives had an indirect interest in the Company of 4.77% via Morgan Finance S.A., Luxembourg, as at the publication date of this annual report. Mr Schlytter-Henrichsen indirectly held 0.13% of the Company's shares through Bulowayo GmbH as at the publication date of this annual report.

Dr Christoph Schug directly held 18,400 shares as at the publication date of this annual report, corresponding to 0.07% of the Company's shares.

Mr Andreas W. Bauer directly held 5,400 of the Company's shares as at the publication date of this annual report, corresponding to 0.02% of TOM TAILOR Holding AG shares.

Mr Gerhard Wöhrl directly held 16,700 of the Company's shares as at the publication date of this annual report, corresponding to 0.06% of TOM TAILOR Holding AG shares.

DIRECTORS' DEALINGS

In accordance with section 15a of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act), the members of the Management Board and the Supervisory Board of TOM TAILOR Holding AG as well as certain employees with managerial responsibilities and any persons closely associated with these employees must disclose the acquisition and sale of TOM TAILOR shares and any related financial instruments. This duty of disclosure exists if the value of the transactions by a person belonging to the above-mentioned group of persons amounts to or exceeds EUR 5,000; further details as well as the individual transactions disclosed can be found at http://ir.tom-tailor-group.com

SHAREHOLDERS

TOM TAILOR Holding AG received voting right notifications in accordance with section 21(1) of the WpHG from institutional investors in Germany, the United Kingdom, Luxembourg and the United States, among other countries.

ACCOUNTING AND TRANSPARENCY

Information is regularly provided to the shareholders and the public, in particular via the annual report containing the consolidated financial statements, and the interim reports. Our Group financial reporting is prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted by the EU, ensuring a high degree of transparency and international comparability.

REPORT OF THE SUPERVISORY BOARD

In financial year 2013, the Supervisory Board performed its duties in accordance with the law and the Articles of Association and advised and supervised the Management Board in its management of the Company. The Management Board informed the Supervisory Board regularly, comprehensively and promptly about the economic environment, the Company's situation and development, key financial figures, major transactions and risk management both orally and in writing. The timely provision of information to the Supervisory Board was ensured at all times. The Management Board regularly participated in Supervisory Board meetings and answered all of the Supervisory Board's questions fully and in depth. The Supervisory Board, and in particular the Chairman of the Supervisory Board, were also in close written and oral contact with the Management Board outside of the regular Supervisory Board meetings and discussed questions relating to strategy, planning, business development, the risk situation, risk management and compliance.

Key focuses of the Supervisory Board's work in the past year were the integration of the BONITA subgroup, the restructuring of the existing bank finance and the acquisition of non-controlling interests in existing joint venture companies, as well as preparations for a cash capital increase from authorised capital.

SUPERVISORY BOARD MEETINGS

The Supervisory Board addressed current business developments and approved significant individual transactions, examined the reports by the Management Board and discussed strategic corporate planning in four regular meetings. It also adopted resolutions and discussed topical issues in extraordinary Supervisory Board meetings and conference calls as necessary.

In its meeting on 18 March 2013, the Supervisory Board approved the annual financial statements and the consolidated financial statements for 2012, thus adopting the annual financial statements. The meeting also focused on the issuance of a borrower's note loan to replace a bank loan, as well as preparations for a stock option programme for Management Board members and senior executives. In addition, the Supervisory Board addressed the agenda for the Annual General Meeting on 3 June 2013.

The Supervisory Board discussed the figures for the first quarter of 2013 in its meeting on 3 June 2013. At the same time, the Supervisory Board addressed the restructuring of the BONITA subgroup at a company law level. The meeting also served as a preparatory meeting for the Annual General Meeting held on the same day.

In its meeting on 26 September 2013, the Supervisory Board addressed the figures for the first half of the year. Another topic discussed at this Supervisory Board meeting was the business development of the BONITA subgroup and the acquisition of additional shares of TOM TAILOR South Eastern. The Supervisory Board also discussed preparations for the cash capital increase from authorised capital, which was implemented in October.

The Supervisory Board meeting on 12 December 2013 addressed the business situation as at the third quarter of 2012 and the monthly figures for October and November 2013, in line with its regular schedule, the approval of the budget for 2014, as well as the three-year planning for 2014 to 2016 and the listing of the shares from the non-cash capital increase in connection with the acquisition of the BONITA Group in 2012. In addition, the Supervisory Board discussed the acquisition of additional shares of TOM TAILOR Sourcing Ltd., Hong Kong, the Group's purchasing company.

CORPORATE GOVERNANCE

In its meeting on 12 December 2013, the Supervisory Board resolved the 2014 declaration of conformity in accordance with section 161 of the Aktiengesetz (AktG – German Stock Corporation Act) following extensive discussion. In connection with this, the Supervisory Board addressed the future composition of the Supervisory Board in depth and updated its concrete objectives in accordance with section 5.4.1 of the German Corporate Governance Code in the version dated 13 May 2013. In doing so, particular consideration was given to the requirement contained in the recommendation to stipulate a number of independent Supervisory Board members within the meaning of section 5.4.2 of the German Corporate Governance Code. The declaration of conformity was made permanently available to shareholders on the http://ir.tom-tailor-group.com website on 17 December 2013.

SUPERVISORY BOARD COMMITTEES

The Supervisory Board has established an Executive Committee and an Audit and Finance Committee, each comprising two members.

The Supervisory Board's Audit and Finance Committee held three regular meetings in 2013. The Audit and Finance Committee also held extraordinary meetings and conference calls. Its meetings primarily served to discuss the financial statements and management reports of the Company and of the Group, as well as the interim reports. To the extent that this was necessary or relevant, these meetings were also attended by representatives of the Company (usually the Chief Financial Officer, the Finance Director and/or the General Counsel), the Chairman of the Supervisory Board, or the auditors.

The meeting on 28 January 2013 addressed the ongoing audit of the financial statements for 2012 with respect to both the Group and the BONITA subgroup. In this connection, the committee also discussed the areas of emphasis of the audit, such as integration issues, the risk management system and the measurement of subsidiaries (impairment testing).

The meeting on 26 September 2013 focused on the process to be adopted for the audit of the annual financial statements for 2013 and the planning process, as well as the current status of the risk management and compliance system implemented at TOM TAILOR GROUP. In addition, the need to further increase the number of central administrative positions for commercial functions (e.g. financial control, internal audit and tax) was discussed.

In its meeting on 12 December 2013, the Audit and Finance Committee addressed the current status of the preliminary examination for the audit of the annual financial statements for 2013 and the areas of emphasis for the audit that had already been determined. An update was also provided on the current status of the risk management and compliance system.

The Executive Committee met on 18 March 2013, 3 June 2013, 26 September 2013 and 12 December 2013, immediately before the regular Supervisory Board meetings held on each of these dates. All meetings dealt with personnel, remuneration and strategy issues.

COMPOSITION OF THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD

The members of the Supervisory Board – Mr Uwe Schröder, Mr Thomas Schlytter-Henrichsen, Mr Andreas W. Bauer, Mr Andreas Karpenstein, Dr Christoph Schug and Mr Gerhard Wöhrl – exercised their Supervisory Board mandates for the entire year.

There were no changes to the composition of the Management Board of TOM TAILOR Holding AG (Mr Dieter Holzer, Chief Executive Officer, Dr Axel Rebien, Mr Udo Greiser and Dr Marc Schumacher) in financial year 2013.

ACCOUNTING AND AUDITING

The annual financial statements and the accompanying management report of TOM TAILOR Holding AG are prepared by the Management Board in accordance with the Handelsgesetzbuch (HGB – German Commercial Code). The consolidated financial statements and the Group management report are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. The annual financial statements, consolidated financial statements and the management reports are audited by the auditor and examined by the Supervisory Board.

The annual financial statements, consolidated financial statements and management reports of TOM TAILOR Holding AG were audited by Ebner Stolz GmbH & Co. KG, Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft. The audits were conducted in accordance with German auditing regulations and the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer. The International Standards on Auditing were also observed as a supplementary measure. Unqualified audit opinions were issued for all audits.

The annual financial statements, consolidated financial statements and the accompanying management reports of TOM TAILOR Holding AG and the audit reports by the auditors were submitted to the Supervisory Board members for examination. All documents were discussed and examined in detail by both the Audit and Finance Committee and the full Supervisory Board. The auditors reported on the key results of the audit at the meetings of the Audit and Finance Committee and the full Supervisory Board on 13 February 2014 and 24 March 2014 respectively, and were available to answer questions from the members in attendance. In its meeting on 24 March 2014, the Supervisory Board approved the auditors' findings without restriction and, based on the final results of its own examinations, found that it had no reservations to make. The Supervisory Board approved the financial statements prepared by the Management Board. The annual financial statements are thus adopted.

The Supervisory Board would like to thank the Management Board and the employees for all their hard work.

Hamburg, March 2014

The Supervisory Board

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FINANCIAL CALENDAR AND CONTACT DETAILS

Financial Calendar

Date	Current Events
25 March 2014	Annual Report 2013
25 March 2014	Analyst Conference, Frankfurt, Germany
8 May 2014	Publication of Q1 Report 2014
27 May 2014	Annual General Meeting, Hamburg, Germany
6 August 2014	Publication of Q2 Report 2014
6 November 2014	Publication of Q3 Report 2014

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Future-oriented Statements

This document contains forward-looking statements, which are based on the current estimates and assumptions by the management of TOM TAILOR Holding AG. Forward-looking statements are characterized by the use of words such as expect, intend, plan, predict, assume, believe, estimate, anticipate and similar formulations. Such statements are not to be understood as in any way guaranteeing that those expectations will turn out to be accurate. Future performance and the results actually achieved by TOM TAILOR Holding AG and its affiliated companies depend on a number of risks and uncertainties and may therefore differ materially from the forward-looking statements. Many of these factors are outside TOM TAILOR Holding AG's control and cannot be accurately estimated in advance, such as the future economic environment and the actions of competitors and others involved in the marketplace. TOM TAILOR Holding AG neither plans nor undertakes to update any forward-looking statements.

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