TOM TAILOR GROUP

COMMIT AND DELIVER

ANNUAL REPORT 2017

KEY FIGURES OF THE TOM TAILOR GROUP

EUR million	2017	2016	Change relative
Revenue	921.8	968.5	–4.8%
TOM TAILOR Retail	304.0	313.6	–3.1%
TOM TAILOR Wholesale	350.1	351.9	–0.5%
BONITA	267.7	303.0	–11.6%
Share of revenue (in %)			
TOM TAILOR Retail	33.0	32.4	
TOM TAILOR Wholesale	38.0	36.3	
BONITA	29.0	31.3	
Gross profit	537.7	527.5	1.9%
Gross profit margin (in %)	58.3	54.5	
EBITDA	83.1	10.3	> 100%
EBITDA margin (in %)	9.0	1.1	
EBIT	43.9	–72.9	> 100%
EBIT margin (in %)	4.8	–7.5	
Net income for the period	17.1	–73.0	> 100%
Earnings per share (in EUR)	0.37	–2.95	> 100%
Cash generated from in operations	83.4	50.3	65.7%
Cash flows from investing activities	–13.2	–14.5	8.4%
Free cash flow	56.9	20.0	> 100%
	31/12/2017	31/12/2016	
Total assets	646.3	695.7	–7.1%
Equity	213.0	162.9	30.7%
Equity ratio (in %)	32.9	23.4	
Cash funds	24.2	38.1	–36.6%
Financial liabilities	137.5	232.8	–41.0%
Net debt	113.3	194.7	–41.8%
Gearing (in %)	53.2	119.5	
Employees (reporting date)	6,071	6,789	–10.6%

General note: Due to the presentation of rounded figures, some totals might deviate from the sum total of the respective individual items.

COMMIT AND DELIVER

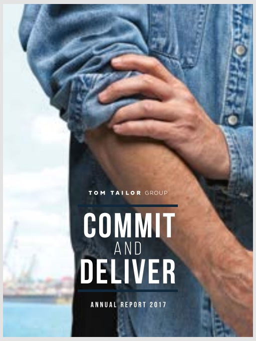
We deliver on our promises. This is the core of our new philosophy. Having successfully completed our RESET cost and process optimisation programme over the past year, we can now build our strategy for the next years on a strong foundation.

Overall, 2017 was an important year of transition towards sustainable profitability and future viability and competitiveness. We have made decisions that resulted in lower revenue in the short term but are now showing initial effects on profitability. We significantly streamlined our branch, country and product portfolio, reduced inventories of old merchandise and repositioned the content and style of our brands and collections.

We also pushed ahead with the digitalisation of our business and thus significantly strengthened the brand. The launch of new e-shops and new marketing campaigns and the Group-wide roll-out of SAP are just three examples of our digital transformation.

Everyone at the TOM TAILOR GROUP is working hard to deliver positive results in the interests of our Company and our investors.

We literally roll up our sleeves every single day – and that’s a promise!



Our cover demonstrates our understanding of hands-on work.

OUR BRANDS AND LICENCES

TOM TAILOR
EST. 1962

Casual Fashion,
Mid-range price segment,
Men and Women 35 – 45

BONITA

Fashionable clothing,
Mid-range price segment,
Women >50 and accessories

TOM TAILOR GROUP

TOM TAILOR
Denim

Hip and trendy,
Mid-range price segment,
Men and Women 25 – 35

LICENSED PRODUCTS

Kids 0 – 14,
Accessories,
Homeware

CONTENTS

LETTER OF THE MANAGEMENT BOARD

Dear Shareholders, Business Partners and Employees,

After embarking on a fresh start for the entire TOM TAILOR GROUP in 2016 by launching the extensive RESET cost and process optimisation programme, we continued to consistently follow this path in 2017. During the year under review, we focused squarely on the operational transformation of our company in order to place all units on a financially sustainable footing. We eliminated legacy liabilities in our network of stores and sales markets and thoroughly reviewed all workflows, sales channels and brand portfolios. We also raised funds as part of a capital increase and began to invest them selectively in promising sectors. In doing so, we sought to strike a balance of “divest to invest” in 2017.

The growing success of this strategy is apparent: Thanks in part to the successful optimisation of purchasing activities, gross margin for the TOM TAILOR GROUP rose by 3.8 percentage points to 58.3% during the reporting period, while total revenue fell only slightly by 4.8% despite closures. This trend clearly shows that RESET is having an impact and that we have addressed the right issues. In addition to essential clean-up work, we primarily focused on digitalising our business processes and initiated a number of important projects in the second half of the year. By introducing the new PLM product development system and gradually transitioning to SAP, we can now control our process chain much more efficiently, which will have a positive effect on all relevant areas of the TOM TAILOR GROUP. These systems help us to address our customers’ needs even more effectively and ensure that promotions and sales planning can be more target-group specific.

We are also confident about our new TOM TAILOR online shop, which went live in Germany in the third quarter of the financial year and was then rolled out gradually across all brands and countries. In the medium term, this will significantly improve the user experience and our ability to react to changes in requirements. As a result, we are expecting significant effects from as early as the second quarter of 2018.

We have set up our own e-commerce team for this purpose, giving the Company the expertise required to better understand our customers' data. Sales and Marketing will particularly benefit from this going forward because it will enable them to better manage their customer outreach. Our new marketing strategy addresses this very issue, as we have realigned our brands based on extensive data and market analyses. Our communication is designed to be more modern, provocative and distinctive. We struck out in a bold new direction by implementing our "ARE YOU READY...?" campaign and launching new initiatives such as viral marketing and new design collaborations with well-known personalities such as members of Hamburg-based band Revolverheld.

Furthermore, the various measures taken as part of RESET ultimately enabled us to see the first positive developments in our BONITA brand. By closing unprofitable stores, we increased the EBITDA margin by 13.3 percentage points to 5.8% and enhanced the desirability of the brand with the new collection by Franziska Knuppe. Our stepped-up CRM activities and a new store concept that has already been introduced in five cities and is now being implemented in 100 additional stores will give BONITA a more modern twist and enable us to respond even more effectively to the needs of our customers.

Changing our strategic course made the past year very challenging for the entire TOM TAILOR GROUP. But we have found the answer in RESET and have already completed many parts of the programme. We have begun to lay a foundation that enables us to introduce new growth initiatives and return our focus to the future. Thanks to the enthusiastic and passionate support of our shareholders and all employees in the TOM TAILOR GROUP, we are confident of pursuing a sustainable and profitable growth trajectory in the future.

The Management Board team

Dr Heiko Schäfer | Thomas Dressendörfer | Liam Devoy

Hamburg, March 2018

THE MANAGEMENT BOARD

LIAM DEVOY
COO

DR HEIKO SCHÄFER
CEO

THOMAS DRESSENDÖRFER
CFO

DR HEIKO SCHÄFER (*1972)

Dr Heiko Schäfer joined the TOM TAILOR GROUP as Chief Operating Officer (COO) in December 2015. After taking on the additional role of interim Chief Executive Officer (CEO) in September 2016, he was appointed as the CEO of TOM TAILOR Holding SE on a permanent basis in mid-March 2017.As CEO he is responsible for product development, corporate strategy, sales, e-commerce, marketing and public relations.

Dr Schäfer was born in Minden in 1972. He studied business administration at the University of Saarbrücken and earned a doctorate degree at the University of Mannheim with a dissertation on cross-selling. Before he joined TOM TAILOR, Dr Heiko Schäfer's career included positions at the Boston Consulting and the adidas Group, where his work focused on marketing / sales and product development.

THOMAS DRESSENDÖRFER (*1958)

Thomas Dressendörfer has been with the TOM TAILOR GROUP since mid-June 2016. As Chief Financial Officer (CFO), he is responsible for finance and accounting, controlling, investor relations, human resources, auditing, taxes and legal affairs.

Thomas Dressendörfer was born in Baghdad (Irak) in 1958 and grew up in Mumbai (India). He holds a degree in business administration and economics from the University of Erlangen-Nuremberg and has built up extensive experience as the CFO of exchange-traded companies and major corporate divisions and regions. He previously held CFO positions at Swiss implant manufacturer Institut Straumann AG and technology firm Uster Technologies AG, also based in Switzerland. Both companies are listed on the Swiss SIX stock exchange. During the course of his career, Thomas Dressendörfer has also held senior finance positions at Randstad, The Nielsen Company and Procter & Gamble. Before joining the TOM TAILOR GROUP, he advised companies on complex business projects and turnarounds as an independent consultant with his company, DCS Consulting.

LIAM DEVOY (*1962)

Liam Devoy has been with the TOM TAILOR GROUP since 1 August 2017. As Chief Operating Officer (COO), he is the Management Board member responsible for operations with a focus on purchasing, logistics and IT.

Liam Devoy has logged more than 20 years of experience in the fashion and sportswear industry. He studied English and Politics at Bridgewater State University and then worked in a series of operations roles for companies including Quiksilver, Marc Jacobs, The Children's Place and Reebok.

Most recently, Mr Devoy was responsible for the strategic focus of the worldwide supply chain of the adidas Group as Vice President Global Supply Chain Strategy. His responsibilities in earlier roles with adidas and Reebok also included setting up the global warehouse network.

TOM TAILOR ON THE CAPITAL MARKET

DAX® MAKES RECORD GAINS

2017 was a record year for Deutsche Börse, with Germany's leading DAX® index climbing above 13,400 points for the first time in its history. Driven by continuing export success for German companies, strong domestic consumption and rising company profits, the DAX® reached a peak of 13,479 points on 3 November 2017. On 29 December 2017, it closed the year at 12,917 points (30 December 2016: 11,481 points), a gain of 12.5%.

TOM TAILOR SHARE PRICE POSTS BEST PERFORMANCE SINCE IPO

TOM TAILOR's shares started 2017 with a price of EUR 5.01, reaching its lowest point of EUR 4.71 shortly afterwards. On 21 February, the Company reported the first positive effects from the RESET cost-cutting and efficiency enhancement programme launched at the end of 2016 and announced its results for the 2016 financial year. As a result of this good news, the share price rose significantly above EUR 8.00 by April and settled around this level for the rest of the year, despite the number of shares increasing by more than a third as a result of the capital increase successfully completed in June 2017. With the publication of the half-year and nine-month figures in August and November respectively and the continued success of the RESET programme, the share price reached an annual high of EUR 11.00 shortly before the end of the year. The share price closed the year at EUR 10.89 to record a year-on-year gain of 116%, meaning that the share price more than doubled during this time. Taking into account the capital increase in June, the market capitalisation of TOM TAILOR Holding SE almost tripled, climbing by nearly 183%. The liquidity of the share in XETRA trading also rose significantly to an average of 218,104 shares per day (2016: 139,355).

The TOM TAILOR share in the period from 1 January to 31 December 2017

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
Stock markets	Frankfurt and Hamburg
Most important trading venue	XETRA (electronic trading system)
Designated sponsor	M.M.Warburg & CO (AG & Co.) KGaA

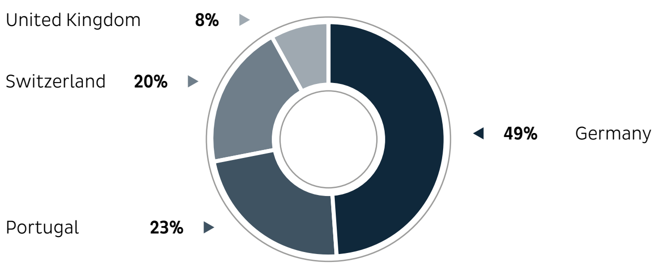
TOM TAILOR's Share Performance

		2017	2016
Shares in issue as at reporting date	Shares	38,495,269	28,629,846
Share capital	EUR	38,495,269	28,629,846
Capital increase	EUR	9,865,423	2,602,713
High (Xetra closing price)	EUR	11.00	5.39
Low (Xetra closing price)	EUR	4.71	3.12
Price at financial year-end (Xetra closing price)	EUR	10.89	5.18
Free float at financial year-end	in %	71.11	70.53
Market capitalisation at financial year-end	in EUR million	419.2	148.3
Average daily trading volume (Xetra)	Shares	218,104	139,355
Reported earnings per share	EUR	0.37	−2.95
Operating cash flow per share	EUR	2.17	1.76

SHAREHOLDER STRUCTURE WITH STABLE ANCHOR INVESTOR

TOM TAILOR Holding SE issued 9,865,423 new shares as part of a capital increase in June 2017 and increased its share capital from EUR 28,629,846 to EUR 38,495,269 (one share is equivalent to one euro). As part of this capital increase, the regional structure of shares in free float, which mainly comprises institutional investors from Europe, changed. As a result, the proportion of investors from Switzerland increased from 13% at the end of 2016 to approximately 20%. While the share of investors from Germany and the United Kingdom also rose in nominal terms, it decreased in percentage terms to 49% and 8% respectively as of 30 June 2017 as a result of the higher number of shares.

Regional Shareholder Structure – 31 December 2017



Long-term anchor investor Fosun International Limited (Fosun) participated fully in the capital increase, holding 28.89% (2016: 29.47%) in TOM TAILOR Holding SE at the end of the year. This means that Fosun continues to support the development of TOM TAILOR as a strategic anchor investor. At the end of 2017, the free float was 71.11% (2016: 70.53%).

Apart from Fosun, only DORVAL Asset Management (France), with its 5.03% shareholding, held more than a 3% stake in TOM TAILOR Holding SE at the end of the year. The remaining shares are currently widely spread among German and international investment companies as well as private shareholders.

SUCCESSFUL INVESTOR RELATIONS ACTIVITIES

Dialogue with the capital market is of paramount importance for TOM TAILOR Holding SE. The Company's investor relations activities are therefore designed to provide private and institutional shareholders with transparent, timely and regular information. In addition to the latest business developments, key financial figures and important company milestones, the Company also places particular emphasis on its strategic focus.

TOM TAILOR stepped up its investor relations activities further in 2017. As part of these efforts, the Management Board conducted numerous meetings with analysts and investors in Germany and abroad with the support of the Investor Relations team. The Company held a total of 17 roadshows in locations such as Frankfurt, London, Zurich, Geneva, Paris and the Benelux countries and visited five international capital markets conferences.

The Annual General Meeting, at which around 41.2% of the share capital was represented (2016: 39.8%), was held in Hamburg on 31 May 2017. Shareholders approved the proposals for resolutions on the agenda with a large majority of the votes in each case.

At year-end 2017, ten (2016: ten) international financial analysts were tracking the performance of the TOM TAILOR and issued investment recommendations based on their assessments. At the end of December 2017, seven analysts issued "buy" recommendations and three issued "hold" recommendations for the Company's shares. There were no recommendations to sell TOM TAILOR shares.

Interested parties can find all information about the TOM TAILOR GROUP and its investor relations activities at http://ir.tom-tailor-group.com.

SUSTAINABILITY AND RESPONSIBILITY

SEPARATE NON-FINANCIAL REPORT PURSUANT TO SECTIONS 289, 315 HANDELSGESETZBUCH (HGB – GERMAN COMMERCIAL CODE)

LEGAL REQUIREMENTS AND COMPLIANCE WITH STANDARDS

The TOM TAILOR GROUP's business activities are based on the principles of good and responsible corporate governance with an emphasis on integrity and requiring ethical behaviour from each and every employee. Protecting human rights is an integral part of the principles according to which we do business. The TOM TAILOR GROUP is committed to sustainable corporate development and is fully aware of its special role and responsibility for addressing various stakeholder needs along the entire value chain. In addition to the financial performance of the Company, non-financial factors are also critical.

In order to create transparency and meet the specific information needs of all stakeholders, the TOM TAILOR GROUP has prepared this report for the Group on the relevant non-financial aspects (separate non-financial report) in accordance with the CSR-Richtlinie-Umsetzungsgesetz (CSR Directive-Implementation Act – Act to Strengthen Non-financial Corporate Disclosure in Management Reports and Group Management Reports). The reporting period for this separate non-financial report is the 2017 financial year (1 January to 31 December 2017).

The TOM TAILOR GROUP complies with legal requirements in particular, taking into account their relevance for the Company. No widely recognised standard has been implemented to date, because the strategic focus of the TOM TAILOR GROUP's management has been on reinforcing the Company's operations and finances in a highly competitive environment and on restructuring the Company to ensure economic viability into the future. The TOM TAILOR GROUP intends to update the internal control and monitoring systems regarding material issues in the medium term and to link these more closely with the financial strategy overall.

For a description of diversity in the composition of the Management Board and Supervisory Board (section 289f of the HGB), please see the "Corporate Governance Declaration" contained in the Group management report that is combined with the management report (hereinafter: "combined management report").

BUSINESS MODEL AND VALUE CHAIN

Detailed information on the Company's legal and organisational structure, business model, strategy and control is provided in the combined management report section entitled "Fundamental Information about the Group".

SUSTAINABILITY PLAN AND RESPONSIBLE CORPORATE GOVERNANCE

In a global industry such as textiles, corporate responsibility towards employees, customers, suppliers and the environment is of particular significance. The TOM TAILOR GROUP embraces corporate responsibility: it is integral to all processes at the Company and is an underlying factor in the Company's long-term financial success. The TOM TAILOR GROUP's approach to business includes a well-balanced human resources policy and maintaining relationships with business partners along the entire value chain based on a foundation of trust. We place great emphasis on decent, safe and fair working conditions at our supplier operations as described in the section entitled "Responsible action in the supply chain", on reducing the environmental footprint in the production and procurement process as well as on high product quality.

The Management Board is responsible for sustainable corporate governance. Issues relating to material aspects of sustainability are reported directly to the Management Board, and the employees responsible for these work with the Management Board and the respective Executive Management Team to define the appropriate strategies.

In the markets where our products are manufactured, the TOM TAILOR GROUP has a team that through training programmes works directly with suppliers to achieve compliance with sustainability standards, e.g. the amfori Business Social Compliance Initiative (BSCI).

The TOM TAILOR GROUP's corporate responsibility includes, in particular, identifying and minimising the risks associated with business activities, products for third parties and the environment that arise along the supply chain. This is a continuous process for the TOM TAILOR GROUP, and the Company is engaging in dialogue with its stakeholders to address their needs and generate value for all stakeholders of the TOM TAILOR GROUP.

RISKS ALONG THE SUPPLY CHAIN

As an international company, the TOM TAILOR GROUP systematically analyses risks that could adversely affect the Group's net asset, financial position and results of operations. Detailed information about this topic is provided in the "Risks And Opportunities" section in the combined management report.

However, the TOM TAILOR GROUP's business activities and/or products and services may give rise to events that additionally or exclusively have serious negative effects on employees, third parties or the environment. Supply chain risks are analysed and countermeasures defined in view of our corporate responsibility for sustainability.

The likelihood of serious adverse effects on our employees, the community or the environment caused by the stages in the Group's supply chain that the TOM TAILOR GROUP can control directly – product development, logistics and warehousing, sales and administration – or in connection with our products is very low due to our business model. And this is true of our sales activities via established partners as well. These types of risk are therefore immaterial with regard to sustainability. Nonetheless, we take responsibility by managing external risks and refining methods for avoiding such risks posed by our business operations. These mostly comprise responsibility for our employees, and environmentally friendly practices in logistics, warehousing and central administration and in the distribution facilities.

In contrast, the TOM TAILOR GROUP's business activities and products are associated with typical textile industry and fashion business risks arising in the production process. These include the risks associated with environmental and social issues in particular. Since the Company does not operate its own production facilities, but instead outsources product manufacturing to selected suppliers located primarily in Asia, the Company only has indirect access and indirect opportunity to minimise and prevent these risks at this stage of the value chain. At the same time, occurrence of these risks could also have effects on the reputation, and on the net assets, financial position and results of operations of the TOM TAILOR GROUP. The TOM TAILOR GROUP therefore makes the utmost effort from its perspective to limit, and possibly, eliminate these risks for all parties involved.

In general, social and environmental risks may arise at suppliers, or suppliers' employees may experience serious negative effects, including on their health, for reasons including poor, inhumane working conditions or insufficient industrial safety measures. By recognising the amfori BSCI Terms of Implementation, all of our suppliers commit to manufacturing our products in their facilities under decent working conditions within the meaning of the amfori BSCI Code of Conduct. Working conditions are monitored by TOM TAILOR employees from our purchasing offices and external agencies accredited by amfori BSCI. The TOM TAILOR GROUP is an active member of the amfori BSCI. Furthermore, strict external and internal standards are in place governing the raw materials and supplies used to manufacture products for the TOM TAILOR GROUP – e.g. the REACH Regulation or AQL 1.5 (Acceptable Quality Limit) as defined by the ISO 2859 standard – and the impact of these products on human health and the environment. Strict quality control by employees of the TOM TAILOR purchasing offices and spot checks in our physical test department ensure that our products comply with the relevant standards and requirements. More detailed information about this topic is provided in the section entitled “Responsible Action in the Supply Chain”.

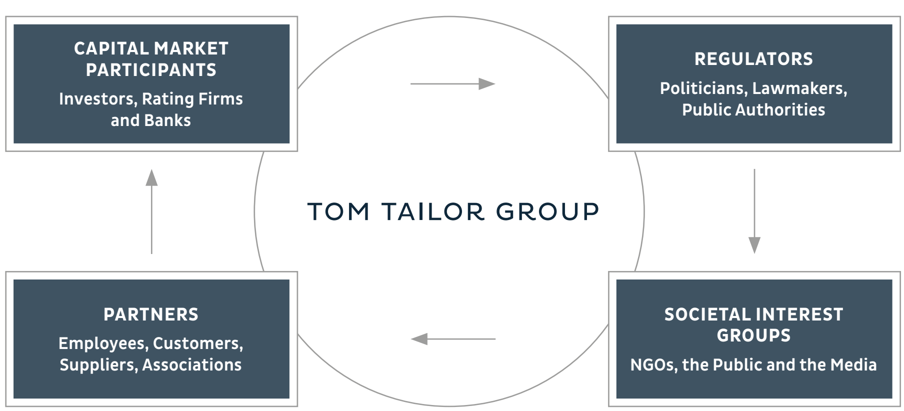
STAKEHOLDER DIALOGUE

A regular exchange of information with stakeholders is vital for the TOM TAILOR GROUP. Our key stakeholders are business partners, employees, capital market participants, regulators and societal interest groups that all make a variety of demands on the TOM TAILOR GROUP at the national and international levels. The Company engages in target group-oriented, regular dialogue offering the appropriate depth of information to improve transparency concerning corporate decisions and thus build trust. In addition, this dialogue helps the Company to identify trends early on and to align its sustainability activities with the material interests of stakeholders and enable them to participate in the Company’s value creation.

FINANCIAL RESPONSIBILITY AND VALUE ADDED STATEMENT

Financial responsibility is a core component of corporate strategy and company management. Business success is what ensures the continued existence of the Company. Value can be created for all stakeholders of the Company only if the Company is successful in pursuing its profitable growth strategy. That in turn provides a solid foundation for the TOM TAILOR GROUP in the long term. The TOM TAILOR GROUP conducts its ongoing business and other activities as a company in the interests of its stakeholders, thereby generating direct value for them. The Company is an employer of executives and qualified employees in various areas. Moreover, the Company provides training and promotes continuing education, employee health and flexible working conditions. The Company makes considerable direct, monetary value contributions to the employees of the TOM TAILOR GROUP in the form of what it believes is fair and performance-focused remuneration. Based on its business performance, the TOM TAILOR GROUP also addresses lender requirements by making interest payments. Our long-term goal is to enable investors to share directly in the parent company’s performance through dividend payments from sustainably positive income. TOM TAILOR also makes contributions to the government in the form of various corporate taxes, thereby contributing value to society. As the Group’s earnings improve, the value contributed also automatically increases.

Stakeholder Dialogue



This business performance as a whole is measurable in a value added analysis. Exceeding the narrow view of purely financial parameters based on the financial key performance indicators mentioned in the combined management report, the value added statement measures the direct potential of the Company to create value for its stakeholders. Firstly, a value added analysis shows that the TOM TAILOR GROUP's operations have created value (output approach). This is calculated by subtracting all purchased inputs (including management and Supervisory Board remuneration) and depreciation, amortisation and impairment losses from the Company's total operating revenue (revenue plus other operating income). In the 2017 financial year, the TOM TAILOR GROUP generated value added of EUR 239.2 million (2016: EUR 147.3 million).

Secondly, the analysis indicates which groups of stakeholders benefit from specific direct value added contributions. By far the largest share (81.6%) of the value generated by TOM TAILOR's business activities in 2017 was paid to employees as wages and salaries. Other value added contributions benefited investors and society (in the form of taxes). In the reporting year, 7.1% of the added value was reinvested in the TOM TAILOR GROUP to sustainably strengthen the Company.

Value added analysis

	2017		2016		YoY change	
Generation	**EUR million**	**in %**	**EUR million**	**in %**	**EUR million**	**in %**
Sales revenue	921.8	96.0	968.5	96.8	−46.7	−4.8
Other revenue	38.2	4.0	32.3	3.2	5.8	18.1
Total operating revenue	**959.9**	**100.0**	**1,000.8**	**100.0**	**−40.9**	**−4.1**
Cost of materials	384.1	40.0	441.0	44.1	−57.0	−12.9
Depreciation, amortisation and impairment losses	39.2	4.1	83.1	8.3	−44.0	−52.9
Other expenses	297.5	31.0	329.4	32.9	−31.9	−9.7
Inputs	**720.7**	**75.1**	**853.6**	**85.3**	**−132.8**	**−15.6**
Value added	**239.2**	**24.9**	**147.3**	**14.7**	**91.9**	**62.4**
Distribution						
Employees	195.3	81.6	220.2	149.5	−24.9	−11.3
Company	17.1	7.1	−73.0	−49.6	90.1	123.4
Lenders	15.3	6.4	16.3	11.1	−1.0	−6.0
Shareholders	0.0	0.0	0.0	0.0	0.0	0.0
Government	11.5	4.8	−16.2	−11.0	27.7	171.1
Value added	**239.2**	**100.0**	**147.3**	**100.0**	**91.9**	**62.4**

MATERIALITY AND DIMENSIONS OF RESPONSIBILITY

In determining the content for the separate non-financial report, the TOM TAILOR GROUP identified and compiled the material issues required for understanding the course of business, the Company's business performance and situation of the Company as well as for understanding the effects on the non-financial aspects of the Company's activities. Based on this, and taking into account the business model and their relevance to the management of the day-to-day operations of a medium-sized textile company, the following focus areas of the sustainability dimensions for the TOM TAILOR GROUP have been determined:

- Ethical responsibility and compliance
- Responsibility to employees
- Responsible action in the supply chain

ETHICAL RESPONSIBILITY AND COMPLIANCE

Compliance with applicable laws and impeccably ethical behaviour by all employees are important to the TOM TAILOR GROUP in order to maintain confidence in the Company by customers, business partners, capital market participants and other stakeholders, prevent reputational damage and financial loss and contribute to the safety of the Company and its employees. For this reason, the TOM TAILOR GROUP is in the process of setting up a compliance management system. This compliance management system is intended to ensure adherence to locally applicable laws, internal regulations, ethical principles and voluntary obligations. The TOM TAILOR GROUP's Management Board considers compliance to be one of its principal responsibilities. A compliance officer reporting directly to the CFO of the TOM TAILOR GROUP, who is responsible for compliance at the Company, supports the Management Board in setting up an efficient compliance management system and continually improving that system.

The compliance management system involves analysing the compliance risks facing the TOM TAILOR GROUP and taking measures to reduce these risks, such as risks relating to cartel law or corruption. This is accomplished by means including employee training based on the training needs of individual employees. Currently, compliance training is being developed and will be carried out through an e-learning programme in 2018. The e-learning programme will initially be offered to employees in the German companies and subsequently rolled out throughout the Group. Moreover, a training programme on antitrust law was held in December 2017 for employees in Germany who deal with aspects of this issue. The Company is also are working on efficient and centralized policy management and internal guidelines, for example regarding the signing of contracts. The goal is to provide employees a framework in addition to existing laws that defines the conduct expected and required from them. A Code of Conduct that communicates the Company's values to employees, such as transparency, integrity and respect, is currently being written.

Supervisors, the Management Board, individual departments and the Compliance unit promote awareness of the statutory and ethical responsibilities of each and every TOM TAILOR GROUP employee.

This effort is undertaken in the Company's day-to-day business and by way of specific communication measures such as interviews with the Compliance Officer on the intranet in which compliance-related questions are asked. Communication initiatives such as these make employees aware of the importance of conduct in conformity with rules and regulations on an ongoing basis. They will be conducted regularly and the programme expanded.

Consideration of current court rulings and an interdepartmental exchange of information on relevant topics ensure that necessary adjustments to the system can be made in a timely manner and employees are informed about changes in requirements. This approach aims to eliminate the possibility of illegal employee conduct from the start and to make staff aware of the extent to which the conduct expected from them is subject to change.

If employees are unsure or have questions about legal requirements, internal company rules or the ethical behaviour expected of them, the Compliance unit along with their department, the legal department and the data protection officer are available to answer these questions.

Systematically implementing TOM TAILOR's corporate values and the legal requirements at all management levels, especially the Management Board, ensures that employees accept the Company's values. Furthermore, this highlights the importance of compliance vis-à-vis the employees. Activities in this context in the 2017 financial year included the Management Board writing a foreword for a compliance article on the intranet or the Chief Executive Officer drawing employees' attention to an article on compliance on the intranet in a video message.

Supervisors are primarily responsible for monitoring actual employee compliance with legal and internal Company requirements; Compliance also conducts spot checks. The Internal Audit unit is also involved in certain controls. This approach allows for review and optimisation of individual cases as well as of the underlying processes, which are monitored across departments under certain circumstances. Controls such as this may – but are not required to – be carried out based on a specific incident.

Violations of statutory provisions and corporate values may also be reported by employees themselves to various departments, particularly Compliance. TOM TAILOR is currently setting up a more extensive whistleblower system.

The Company has a zero-tolerance policy for misconduct by employees in legal and ethical matters. The term “zero tolerance” at TOM TAILOR GROUP means that action is consistently taken and appropriate sanctions imposed against any behaviour that violates laws or corporate values, including but not exclusively related to disregard for human rights or cases of corruption. Appropriate sanction must take into account the seriousness of the violation and the local legal situation in each individual case. The range of possible sanctions extends from a warning to termination without notice and / or criminal charges. Claims for damages may also be asserted. Sanctions have already been implemented in 2017.

Compliance violations are investigated fairly and transparently, and appropriate sanctions are imposed. Any subsequent modification of the compliance management system ensures that any gaps in the compliance management system used in such cases are closed.

In 2017 no incidents of corruption or bribery involving TOM TAILOR GROUP employees were identified by the Compliance Officer or the Internal Auditor up to the time of preparation of this report.

RESPONSIBILITY TO EMPLOYEES

Human Resources Strategy and Organisation

Employees are a company’s most important resource and are therefore the key to the success of any enterprise. One of the main tasks of human resources work in the TOM TAILOR GROUP is therefore to attract good people, systematically develop them and ensure that they remain with the Company for the long term.

In organisational terms, the personnel department manages and supervises the Group’s human resources activities. Personnel management in operations in the business units and departments is the responsibility of each supervisor. They work with the personnel department to define target agreements, promotion opportunities and areas of activity for employees and support implementation. In 2017, a performance management tool was developed and introduced for systematically, transparently and efficiently conducting annual discussions and target agreements between employees and managers. The human resources department also advises and supports managers during strategic change processes to protect employee interests and best deploy staff according to their strengths.

The workforce was distributed as follows as at 31 December 2017:

Employees

	2017			2016		
Number of employees on 31 December	**Retail**	**Wholesale**	**Total**	**Retail**	**Wholesale**	**Total**
Germany	3,004	465	**3,469**	3,480	540	**4,020**
Core markets outside Germany	1,292	91	**1,383**	1,515	104	**1,619**
Other countries	1,067	152	**1,219**	984	166	**1,150**
Total	**5,363**	**708**	**6,071**	**5,979**	**810**	**6,789**

Of the total of 6,071 employees, 3,022 worked at TOM TAILOR and 3,049 at BONITA. TOM TAILOR Holding SE also had three Management Board members at the end of 2017 (2016: three Management Board members and three employees).

Codetermination

The TOM TAILOR GROUP considers it very important to substantively include all employees in the decision-making process at the Company and to ensure active representation of their interests. TOM TAILOR and BONITA each have their own works councils. TOM TAILOR's Works Council consists of eleven members, nine of whom are women. BONITA's Works Council has nine members, of whom four are women. A further works council at BONITA Retail has eleven members, all of whom are women. In addition TOM TAILOR Holding SE also has a works council with a total of 16 members from twelve different countries. That committee has eleven women.

Thanks to flat hierarchies and an open, collaborative corporate culture, younger employees can take positions of responsibility early on and develop their own ideas. Direct communication with executives ensures short communication chains and quick decisions. During the reorganisation of TOM TAILOR Holding AG as a Societas Europaea (SE) in 2017, the Supervisory Board was composed of equal numbers of representatives on the investor and employee sides. This significantly expanded the opportunity for codetermination by employees in the reporting period.

Training and Continuing Education

The TOM TAILOR GROUP strongly emphasises focused training and promotion of emerging talent in order to proactively address the shortage of skilled professionals. In conjunction with the Management Board, the requirement for emerging talent is determined based on specified criteria one year before vocational training begins. The Company's training plan ranges from conventional professional training options for the head office and the selling spaces alike through internships to trainee programmes for university graduates. These programmes are continually updated. When applying for a vocational training spot, potential new trainees must participate in an assessment centre. During training, all vocational trainees work in various areas of the relevant business in accordance with a schedule set up by the HR department along with executives. In the 2017 reporting period, 29 vocational trainees in five categories of professions such as industry, retail, computer science and warehouse logistics worked at the TOM TAILOR GROUP. Out of the vocational trainees who finished their training in 2017, 70% were hired on permanently. In addition, 12 interns were able to gain extensive experience in various departments throughout the Company.

In a constantly changing work environment, it is essential that employees continue their professional development. In order for the TOM TAILOR GROUP to continue preserving its innovative capability, remain attractive for new employees and retain employees for the long term, the Company has created a wide range of continuing education options for its employees. This programme is revised on an ongoing basis and adapted to meet new requirements. In annual performance reviews, the Company determines employees' training requirements and wishes. The options include both professional classes (e.g. textile training) and skills-based development opportunities, such as intercultural competency and soft skills. Moreover, the Company regularly invites external speakers on topics such as motivation and leadership. The TOM TAILOR GROUP's internal Retail Academy also enhances the skills of its workforce, including executives. This programme consists of four modules, including sales, visual merchandise and management training as well as resource-oriented HR development.

In 2017, a total of 30 trainings were held across Germany attended by around 220 participants. The Retail Academy trained 23 employees from across the Company. The "Leadership Lab" (participants in 2017: 35; in 2016: 34) is aimed at executives in particular and is a multi-module executive development programme for both new and experienced managers. Internal

Company events for the entire staff are also regularly held on a variety of topics. A particularly popular format is the lunch-time "brown bag" sessions at which employees in key positions or people responsible for new functions introduce themselves to the staff. Eight of these sessions were held in the reporting period (2016: nine).

Work-Life-Balance

The health and satisfaction of employees is important to the TOM TAILOR GROUP. These factors help retain staff for the long term and create an attractive work environment for potential new employees. Twice a year, the TOM TAILOR GROUP's personnel management team reviews and adds to the variety of health-promoting measures the Company offers and puts into place attractive conditions for balancing work and family life.

This is why the Group launched its "TOM TAILOR goes balance" initiative providing external counselling to employees and also offering a large number of seminars on topics such as stress prevention, health in the workplace and coping with change. Moreover, the TOM TAILOR GROUP provides financial support to employees for exercise programs such as yoga classes and fitness studio memberships.

Since 2012, employees have also been able to contact an external coaching institute for free, anonymous advice and support on questions or problems related to their job, private lives or families. By introducing this service, the Company supports its employees in overcoming challenging and stressful life situations and so help maintain their health over the long term. With 120 participations in 2017 (2016: 135), this offer again was very popular.

An attractive and flexible working environment is an important factor for successfully attracting and retaining of skilled staff. A good balance between work and family life is a major concern for most of the Group's employees. The TOM TAILOR GROUP's flexitime, part-time and home office options enable employees to be flexible and customise their work to suit themselves to a large degree. A total of 64% of the TOM TAILOR GROUP's staff worked part time in 2017 (2016: 65%). At TOM TAILOR this figure was 37% (2016: 35%) and at BONITA 91% (2016: 91%). The "TOM TAILOR goes Family" initiative enables employees to make use of a wide range of free services, including finding emergency childcare and providing counselling through PME Familienservice.

RESPONSIBLE ACTION IN THE SUPPLY CHAIN

Organisation and Concept

The TOM TAILOR GROUP's collections are mainly manufactured in Asia, where the majority of global textile production takes place. The diversified supplier structures in the textile industry require great commitment in order to guarantee decent, safe and fair working conditions at the Asian suppliers. The Company has implemented a system for minimising supply chain risks. This concept rests on supplier certification, the stipulation of standards as well as controls and support for local partners. The Group's Procurement unit is responsible for implementing this concept and controlling its implementation.

The Company has maintained purchasing offices in Asia's most important procurement markets since 2011 via the joint venture TOM TAILOR Sourcing Ltd. to ensure direct contact with its suppliers, regularly monitor these itself based on internally defined schedules and assist them. Bangladesh is the Company's most important procurement market. In 2014, the TOM TAILOR GROUP opened its own purchasing office in Bangladesh to better control and safeguard local standards. The purchasing office in Dhaka has around 100 employees working for the TOM TAILOR GROUP, most of whom visit the factories on a daily basis.

In terms of supply chain and suppliers, the TOM TAILOR GROUP's high external and internal standards, such as amfori BSCI, REACH and mandatory requirements for business partners as well as the strict controls applied ensure that risks are minimised locally. The Company's orders support capacity utilisation at suppliers and create jobs. As a result, the local community receives taxes and contributions.

Principles, Standards and Control

With regard to its production process, the TOM TAILOR GROUP voluntarily adheres to the principles of the amfori BSCI, which includes all key standards of the International Labour Organisation (ILO) for the protection of employee rights, the UN Global Compact and the UN Declaration of Human Rights. Further elements are the OECD Guidelines for Multinational Enterprises and other internationally recognised treaties. These include a ban on 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.

Before the TOM TAILOR GROUP starts working with a new supplier, auditors from the purchasing company TOM TAILOR Sourcing perform in-depth checks of this supplier (Initial Factory Assessment). These inspections are based on the amfori BSCI standards and standards defined by the Company. If the inspection is successful, the TOM TAILOR GROUP enters into an agreement with the supplier concerned in which the supplier undertakes to adhere to the purchasing guidelines of the TOM TAILOR GROUP. These include restrictions or complete bans on the use of animal hair, certain types of down and feathers, real fur, leather and skins, shells, silk from India, cotton from Uzbekistan, mulesing of sheep and the application of sandblasting in the production process.

Depending on the result of the amfori BSCI audit, employees from the TOM TAILOR purchasing offices and agencies accredited by the amfori BSCI will perform regular announced and unannounced supplier audits and checks over the course of the cooperation. If any deviations from the specified standards arise, the supplier will be sanctioned or the employees of the TOM TAILOR purchasing company will draft suitable measures and development plans with the supplier so that the standards are continually improved and complied with again. There were 91 BSCI full audits and 71 BSCI follow-up audits in financial year 2017. In the production markets, 88 regular audits (2016: 116) and 65 unannounced audits (2016: 40) were carried out. All suppliers essentially met the requirements of the TOM TAILOR GROUP.

In India, the TOM TAILOR GROUP has been a member of the Tamil Nadu Multi-Stakeholder Group (TNMS Group) since 2012, an association combining individual BSCI members and the Ethical Trading Initiative (ETI). The group is taking a determined stand against Sumangali in southern India. Sumangali is a widespread form of employment in this region, in which young women undertake to work in factories for several years but do not receive the majority of their wages until the end of their multi-year employment. The idea is that the girls save for a dowry, which is a prerequisite for getting married. This widespread practice frequently results in a number of types of forced labour of young women. The TNMS Group is conducting systematic educational campaigns on the ground, including training suppliers, holding discussions with local legislators, NGOs and associations or setting up local community and training centres.

Commitment to Fur-Free Collections / Animal Welfare

The TOM TAILOR GROUP is committed to fur-free collections. This is why the Company has been a member of the FUR FREE RETAILER PROGRAMME (FFRP) since 1 December 2015. The FFRP is an international initiative of leading animal and environmental protection organisations. The programme designates retailers, labels and designers who have made a written commitment not to use fur in their product ranges and helps consumers to find guaranteed fur-free fashion. The programme's German representative is the animal welfare organisation VIER PFOTEN – Stiftung für Tierschutz. When developing new products, the TOM TAILOR GROUP prohibits the use of fur materials. In the reporting period, the TOM TAILOR GROUP was therefore able to ensure that no fur was used in its products.

Environmental Issues in the Supply Chain

Environmental protection and good stewardship of resources are important issues for the TOM TAILOR GROUP. As a textile and apparel company, the Company focuses its environmental activities on its products and the supply chain, because this is where significant risks arise. At the same time, the TOM TAILOR GROUP can exert a positive influence. Key factors here are the use of chemicals by our suppliers in providing services and manufacturing products, the use of sustainable materials, the durability of our products and compliance with local laws.

Strict Thresholds for the Use of Chemicals

As early as 2015, the TOM TAILOR GROUP launched its own DETOX initiative to eliminate chemicals that are harmful to the environment from production and gradually replace them with more ecologically sustainable alternatives. This is an issue that is relevant to the entire textile industry. Over the years, the TOM TAILOR GROUP has developed and introduced various guidelines of its own for the use of chemicals by suppliers. The rules for the use for certain substances in end products were tightened by the TOM TAILOR GROUP. In some cases, the permitted thresholds are even lower than those permitted by strict European statutory requirements. Moreover, the Company analyses numerous random samples both in its own and in third-party laboratories to ensure compliance with these regulations. In 2017, 30% of orders were spot checked for compliance across all supplier companies. In addition, suppliers are prohibited from using PFCs (perfluorinated compounds) and APEOs (alkylphenol ethoxylates) / NPEOs (nonylphenol ethoxylates). Compliance is ensured by spot checking.

In the interest of furthering the goal of chemicals management, the TOM TAILOR GROUP plans to take other steps in 2018 such as the introduction of a chemical handbook and arranging supplier training in chemicals management with an internationally known laboratory.

Use of Sustainable Cotton

Since August 2016, the TOM TAILOR GROUP has been a member of the Better Cotton Initiative (BCI). The BCI is a not-for-profit organisation that aims to reorganise cotton production by establishing better cotton as a mainstream raw material. The initiative aims to not only reduce pesticide use, but also to ensure the efficient use of water and soil resources and fair working conditions. In financial year 2017, the TOM TAILOR GROUP increased the share of BCI cotton products to 20%, thus effectively doubling it compared with 2016. The 2017 target of 20% was therefore met in full. This positive result was achieved by the TOM TAILOR GROUP through close partnerships with the sourcing offices and suppliers as well as by systematically following up on defined targets and measures. The goal is to further increase this share step by step to around 25% in 2018 in accordance with the growing awareness of this issue by customers.

Product durability

Product quality is key to the Company's business success. Good product quality means that clothing will last longer. Seen in terms of the entire life cycle – from growing the cotton to the ultimate disposal of the product by consumers, which depending on product quality may occur sooner or later – this makes a key contribution to protecting the environment. The TOM TAILOR GROUP offers consumers fashionable apparel with an attractive value proposition that also combines sustainability with what the TOM TAILOR GROUP considers to be good product quality. In order to meet this goal, the Company monitors the value chain. Items of clothing are subject to a variety of quality controls from production through to delivery to the point of sale in which the general workmanship and fit are checked along with compliance with the TOM TAILOR GROUP's defined quality and material requirements. Quality is always controlled by the local sourcing offices. The TOM TAILOR GROUP's products must meet an AQL of 1.5 with regard to workmanship and an AQL of 2.5 in terms of sizing. Goods are not shipped unless they satisfy the specified AQL standard.

These checks verify that our products are of sufficiently good quality, consumers can use our products for a long time and the TOM TAILOR GROUP can therefore do its part to conserve resources. Around 20% of all items were spot checked for quality at headquarters in 2017. If defective products are discovered, the problem is rectified on site by the supplier or, if the goods have already been delivered to the warehouse, by a third-party service provider. In both cases, the costs that arose were borne by the suppliers.


live
love
laugh

COMBINED MANAGEMENT REPORT

FOR THE TOM TAILOR GROUP AND TOM TAILOR HOLDING SE

FUNDAMENTAL INFORMATION ABOUT THE GROUP

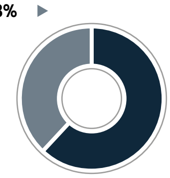
ORGANISATIONAL STRUCTURE AND BUSINESS OPERATIONS

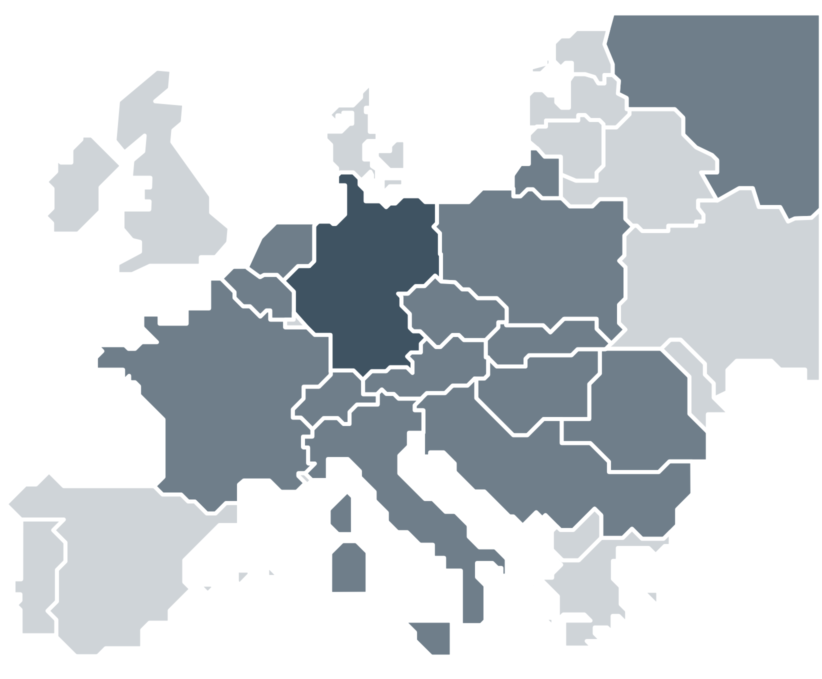
CLEAR BRAND POSITIONING AND FOCUS ON HEALTHY CORE BUSINESS

As an international, vertically integrated fashion company, the TOM TAILOR GROUP focuses on offering casual wear in the mid-range price segment. Its product portfolio is complemented by an extensive range of fashionable accessories and home textiles. The Group's TOM TAILOR umbrella brand and BONITA brand cover all age groups from babies to best agers.

The Company was established in Hamburg in 1962; its regional core market traditionally has been Germany. Following the TOM TAILOR GROUP's strong growth in recent years, nationally and internationally, the Company has now systematically focused its strategy, structures and processes on profitability. Here, the Company is concentrating on its core sales markets, which include Austria, Switzerland, South-Eastern Europe and Russia in addition to Germany. Today, the Company generates about one-third of consolidated revenue outside Germany. Altogether, the TOM TAILOR GROUP is represented internationally in over 30 countries.

International presence of the TOM TAILOR GROUP by revenue (31.12.2017)





1,455 retail and franchise stores

Country	TOM TAILOR	BONITA
Germany	219	574
Austria	99	95
Switzerland	26	35
France	8	0
Benelux[1]	10	108
Poland	7	1
Russia	93	0
South-Eastern Europe[2]	113	2
Other	65	0
Total	**640**	**815**

[1] Benelux comprises Belgium and the Netherlands only.
[2] South-Eastern Europe comprises Bulgaria, Croatia, Serbia, Slovenia, Kosovo, Romania, Bosnia-Herzegovina, Macedonia

THE TOM TAILOR GROUP'S ORGANISATIONAL STRUCTURE

The TOM TAILOR GROUP is managed by TOM TAILOR Holding SE, which is domiciled in Hamburg, Germany. With its two governing bodies, the Management Board and the Supervisory Board, the Company has the dual management and supervisory structure that is mandatory in Germany. Together, these two bodies are committed to the interests of shareholders and the good of the Company in equal measure.

TOM TAILOR Holding SE is mainly responsible for the Group's strategic focus and development, corporate financing, risk management and the fundamental decisions relating to brand development. Other key tasks of TOM TAILOR Holding SE include internal and external communication as well as liaising with the capital market and with shareholders.

TOM TAILOR shares are admitted to trading on the regulated market in the Prime Standard segment of the Frankfurt Stock Exchange and to trading on the regulated market of the Hamburg Stock Exchange. The Company went public in March 2010. The major shareholder of TOM TAILOR Holding SE is the Chinese investment group Fosun, which held a 28.89% stake as at 31 December 2017. All other shares are in free float (for more information, please see the section entitled "TOM TAILOR on the Capital Market" in the Annual Report of the TOM TAILOR GROUP).

The TOM TAILOR GROUP is headed by a management team with many years' experience in the sector and the market, led by three Management Board members (for more information please see the section entitled "The Management Board" in the Annual Report of the TOM TAILOR GROUP). The respective subsidiaries run the operating business. This organisational structure with clearly assigned top and bottom line responsibilities enables business processes to be managed at local level and allows for considerable individuality of the main operating subsidiaries in the local markets.

Alongside TOM TAILOR Holding SE, the Group comprises a total of 44 (2016: 46) direct and indirect subsidiaries, of which 41 were included in consolidation as at 31 December 2017. Most subsidiaries in Germany and abroad are held via Tom Tailor GmbH, Hamburg, whose sole shareholder is TOM TAILOR Holding SE (a list of shareholdings can be found in the notes to the consolidated financial statements). In the context of changing the legal form of TOM TAILOR Holding AG into a Societas Europaea (SE), TOM TAILOR Wien AG, Vienna / Austria was merged into TOM TAILOR Holding AG, Hamburg / Germany during the 2017 financial year. BONITA SAS, Paris / France ceased operations in the 2017 financial year and was merged into BONITA GmbH, Hamminkeln.

PROVEN TREND MANAGER BUSINESS MODEL

As a fashion company, the TOM TAILOR GROUP operates in a fast moving international market environment that is highly competitive. Its success is based on brand strength, flexibility and the ability to identify and satisfy fashion trends and customer needs in early on.

Focusing squarely on fashionable casual wear, accessories and home textiles in the mid-range price segment, the TOM TAILOR GROUP systematically combines the emotional added value of a lifestyle brand with the strategic advantages of an integrated system provider. Its business model is based on proximity to the market and to customers. By providing collections that change from one month to the next, the Company taps into the zeitgeist, swiftly identifies promising trends and implements them in its own collections. This enables the TOM TAILOR GROUP to offer the latest fashion trends to its target groups in the mass market soon after they emerge.

WELL-POSITIONED BRANDS IN COMPLEMENTARY SEGMENTS

In its core business, the TOM TAILOR brand is targeted at men and women aged 35 to 45. The TOM TAILOR brand's market presence is determined by the collections for the two brands – TOM TAILOR and TOM TAILOR Denim – that are designed individually for each of the product lines. The Company releases 14 collections a year (12 monthly collections and two basic collections every six months) for these two brands. The collections are sold retail through Company-owned stores and e-commerce, and wholesale primarily through shop-in-shops and franchise stores. The offer is complemented with a range of licensed products such as children's fashion, home textiles and accessories.

The BONITA brand has a separate profile and caters to women over 50, ideally complementing the range of TOM TAILOR collections and product lines. BONITA sells twelve collections per year using a highly standardised system comprising its own stores and e-commerce in retail and concessions with selected partners in wholesale.

The TOM TAILOR GROUP thus offers fashionable clothing for a target group ranging from babies to best agers.

THE TOM TAILOR BRANDS

TOM TAILOR

The TOM TAILOR MEN, TOM TAILOR WOMEN and KIDS, MINIS & BABY product lines are marketed under the TOM TAILOR umbrella brand.

The TOM TAILOR brand has been firmly established in the textile market since 1962 and enjoys a high degree of visibility in the mid-range price segment as well as strong brand awareness among customers. This brand's collections are directed at young, modern women and men aged between 35 and 45.

In August 2014, the Company began to purposefully hone and enhance the profile of the TOM TAILOR brand. This process has successfully positioned the TOM TAILOR core brand as a "new urban player" with an international profile. The new brand attitude addresses self-confident target groups with a high affinity for lifestyle and fashion. Current fashion trends are implemented several times per year with the new TOM TAILOR styles. The product strategy and brand design are based on a holistic collection concept and are systematically inspired by international zeitgeist.

TOM TAILOR Denim

TOM TAILOR Denim, the Group's trend-driven denim lifestyle line, has had a strong foothold in the market since 2007. "Young fashion for open-minded personalities" is the core mission of this brand. Unconventional, bold, sporty looks are offered with the TOM TAILOR Denim Male and TOM TAILOR Denim Female product lines. The brand is targeted at men and women aged 25 to 35.

For TOM TAILOR Denim, speed is a success factor. Time and again, TOM TAILOR Denim implements new fashion themes in current collections on a monthly basis, focusing on denim in all washes, fits, grades and detailing. Other core attributes of the TOM TAILOR Denim brand are high quality and confident style in relation to the current trends.

TOM TAILOR ACCESSORIES / LICENSED PRODUCTS

Since June 2017, the TOM TAILOR KIDS products have been developed and produced as a licensed product in partnership with the Kids Fashion Group and sold in the TOM TAILOR online shop, its own stores and at many of the Group's retail partners, continuing the customary quality and design language for the target group of children aged 0 to 14.

The TOM TAILOR brand world is complemented by a wide range of accessories. The Company generates revenue from selling accessories itself and from licence fees for accessories offered under the TOM TAILOR brands. Purposeful award of licences and close cooperation with the various partners provide the basis for TOM TAILOR's long-standing success in this area.

The accessories product range primarily features shoes, leather goods, belts, gloves, hats, scarves, bodywear, ties, bags, perfume, jewellery, umbrellas, watches and sunglasses, bed linen and toiletries. Some of the accessories such as shawls, scarves and jewellery are developed and marketed by the TOM TAILOR GROUP itself, especially in the TOM TAILOR Denim Male and TOM TAILOR Denim Female product lines. However, the vast majority are distributed by various licensees that work closely with the TOM TAILOR GROUP to develop the products.

THE BONITA BRAND

The TOM TAILOR GROUP offers fashionable clothing for women over 50 ("best agers") under the BONITA brand. The BONITA collections are characterised by high-quality items of clothing that can be mixed and matched repeatedly to create new outfits. Colourful and stylish BONITA accessories complement the collections effectively. These include scarves, shawls, necklaces, belts, watches and bags. The entire development process for these products is controlled by BONITA itself, i.e. without licensing partners.

EFFICIENT VALUE CHAIN

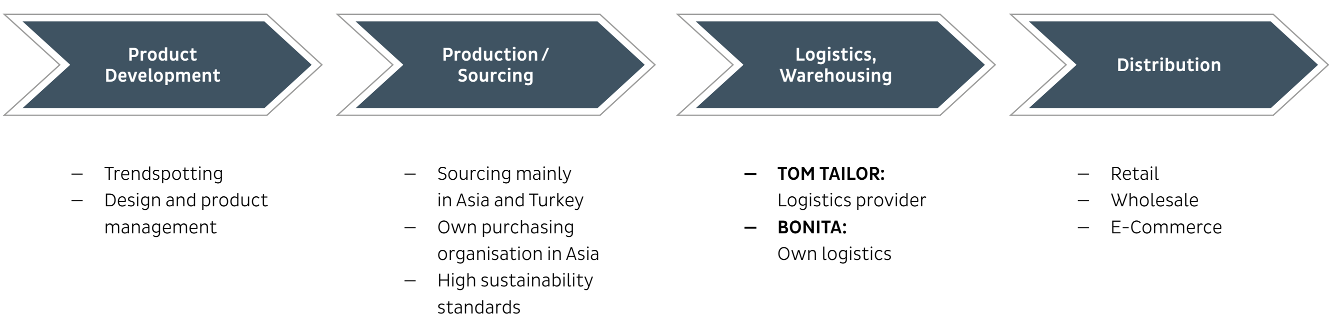
The TOM TAILOR GROUP is a vertically integrated fashion company that systematically controls and flexibly manages the entire value chain. The process starts with the idea for the design, through purchasing and product manufacture, and subsequently to warehousing and logistics down to marketing at the point of sale. The different links in the value chain and the entire flow of goods are interconnected.

Systematic evaluation of daily sales figures is a key aspect of efficient value creation. In addition, through its sales channels (retail, wholesale) the Company obtains direct customer feedback which is then taken into account in the development of new collections and in procurement planning. An efficient network of production and logistics partners allows rapid implementation.

Product Development

With its own trend and brand scouts, the TOM TAILOR GROUP monitors fashion trends around the world and collects ideas for the new collections. The Company also attends national and international fashion shows in order to record trend developments. It then evaluates this data and works its findings into the design of the new collections to offer the latest fashion products to a broad group of buyers at a fair price. The TOM TAILOR GROUP generally gets its collections into stores within nine to ten months. So-called flash collections, which are produced on the European mainland, can be offered in shops within just six months.

Value Chain of the TOM TAILOR GROUP



Production and Sourcing

Most of the products sold by the TOM TAILOR GROUP are manufactured by its suppliers in Asia, mainly in Bangladesh, China, India, Vietnam and Pakistan. The share of this production is approximately 80% for the TOM TAILOR brand and roughly 60% for the BONITA brand. In TOM TAILOR Sourcing Ltd., Hong Kong, China, the Company has its own sourcing organisation. The Company ensures local production and procurement with eight offices in Asia and around 250 employees. Asia thus plays an important role for the TOM TAILOR GROUP so that large quantities can be produced at high quality and fair prices. Turkey also plays an increasingly important role in the Group's procurement activities. The remaining part of production for both brands is largely concentrated there. Overall, almost 60% of the products sourced are bought in US dollars. The separate non-financial report of the TOM TAILOR GROUP includes additional information on procurement.

Logistics and Warehousing

Logistics activities have been organised in different ways for its two brands TOM TAILOR and BONITA.

TOM TAILOR engages two logistics providers to manage its warehouses. Requirements for logistics processes are based on a focus on services, state-of-the-art replenishment concepts, national and international distributors as well as the broad range of customers. A new ultra-modern logistics centre in Hamburg has been in use since summer 2015 that constitutes an important element of the TOM TAILOR GROUP's omnichannel strategy. The new logistics centre is owned and operated by an external service provider.

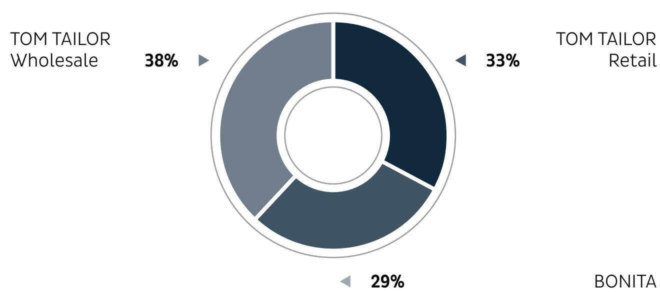
BONITA operates a self-managed, state-of-the-art, SAP-based, automated warehouse and logistics centre at the Hamminkeln site. All BONITA stores are supplied from there. Supply is based on an analytically integrated push-pull process, which in a first step delivers around 80% of the goods ordered. Call-offs from the logistics centre and stock transfers between the stores are triggered by evaluating daily sales figures using the POS systems as well as by deriving and simulating requirements based on these evaluations. Using this systematic process the Company supplies its shops with merchandise in line with requirements, maximises sales potential and manages stocks.

Distribution

The TOM TAILOR GROUP distributes its collections directly to end customers (retail) and through resellers (wholesale). In recent years, the Company has purposefully expanded the share of the direct retail business in the over-the-counter retail business and the e-commerce business. The Group now generates around 62% of its revenue in the retail segment (2007: 6%) and consequently 38% in the wholesale business, which remains important.

The TOM TAILOR GROUP manages the business through the individual sales channels and brands, which is why the Group's segment reporting is divided into wholesale and retail. The Wholesale segment is comprised of the business with resellers for the TOM TAILOR brands. The Retail segment makes a distinction between the TOM TAILOR and BONITA brands and comprises the various forms of the brick-and-mortar retail business and the online business. On account of their verticality (concessions), the selling spaces managed by BONITA in the Wholesale segment are allocated to the Retail segment.

Revenue Structure by Retail and Wholesale



In the brick-and-mortar retail business, the choice of location is especially important. The TOM TAILOR GROUP therefore bases such decisions on an individual profit and loss account with corresponding return figures. This calculation includes special factors such as the size of the property, the lease term, expected footfall, location, catchment area and many more.

Customers can purchase TOM TAILOR products in retail stores as well as in online shops. In this way, the Company takes customers' ever-changing shopping behaviour into account. Thus, the TOM TAILOR GROUP safeguards this increasingly significant sales channel, considering retail and wholesale in equal measure.

STRATEGIC FOCUS

ACHIEVING SUSTAINABLY PROFITABLE GROWTH

The RESET cost and process optimisation programme was initiated in 2016 and brought to a close in 2017, laying the foundation for the TOM TAILOR GROUP to grow both profitably and sustainably. Implementation of the numerous measures taken to streamline the country, store and product portfolios was even faster than planned in the reporting period, which allowed us to bring forward investments in key projects such as SAP and new e-shops. In addition, the Company further refined its growth strategy and defined the following key points:

- Expanding e-commerce and omnichannel capability
- Strengthening brand attractiveness by stepping up marketing activities
- Achieving profitable growth in existing core markets by more broadly satisfying demand / offering a wider range of styles (particularly in the women's and youth fashion segments)
- Achieving profitable growth in growth markets by expanding PoS activities (e.g. in Russia or selected overseas markets)
- Upgrading the digital infrastructure and data analytics capabilities

The TOM TAILOR GROUP primarily defines profitable growth in terms of increases in the operating result and operating margin as well as net income for the year (for more information see the section entitled "Financial Key Performance Indicators"). More specifically, the Group will systematically press ahead in 2018 with the following measures initiated in 2017 to enable it to achieve positive financial performance:

- Strengthening of the brands through more targeted marketing as well as more fashionable collections;
- Expanding the product range and improving market positioning in women's fashion
- Reinforcing productivity in TOM TAILOR's own retail business by improving planning and placement of merchandise in stores, pursuing a consistent omnichannel focus, optimizing the appearance of stores and providing performance-based compensation to store personnel
- Expanding the distribution network, especially for the TOM TAILOR Denim Male and TOM TAILOR Denim Female brands
- Expanding internationally in select locations outside of the core markets of Germany, Austria and Switzerland
- Improving efficiency in sourcing and logistics
- Stepping up digitalisation
- Further improving financial position and reducing debt

INCREASING BRAND ATTRACTIVENESS

Brand profiles are pivotal in a competitive market environment. For this reason, the Group began honing the profile especially of its TOM TAILOR and TOM TAILOR Denim brands in 2017 to make them more desirable. In the 2017 financial year, a new brand communication strategy called "Say Yes" was developed to highlight the Group's fresher and more striking brand image. Brand communication is now much bolder and delivers more emotional impact. Initial surveys underscore that this was the correct decision. Early Google analyses indicate that searches for the Company's brands are much more frequent. On Facebook Germany, a TOM TAILOR online ad took second place in December 2017 in the "views" (watch video) and "engagement" (share, like, comment on) categories. This has encouraged the Company to further increase capital expenditure on branding and end customer communication for all brands in 2018. The Company is also running 360° campaigns to systematically communicate the brand message across all conventional and online channels and various points of sale. Online channels now account for half of these investments overall. Current issues in fashion are a focus as much as the new brand ambassadors (e.g. Naomi Campbell, Revolverheld for TOM TAILOR or Franziska Knuppe for BONITA). Apart from this, the monthly collections will be selectively made more fashionable to differentiate the brands increasingly from those of the Group's competitors in the mass market.

BONITA's brand profile is also being refined further and its fashion profile sharpened. On the whole, the brand's image will be more youthful and modern in the interest of increasing the brand's attractiveness among current and new customers. To this end, the product lines will be tailored to younger target groups and supplemented with new collection themes. This effort is being supported by a more up-to-date store concept that was launched with five pilot projects in 2017 and is already having a positive effect on sales. In the coming years, the plan is to outfit up to 100 stores each year in accordance with the new store concept.

STRENGTHENING THE GROUP'S OWN RETAIL BUSINESS

The TOM TAILOR GROUP generates around two-thirds of its revenue from its own retail shops. Digitalisation and the associated structural change in the industry continue to reduce footfall in many stores. To counter this trend, the TOM TAILOR GROUP is reorganising its retail business so as to improve processes, customer advisory and customer service. Its objective is to raise the conversion rate, i.e. the proportion of people who enter a store and actually buy something. Sales promotions will also be scaled back and used more judiciously than in the past. For this, placement of merchandise in stores and allocation of staff to the different locations and time frames will be optimised and the technical equipment updated. This will give staff more time to assist customers. In addition, the Company intends to expand Omnichannel capabilities to increase service quality in the stores and thus support its own retail business. The goal is to further boost selling space productivity for all brands. The measures initiated as part of RESET and the closure of unprofitable stores will also contribute to increasing profitability in the retail business.

EXPANDING THE PRODUCT RANGE IN WOMEN'S FASHION

In the past financial year, the TOM TAILOR GROUP's fashion profile was sharpened considerably, especially in the women's fashion segment. For instance, the growth rates at TOM TAILOR WOMEN have been much higher than those of TOM TAILOR MEN since 2013. Due to acute weaknesses at some competitors and the possibility of expanding collections, for example with "occasion wearing" (business wear, evening wear, etc.), the Group's Management Board sees additional growth potential, particularly in the women's fashion segment. Selectively extending the size range, especially in view of the population's changing body measurements, offers further potential.

EFFICIENCY ENHANCEMENTS IN SOURCING AND LOGISTICS

The products sold by the GROUP are mainly manufactured in Asia, but also in Europe. In 2016 and 2017, the TOM TAILOR GROUP significantly reduced the number of suppliers from which it procures these products. The list of suppliers will continue to be monitored on an ongoing basis and adjusted if necessary in 2018. The goal is to consolidate procurement at selected manufacturers and order higher volumes at better prices. The Group also connected its suppliers to its IT systems to be able to manage processes even more efficiently. In the financial year ended, the number of items and samples per collection were reduced by up to 30%. This has made the production process less complex, which should enable the Company to improve its cost base in the medium term.

In logistics operations, the Group continues to optimise shipping rates and improve efficiency and warehouse logistics processes.

STEPPING UP DIGITALISATION

Digitalisation is causing upheaval in the way companies in many industries, including the textile sector, work and do business and is therefore of key strategic importance. For this reason, the TOM TAILOR GROUP has operated its own TOM TAILOR and BONITA e-shops since fall 2017 with its own teams on a cutting-edge platform. The new e-shops are now more readily usable on mobile devices, load and respond much more quickly and have an increased focus on inspiration and brand experience. In addition to further developing the Group's own e-shops, the online sales channel will also continue to be connected to the physical stores through the introduction of the "order from store" feature in Germany in 2018. This will allow customers who did not find the right item in the store to order the desired products in the shop and have them delivered to their home or to the store. The goal is to make shopping easier and thereby add additional value for customers.

More powerful IT systems will also be needed to optimise internal processes; TOM TAILOR will continue to invest in these. The gradual introduction of SAP has been completed in parts of the Company and will continue in 2018.

REINFORCING FINANCIAL POSITION AND REDUCING DEBT

Permanently reducing the Company's debt and further boosting equity remain the core elements of the TOM TAILOR GROUP's strategy. In order to accomplish these goals, the TOM TAILOR GROUP intends to further improve cash flows from operating activities and cash available for repaying financial liabilities to enable repayment of short- and long-term lines of credit. Its aim is to keep the ratio of net debt to reported EBITDA below 2.0 in the medium term. This will be aided by the annual scheduled repayment of EUR 15 million of the long-term loan running until 2020. The Group is aiming for an equity ratio of at least 30% in the medium term based on the currently applicable accounting rules.

INTERNAL MANAGEMENT SYSTEM

FINANCIAL AND NON-FINANCIAL KEY PERFORMANCE INDICATORS

The internal management system used within the TOM TAILOR GROUP goes beyond a pure KPI (key performance indicator) system. It offers an overview of financial and non-financial factors. In addition, leading indicators that could affect the business, such as pre-order volumes or expected economic growth in key markets, are monitored and evaluated. There is no separate management system applicable to TOM TAILOR Holding SE alone.

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. The main financial key performance indicators in financial year 2017 were revenue, gross margin, reported EBITDA, the reported EBITDA margin, reported EBIT and the reported EBIT margin. Starting with the 2017 financial year onwards, both recurring EBITDA and the recurring EBITDA margin are no longer used as financial key performance indicators.

Additional key indicators such as net debt, the equity ratio, working capital and various inventory turnover ratios are monitored at Group level. In the Wholesale segment, the figures for pre-orders are also used for management purposes.

The financial key performance indicators from the perspective of the single-entity financial statements of TOM TAILOR Holding SE are equity ratio, net income / loss for the year and the level of bank liabilities shown in the balance sheet.

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.

LEADING INDICATORS RELEVANT FOR THE COMPANY

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, expected economic growth in key markets, the development of 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 buy something to those who enter a store. 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.

REPORT ON ECONOMIC POSITION

MACROECONOMIC AND SECTOR-SPECIFIC ENVIRONMENT

EURO ZONE EXPERIENCES STRONG UPTURN IN 2017

The euro zone economy strengthened and broadened during the year under review. According to Eurostat, gross domestic product rose by 2.5% in 2017 (previous year: 1.8%, revised). All countries in the currency area posted positive growth rates. In addition to robust consumer spending and brisk construction activity, corporate investments also picked up increasingly from the middle of the year onwards. Positive labour market performance continued in this environment. The unemployment rate in December dropped from 9.7% to 8.7% during the year. In the EU it declined from 8.2% to 7.3%. Despite improvements in all countries, regional differences remained extremely pronounced, with high levels of unemployment in countries such as Greece, Spain, Italy and Croatia. Although consumer prices showed only moderate gains, energy costs and food experienced some strong price increases. In December 2017, the euro zone inflation rate was 1.4%, slightly up on the prior-year figure of 1.1% (Eurostat). Clothing prices remained stable (+0.3%). According to estimates from the Institut für Weltwirtschaft (IfW – Institute for the World Economy) in Kiel, spending by private households in the euro zone rose by 1.9% in 2017 (2016: 2.0%).

2017: POSITIVE CONSUMER SENTIMENT IN TOM TAILOR'S REGIONAL CORE MARKETS

The main sales market for the TOM TAILOR GROUP is Germany.

The German economy is currently in a strong, increasingly mature boom phase. With growth of 2.2% (+2.5% adjusted for calendar effects), the now eight-year upturn continued at an even greater pace in 2017 (Destatis). This strong growth continued to be driven by domestic demand with both buoyant construction investments and strong investments in machinery and equipment. Spending by private households also rose sharply once again (+2.0%), due to low interest rates and higher wages and salaries. The disposable income of private households rose by 3.9% in nominal terms. Positive labour market performance also contributed to growth. Almost 44.3 million persons were employed on average for the year. According to preliminary estimates, this represents an increase of around 638,000 persons, or +1.5%.

In 2017, the mood of consumers in Germany was thoroughly positive, hitting a high for the year of 10.9 points in September as measured by the GfK Consumer Climate index. This optimism prevailed for the entire year. In December, the GfK consumer confidence index stood at 10.7 points, significantly higher than a year earlier (December 2016: 9.8 points). Economic expectations and the propensity to buy improved considerably.

The most important international markets for the TOM TAILOR GROUP are Switzerland, Austria, South-Eastern European EU member states and Russia. Economic growth and spending by private households developed as follows in these countries in 2017:

According to leading Swiss economic researchers (SECO, KOF / ETH Zurich), the Swiss economy grew only moderately by 1.0% in 2017. Domestic demand was robust. Exports picked up as a result of improvements in the global economy and the reduced external value of the Swiss franc. Consumer prices remained almost stable with a 0.5% increase. The labour market situation improved slightly, with employment rising marginally. While consumer spending remained robust in 2017, it lost a little momentum, increasing by just 1.2% compared to the previous year (+1.5%).

According to the Austrian National Bank (OeNB), the Austrian economy experienced a boom in 2017, growing markedly by 3.1%. Investments played a crucial role in the strong domestic economy, while exports also increased more sharply than imports. According to the OeNB, the number of employed persons rose by 1.7%. Despite appreciably higher consumer prices, real disposable household income was up 0.6% (OeNB). Private consumer spending once again rose 1.5% in 2017 to remain a key pillar of this upturn.

Economic growth in South-Eastern EU countries accelerated strongly in 2017. Estimates by the IfW in Kiel indicate that growth in Slovenia (+5.0%), Croatia (+3.2%), Bulgaria (+3.7%) and Romania (+7.1%) was significantly higher than the EU and euro zone averages. This positive trend also encouraged consumer spending in these countries in 2017. IMF figures also suggest that Russia emerged from a two-year recession in 2017 to grow its economy by 1.8% due to a strengthening of the domestic economy and the recovery in oil and gas prices.

LITTLE BENEFIT FOR FASHION BUSINESS FROM POSITIVE CONSUMER SENTIMENT IN 2017

According to the Statistical Office of the European Union (Eurostat), retail sales in the euro zone grew by an average of 2.6% in real terms in 2017 compared with the preceding year. The Federal Statistical Office (Destatis) calculates that retail sales in Germany in 2017 rose by 2.3% in real terms (excluding vehicles, petrol stations). According to preliminary data by the German Retail Federation (HDE), retail companies in Germany generated sales of EUR 512.8 billion in 2017 (excluding vehicles, petrol stations, fuels and pharmacies). This is equal to growth of 4.1% in nominal terms (+2.6% in real terms). The German retail trade has thus grown for the eighth consecutive year.

While figures released by Destatis show that broadly defined total German retail sales of textiles, clothing, shoes and leather goods (in brick-and-mortar stores and online) grew at an accelerated rate of 5.7% in nominal terms in 2017 (+4.2% in real terms), revenues in the fashion and lifestyle subsegment in Germany fell by 1.0% in nominal terms amid stable unit sales (GfK). This means that the textile and fashion business lacks a noticeable tailwind despite generally positive consumer sentiment. As a result, 2017 was another challenging year in which more companies in the sector experienced financial difficulties.

The increase in online and mail order sales of all types of retail goods was disproportionately high (+7.7% in real terms, +8.6% in nominal terms). The HDE puts the preliminary net annual sales generated by online retail at EUR 48.7 billion in 2017. This corresponds to nominal growth of 10% and a market share of nearly 9.5%. In 2017, the online business therefore gained further ground in the retail sector. This trend also affected the textile and fashion industry, which is accelerating expansion of its omnichannel offerings as a result.

SIGNIFICANT EVENTS IN THE REPORTING PERIOD

NEW CHIEF EXECUTIVE OFFICER DR HEIKO SCHÄFER

The Supervisory Board appointed Dr Heiko Schäfer as the Company's new Chief Executive Officer (CEO) with effect from 15 March 2017. Dr Schäfer is an experienced transformation manager and brand specialist who has served as a Management Board member since December 2015. He has headed up the Group with his fellow Management Board members first as Chief Operating Officer (COO) and additionally as interim CEO since September 2016.

LIAM DEVOY APPOINTED NEW CHIEF OPERATING OFFICER

The Supervisory Board appointed Liam Devoy the Company's new Chief Operating Officer (COO) with effect from 1 August 2017. Liam Devoy has logged more than 20 years of experience with renowned companies in the fashion and sportswear industry. Mr Devoy is the Management Board member responsible for operations with a focus on purchasing, logistics and IT.

CAPITAL INCREASE SUCCESSFULLY PLACED

In June 2017, TOM TAILOR Holding SE successfully completed a capital increase by a total of 9,865,423 shares at a subscription price of EUR 6.50 per share. The largest portion of the net issue proceeds of around EUR 61 million is earmarked for investments in expanding e-commerce and omnichannel sales activities, modernising shop fittings, reinforcing the brands with an increased marketing budget and standardising the Group's IT systems.

NEW MARKETING STRATEGY

The Group approved a new marketing strategy in June to strengthen the TOM TAILOR and TOM TAILOR Denim brands. Based on extensive customer surveys and market analyses, the new brand communication aims to be fresher, more provocative and distinctive. In August 2017, TOM TAILOR launched the new "ARE YOU READY…?" campaign highlighting partnerships in Germany and around the world along with prominent artists and VIPs such as Naomi Campbell and German rock band Revolverheld.

NEW PARTNERSHIP WITH KIDS FASHION GROUP

The TOM TAILOR GROUP and the Kids Fashion Group signed a licence agreement concerning TOM TAILOR KIDS effective 1 June 2017. The objective of this partnership is to further expand TOM TAILOR's distribution network and accelerate revenue growth in this segment in the long term. Signed for an initial period of ten years, the agreement covers the development, production and wholesale distribution of licensed products. The TOM TAILOR KIDS product line will still be available in the TOM TAILOR online shop, TOM TAILOR's own stores and at many of the Group's partners.

COMPARISON OF ORIGINAL GROUP FORECAST AND ACTUAL 2017 FIGURES

In April 2017, the TOM TAILOR GROUP signed a licence agreement with the Kids Fashion Group for the production and distribution of the TOM TAILOR KIDS brand; the agreement became effective on 1 June 2017. The TOM TAILOR GROUP has been generating royalties from this agreement since then. In turn, the Company no longer generates wholesale revenue from the KIDS collection. Due to this effect, the Management Board of the TOM TAILOR GROUP adjusted its consolidated revenue guidance for the year under review when publishing its results for the first quarter of 2017. Instead of a slight revenue increase, the updated guidance expects consolidated revenue for 2017 to be slightly down on the previous year's level. In addition to the out-licensing of the TOM TAILOR KIDS brand, closures of unprofitable stores also contributed to the decrease in revenue in the reporting period.

As a result of further improvements in purchasing conditions and lower price write-downs and discounts, gross margin rose from 54.5% to 58.3%, entirely in line with the original gross margin guidance of a moderate increase in 2017. The Company also fully achieved the original targets it set for the key parameters of reported EBITDA, reported EBITDA margin, reported EBIT and reported EBIT margin, all of which were expected to see a strong increase during the year under review.

TOM TAILOR GROUP: Key figures for the 2017 company guidance

EUR million	2016	2017	Original forecast	Comment	Adjusted forecast	Comment
Consolidated revenue	968.5	921.8	slight increase year-on-year	not achieved	slight decrease year-on-year	achieved
Gross margin (in %)	54.5	58.3	moderate increase year-on-year	achieved	moderate increase year-on-year	achieved
Reported EBITDA	10.3	83.1	strong increase year-on-year	achieved	strong increase year-on-year	achieved
Reported EBITDA margin (in %)	1.1	9.0	strong increase year-on-year	achieved	strong increase year-on-year	achieved
Reported EBIT	-72.9	43.9	strong increase year-on-year	achieved	strong increase year-on-year	achieved
Reported EBIT margin (in %)	-7.5	4.8	strong increase year-on-year	achieved	strong increase year-on-year	achieved

From the perspective of the single-entity financial statements of TOM TAILOR Holding SE, all Management Board expectations and forecasts for the 2017 financial year were met. TOM TAILOR completely fulfilled its expectations of generating net income in the low single-digit million euro range with a figure of EUR 5.2 million reported in the single-entity financial statements. This positive net income was primarily caused by higher investment income of EUR 30.4 million (2016: EUR 2.3 million). Expenses for the absorption of losses in the reporting year amounted to EUR 0.0 million (2016: EUR 59.3 million). The equity ratio rose to 73.0% as a result of the capital increase carried out in June 2017 (2016: 56.9%) and thus corresponds to the previous year's guidance. In addition, the Company reduced long-term bank liabilities by EUR 15.0 million thanks to scheduled repayments.

This means that the guidance for financial year 2017 for TOM TAILOR Holding SE was met.

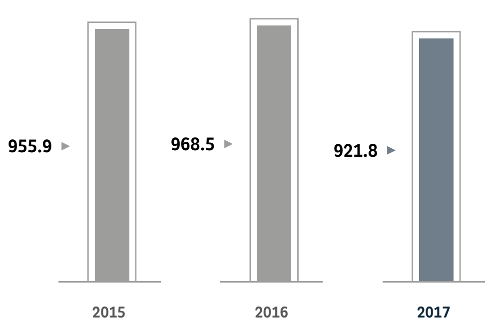
RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS

TOM TAILOR GROUP'S RESULTS OF OPERATIONS

Closures Lead to a 4.8% Decline in Revenue

The RESET cost and process optimisation programme introduced in the 2016 financial year included a series of closure and streamlining measures that led to significant earnings growth in all segments of the TOM TAILOR GROUP during the 2017 financial year despite a deliberate reduction in sales volume. Consolidated revenue of the TOM TAILOR GROUP in financial year 2017 therefore fell by 4.8% year-on-year to EUR 921.8 million (2016: EUR 968.5 million). The decrease was in line with expectations.

Development of Consolidated Revenue (in EUR million)



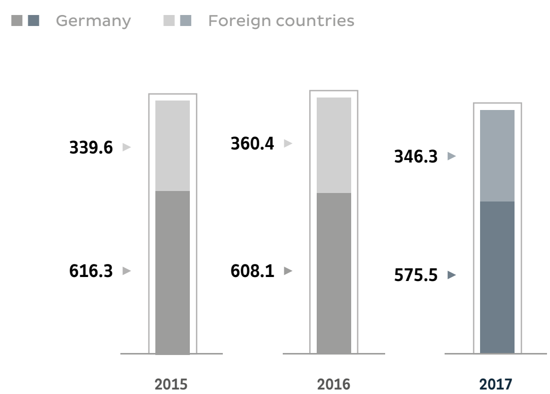
While revenue in the BONITA segment was down 11.6% to EUR 267.7 million, revenue in the TOM TAILOR segments declined by 1.7% to EUR 654.2 million (2016: EUR 665.5 million).

In the fourth quarter of 2017, revenue in the TOM TAILOR GROUP decreased by 13.9% to EUR 235.6 million (prior-year quarter: EUR 273.5 million). BONITA's revenue in the fourth quarter of 2017 at EUR 65.8 million (prior-year quarter: EUR 82.1 million) was down 19.9% year-on-year. In the same period, revenue in the TOM TAILOR segments fell by 11.3% to EUR 169.8 million (prior-year quarter: EUR 191.3 million). This fourth-quarter revenue trend was attributable to the effects of closures implemented in the first three quarters and disappointing revenue performance during Christmas trade in December. This applied to both TOM TAILOR's own stores and the performance of the TOM TAILOR and BONITA e-commerce shops.

Revenue by Region

In Germany, the TOM TAILOR GROUP posted revenue of EUR 575.5 million in 2017, which represents a slight year-on-year decrease of 5.4% (2016: EUR 608.1 million). The BONITA revenue in Germany decreased by 10.8% to EUR 193.3 million (2016: EUR 216.7 million), mainly as a result of store closures. TOM TAILOR's two segments collectively generated combined revenue in Germany of EUR 382.2 million (2016: EUR 391.4 million), a year-on-year decrease of 2.3%. Outside of Germany, consolidated revenue decreased as well. The TOM TAILOR GROUP's revenue abroad totalled EUR 346.3 million (2016: EUR 360.4 million), which was a year-on-year decrease of 3.9%. This is due in particular to the revenue decline seen in France and Switzerland.

Revenue by Region (in EUR million)



Segment Reporting

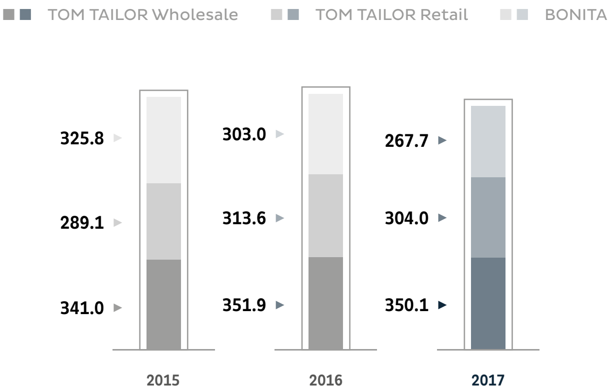
Segment reporting in the TOM TAILOR GROUP is basically divided into the Retail and Wholesale segments.

The Retail segment comprises the brick-and-mortar retail and outlet stores operated by the Group and its e-commerce activities. The e-commerce business consists of the Group's own e-shops and e-commerce partnerships with mail-order companies. In the Retail segment a distinction is made between the TOM TAILOR and BONITA brands.

In the Wholesale segment, the Company distributes TOM TAILOR products to business customers, who sell these to end customers via different sales channels. These include franchise stores, shop-in-shops and multi-label sales outlets.

There are a total of three reportable segments (TOM TAILOR Retail, TOM TAILOR Wholesale and BONITA).

Revenue by Segment (in EUR million)



TOM TAILOR Retail Segment – Strong Improvement of Gross Profit Margin and EBIT

TOM TAILOR Retail Segment – Key Data

	2017	2016
Revenue (in EUR million)	304.0	313.6
Growth (in %)	-3.1	8.5
Gross margin (in %)	60.0	54.9
Number of stores	452	472
Reported EBITDA (in EUR million)	15.5	8.2
Reported EBITDA margin (in %)	5.1	2.6
Reported EBIT (in EUR million)	2.5	-18.5
Reported EBIT margin (in %)	0.8	-5.9

During the year under review, performance in the TOM TAILOR Retail segment was characterised by further expansion in Russia and increased closure activities, particularly in Germany. Revenue was down 3.1% to EUR 304.0 million in 2017 (2016: EUR 313.6 million), primarily due to store closures.

The number of retail stores has fallen by 20 since 31 December 2016 to 452 stores. Store closures took place in Germany and France in particular. Of the 452 retail stores in the network at the end of the year, 164 were in Germany and 288 in countries outside Germany. In markets outside Russia, the number of stores fell by 40. In contrast, the number of stores in Russia rose by 20 to 47 during the 2017 financial year. The e-commerce revenue of the TOM TAILOR brands increased by 8.2% year-on-year in 2017 to EUR 48.7 million (2016: EUR 45.0 million).

The gross margin for this segment rose significantly by 5.1 percentage points year-on-year to 60.0% (2016: 54.9%). This increase is attributable to improved purchasing conditions and a marked reduction in price cuts. Despite the decline in revenue, gross profit increased by EUR 9.5 million to EUR 181.7 million due to the margin increase (2016: EUR 172.2 million). In the fourth quarter of the year under review, the gross margin was 65.2% – also higher than the figure for the prior-year quarter (2016: 53.6%).

During the year under review, reported EBITDA rose significantly by EUR 7.3 million to EUR 15.5 million (2016: EUR 8.2 million). This gain is primarily due to higher gross profit. However, earnings for the 2017 financial year were once again adversely impacted by expenses for surrender premiums paid to lessors totalling EUR 4.9 million (2016: EUR 1.7 million) in order to be able to close unprofitable stores earlier than planned.

Reported EBIT climbed by EUR 21.0 million to EUR 2.5 million due in particular to significantly lower depreciation and amortisation (2016: EUR -18.5 million).

BONITA Segment – Significant EBITDA Improvement Driven by Rise in Gross Margin and Decline in Operating Expenses

BONITA Segment – Key Data

	2017	2016
Revenue (in EUR million)	267.7	303.0
Growth (in %)	−11.6	−7.0
Gross margin (in %)	69.7	63.4
Number of stores	815	950
Reported EBITDA (in EUR million)	15.6	−22.6
Reported EBITDA margin (in %)	5.8	−7.5
Reported EBIT (in EUR million)	2.5	−64.1
Reported EBIT margin (in %)	0.9	−21.2

The BONITA segment exclusively comprises own stores, the brand's own e-shop and vertically operated shop-in-shops in the wholesale business. In financial year 2017, revenue fell by 11.6% to EUR 267.7 million (2016: EUR 303.0 million), which was in line with expectations. In the fourth quarter of 2017, BONITA generated revenue of EUR 65.8 million, a decrease of 19.9% on the prior-year level of EUR 82.1 million.

The number of BONITA stores has been reduced by 135 or 14.2% to 815 stores since 31 December 2016 as part of the closure and streamlining measures agreed during the 2016 financial year. A total of 93 stores were closed in Germany, with the remainder primarily located in Austria, Switzerland and the Benelux region. The closed stores also included 59 stores in the BONITA MEN division, which was discontinued on 30 June 2017. Most stores had been closed by 30 September 2017 (120 of 135 stores). Of the 815 stores in the network at the end of the year, 574 were in Germany and 241 in countries outside Germany. The BONITA e-shop saw stable performance year-on-year, generating revenue of EUR 3.7 million in 2017 (2016: EUR 3.7 million). Furthermore, 54 BONITA shop-in-shops were operated in the 2017 financial year (2016: 56).

The gross margin for this segment rose significantly by 6.3 percentage points year-on-year to 69.7% (2016: 63.4%). This increase is primarily due to the marked decline in price cuts. The previous year's figure was also adversely impacted by one-off inventory write-downs in the third quarter (2016: charges of EUR 13.7 million). However, the higher gross margin was unable to offset the revenue loss at gross profit level. In absolute terms, gross profit fell by EUR 5.4 million or 2.9% in 2017 to EUR 186.5 million (2016: EUR 191.9 million). Adjusted for charges associated with one-off inventory write-downs during the 2016 financial year, gross profit fell by 9.3%. In the fourth quarter of the year under review, the gross margin was at a very good 74.7% – also higher than the figure for the prior-year quarter (2016: 71.1%).

Reported EBITDA in the BONITA segment increased by EUR 38.2 million to EUR 15.6 million in the 2017 financial year (2016: EUR -22.6 million). Taking into account the high extraordinary charges of EUR 32.1 million from the previous year, EBITDA improved by EUR 6.1 million during the financial year under review. In addition to the rise in gross margin, the positive performance was primarily due to lower operating expenses. In particular, store closures led to significant savings in staff costs and rental expenses.

Reported EBIT climbed by EUR 66.6 million to EUR 2.5 million due to the high extraordinary charges included in the previous year's results (2016: EUR -64.1 million). The prior-year EBIT figure contained one-off extraordinary charges totalling EUR 52.1 million. Taking into account these extraordinary charges, EBIT improved by EUR 14.5 million during the financial year under review.

TOM TAILOR Wholesale Segment – EBITDA Doubles, EBIT Almost Quadruples

TOM TAILOR Wholesale Segment – Key Data

	2017	2016
Revenue (in EUR million)	350.1	351.9
Growth (in %)	-0.5	3.2
Gross margin	48.4	46.4
Number of shop-in-shops	2,443	3,050
Number of franchise stores	188	205
Reported EBITDA (in EUR million)	52.0	24.7
Reported EBITDA margin (in %)	14.9	7.0
Reported EBIT (in EUR million)	38.8	9.7
Reported EBIT margin (in %)	11.1	2.8

The revenue of the TOM TAILOR Wholesale segment decreased slightly by 0.5% in the reporting year to EUR 350.1 million (2016: EUR 351.9 million). In the fourth quarter, Wholesale revenue fell by 10.8% to EUR 79.4 million (prior-year quarter: EUR 89.0 million). The significant decrease in the fourth quarter is mainly due to the spin-off of the TOM TAILOR KIDS division, which took full effect as at the end of the third quarter of 2017. In Germany, the revenue of the Wholesale segment was boosted by 1.1% to EUR 226.9 million (2016: EUR 224.4 million). Outside Germany, revenue decreased by 3.4% to EUR 123.2 million (2016: EUR 127.5 million). The number of shop-in-shops was reduced by 607 as against 31 December 2016 to 2,443, primarily as a result of spinning off TOM TAILOR KIDS. The number of franchise stores fell by 17 to 188 in the year under review.

Gross margin increased from 46.4% to 48.4% during the financial year under review. This was primarily due to further improvements in incoming product costing, improved supplier conditions and lower discounts. Despite the decline in revenue, gross profit increased by EUR 6.1 million to EUR 169.5 million due to the margin increase (2016: EUR 163.4 million). In the fourth quarter of 2017, the gross margin stood at 52.3%, thus showing a considerable increase on the figure of 46.6% reported for the prior-year quarter.

Reported EBITDA in the TOM TAILOR Wholesale segment doubled by EUR 27.3 million or 110.5% year-on-year to EUR 52.0 million (2016: EUR 24.7 million). In addition to the rise in gross profit, significantly lower staff, marketing and logistics costs had a particularly positive effect on EBITDA development in this segment. These positive effects were largely due to the RESET cost and process optimisation programme introduced during the 2016 financial year, particularly in the areas of human resources and logistics. Due to the measures associated with this programme, EBITDA in this segment was adversely impacted by one-off extraordinary expenses totalling EUR 5.1 million in the previous year.

During the year under review, reported EBIT grew significantly by EUR 29.1 million or 300.4% to EUR 38.8 million due to robust EBITDA development and lower depreciation and amortisation (2016: EUR 9.7 million). The prior-year EBIT figure contained non-recurring extraordinary expenses totalling EUR 5.4 million.

Group's Gross Margin Rises to 58.3%

In the financial year ended, the cost of materials in the TOM TAILOR GROUP decreased by 12.9% to EUR 384.1 million (2016: EUR 441.0 million). The gross margin was up 3.9 percentage points to 58.3% (2016: 54.5%). The previous year's cost of materials, however, included one-off expenses for inventory write-downs totalling EUR 15.3 million. The previous year's gross margin adjusted for these expenses was 56.0%.

In the fourth quarter of 2017, the gross margin stood at 63.5% due to the positive development across all segments of the TOM TAILOR GROUP, thus showing a considerable increase on the figure of 56.6% reported for the prior-year quarter.

Other Operating Income up

Other operating income increased by EUR 5.2 million to EUR 37.5 million in financial year 2017 (2016: EUR 32.3 million). This development was mainly due to higher foreign exchange gains from currency translation, which rose by EUR 1.0 million to EUR 8.5 million (2016: EUR 7.4 million). In other operating expenses, these gains stood in contrast to foreign exchange expenses from currency translation of EUR 6.5 million (2016: EUR 7.8 million). Licence income from the out-licensing of the TOM TAILOR KIDS' brand (2017: EUR 6.9 million), income from the reversal of provisions (2017: EUR 5.0 million) and rental income (2017: EUR 5.1 million) also made a notable contribution to this item.

Declining Personnel Expenses – Personnel Expense to Revenue Ratio down by 1.5 Percentage Points to 21.2%

Personnel expenses decreased by EUR 24.9 million or 11.3% to EUR 195.3 million in the reporting year (2016: EUR 220.2 million). The personnel expense to revenue ratio fell from 22.7% in the prior-year period to 21.2% in the past financial year. The growth in both absolute and relative terms was principally the result of a planned decrease in headcount and the elimination of increased expenses for severance payments and leaves of absence that were incurred in the previous year.

The TOM TAILOR GROUP employed 6,071 people as at 31 December 2017 (previous year: 6,789), of whom 3,049 worked at BONITA (previous year: 3,702).

Decrease in Other Operating Expenses

At EUR 297.5 million, other operating expenses were down EUR 31.9 million or 9.7% on the figure for the prior-year period (2016: EUR 329.4 million). The decrease in the financial year ended mainly reflects the elimination of one-off expenses in connection with the set of measures approved in autumn 2016 in the amount of EUR 25.5 million, which had impacted the prior-year figure.

Marketing expenses increased by 6.4% to EUR 32.3 million in the reporting year (2016: EUR 30.4 million). Rental expenses fell by 5.7% to EUR 104.9 million in 2017 (2016: EUR 111.3 million) as a result of store closures. Further key elements of other operating expenses were logistics costs for order picking of EUR 22.5 million (2016: EUR 24.5 million), outgoing shipping costs of EUR 14.4 million (2016: EUR 14.0 million), IT expenses of EUR 9.1 million (2016: EUR 7.8 million) and legal and consulting expenses of EUR 8.3 million (2016: EUR 10.9 million).

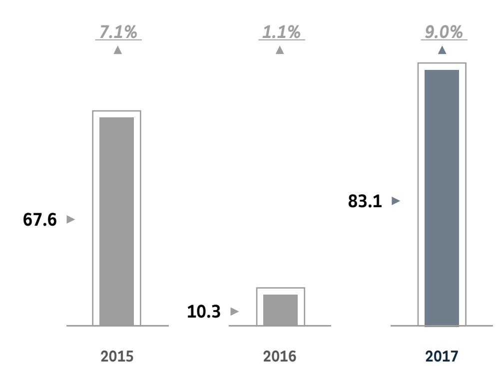
Significant Increase in Reported EBITDA for the TOM TAILOR GROUP – Reported EBITDA Margin at 9.0%

The reported earnings before interest, taxes, depreciation and amortisation (EBITDA) of the TOM TAILOR GROUP rose by EUR 72.8 million to EUR 83.1 million during the reporting year (2016: EUR 10.3 million). This sharp increase is due to operating profit growth for the 2017 financial year and high extraordinary expenses in the previous year that had an adverse impact on 2016 EBITDA totalling EUR 48.5 million. In the 2017 financial year, the Company increased its reported EBITDA margin to 9.0% (2016: 1.1%).

In the fourth quarter of 2017, reported EBITDA rose by 9.9% year-on-year to EUR 30.3 million (prior-year quarter: EUR 27.6 million). The reported EBITDA margin improved to 12.9% in the fourth quarter of 2017 (prior-year quarter: 10.1%).

Development of Reported EBITDA, Group (in EUR million)

Reported EBITDA margin in %



Depreciation and Amortisation More Than Halved

Depreciation, amortisation and impairment losses amounted to EUR 39.2 million in 2017, down EUR 44.0 million on the prior-year figure (2016: EUR 83.1 million). This is due primarily to the high level of impairment losses incurred in the 2016 financial year, which amounted to EUR 32.4 million. Depreciation, amortisation and impairment losses for the TOM TAILOR GROUP in the reporting period contrasted with capital expenditure of EUR 17.5 million (2016: EUR 16.4 million).

Reported EBIT of the TOM TAILOR GROUP Substantially Improved – Reported EBIT Margin at 4.8%

The reported earnings before interest and taxes (EBIT) of the TOM TAILOR GROUP rose by EUR 116.8 million to EUR 43.9 million during the reporting year (2016: EUR -72.9 million). This sharp increase is due to operating profit growth for the 2017 financial year and high one-off expenses in the previous year that had an adverse impact on 2016 EBIT totalling EUR 80.9 million. In the 2017 financial year, the Company increased its reported EBIT margin to 4.8% (2016: -7.5%).

In the fourth quarter of 2017, reported EBIT rose by EUR 13.7 million year-on-year to EUR 17.8 million (prior-year quarter: EUR 4.1 million). The reported EBIT margin improved to 7.5% in the fourth quarter of 2017 (prior-year quarter: 1.5%).

Financial Result up EUR 1.0 million

The financial result for the 2017 financial year amounted to EUR -15.3 million, up EUR 1.0 million on the previous year's figure of EUR -16.3 million. This was due to the reduction in net debt as a result of the capital increase carried out in June 2017 and the lowering of the interest rate margin agreed with the bank syndicate.

Tax Expense at EUR 11.5 million

Income tax comprises the current taxes of German Group companies (outside of the group of companies consolidated for income tax purposes) and international Group companies for 2017 and the utilisation of deferred tax assets on current tax loss and interest carryforwards of the German Group companies (within the group of companies consolidated for income tax purposes). In the 2017 financial year, income tax expense amounted to EUR 11.5 million (2016: income of EUR 16.2 million).

With net income before income tax of EUR 28.6 million (2016: EUR -89.2 million), the effective tax rate was thus 40.3% (2016: 18.2%). The effective tax rate mainly resulted from the limited tax deductibility in Germany of rental and financing expenses for trade tax purposes, the non-recognition of deferred tax assets on losses of the international Group companies and the remeasurement of deferred tax assets on tax loss carryforwards and interest carried forward.

Reported Net Income for the Period at EUR 17.1 million

Reported net income for the period improved by EUR 90.1 million to EUR 17.1 million in the 2017 financial year (2016: EUR -73.0 million). Earnings per share (EPS) amounted to EUR 0.37 (2016: EUR -2.95).

FINANCIAL POSITION OF THE TOM TAILOR GROUP

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 development 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 long-term financial management is based on its corporate strategy, with short- and medium-term financial management focusing primarily on the requirements of operating activities. Rolling cash flow planning and daily liquidity reports are used to determine liquidity requirements.

The TOM TAILOR GROUP covers its financing needs by maintaining a balanced debt-to-equity ratio, which ensures both financial stability and sufficient flexibility.

The TOM TAILOR GROUP monitors and analyses 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 had three tranches with maturities of 2.6, 3.6 and five years, and bears both fixed and variable rates of interest. The final tranche of the borrower's note loan in the amount of EUR 15 million will mature at the end of May 2018.

In addition to the borrower's note loan, the TOM TAILOR GROUP finances its operational and long-term funding requirements through a syndicated loan agreement. The loan agreement currently in place was renegotiated at the end of May 2015. The new funding has a total volume of EUR 500 million, thus ensuring the financial framework for the Company's further development. A total of EUR 475 million of the loan refinancing has a term of five years, while EUR 25 million has a term of three years plus two options to extend the term by one year in each case. The bank lines of credit of EUR 500 million comprise a current account overdraft facility of EUR 187.5 million (utilisation as at 31 December 2017: EUR 10.2 million), a guaranteed line of credit of EUR 187.5 million (utilisation as at 31 December 2017: EUR 135.2 million) and bank loans of EUR 125.0 million (outstanding liability as at 31 December 2017: EUR 87.5 million). The variable effective interest rate for the lines drawn down is based on three-month and six-month EURIBOR plus a margin that depends on the ratio of net debt to recurring EBITDA.

The continuation of the borrower's note loans and the syndicated loan is dependent on compliance with financial covenants (net debt / EBITDA, net debt incl. future rent / EBITDAR and equity ratio); these are to be calculated on the basis of the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRSs). All covenants were met as at 31 December 2017.

Free Cash Flow up 184.6% to EUR 56.9 million

TOM TAILOR GROUP – Development of Key Cash Flows

EUR million	2017	2016
Operating cash flow	83.4	50.3
Change (in %)	65.7	2.2
Net cash provided by investing activities	–13.2	–14.5
Free cash flow	56.9	20.0
Change (in %)	184.6	53.1

Cash generated from operations rose by 65.7% or EUR 33.1 million to EUR 83.4 million in financial year 2017 (2016: EUR 50.3 million). In addition to the profit for the year, this is mainly due to the reduction of inventories. The increase in receivables and other assets had an offsetting effect.

Net cash used in investing activities amounted to EUR 13.2 million in the reporting year and therefore was slightly below the prior-year level (2016: EUR 14.5 million). Purchases of intangible assets, property, plant and equipment and financial assets increased slightly year-on-year to EUR 17.5 million (2016: EUR 16.4 million). Alongside investments, proceeds of EUR 4.2 million were generated from the sale of fixed assets (2016: EUR 1.9 million).

The net amount of net cash provided by operating activities and net cash used in investing activities (free cash flow) improved by 184.6% or EUR 36.9 million to EUR 56.9 million in the reporting period (2016: EUR 20.0 million).

Total net cash used in financing activities amounted to EUR 70.7 million (2016: EUR 32.7 million), despite the inflow of EUR 64.1 million from the issuance of new shares. This development in the financial year ended was due in particular to the significant reduction in financial liabilities by EUR 127.5 million, which mainly comprised the scheduled repayment of fixed loans by EUR 15.0 million and the reduction of liabilities from overdraft facilities by EUR 68.4 million.

Payments to Acquire Intangible Assets and Items of Property, Plant and Equipment up slightly year-on-year

The Group invested a total of EUR 17.5 million (2016: EUR 16.4 million) across all three segments in the past financial year to further expand controlled selling spaces and develop software. Of that amount, EUR 8.8 million was invested in the TOM TAILOR Retail segment (2016: EUR 6.1 million) and EUR 7.3 million in the TOM TAILOR Wholesale segment (2016: EUR 6.8 million). Capital expenditure in the retail segment concerned shop fittings and fixtures, IT software and development services for e-commerce applications. A total of EUR 2.0 million was spent on new selling spaces in the TOM TAILOR Wholesale segment. The remaining EUR 5.3 million mainly related to the IT/software infrastructure. BONITA invested a total of EUR 1.4 million in 2017 (2016: EUR 3.5 million), primarily in shop fittings and IT software.

An SAP application was recognised in financial year 2017 based on a hire purchase contract. In analogy to the other finance leases in place, the payments made in this connection in financial year 2017 are shown as repayments of financial liabilities in the cash outflows from financing activities and, in part, under interest expense.

NET ASSETS OF THE TOM TAILOR GROUP

Intangible Assets up EUR 26.2 million

Alongside brands, the intangible assets item includes the customer base and licences that were realised by the identification of hidden reserves in the course of purchase price allocation for the acquisition in 2005 of the TOM TAILOR operating business by what today is TOM TAILOR Holding SE. During the BONITA purchase price allocation in 2012, a total of EUR 187.7 million was added for the BONITA brand. The brands and goodwill reported are tested for impairment on an annual basis. Based on the Company planning, no impairment loss needed to be recognised as at the reporting date. 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. 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.

In the financial year ended, intangible assets increased by EUR 26.2 million to EUR 321.3 million (2016: EUR 295.2 million), mainly due to the recognition of new SAP software and a new e-commerce platform.

Property, Plant and Equipment Lower by EUR 24.8 million

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 site operated by BONITA, including the land, warehouse and operating facilities, is also included in property, plant and equipment.

Property, plant and equipment declined by EUR 24.8 million to EUR 79.4 million in 2017 (2016: EUR 104.2 million). Depreciation and impairment losses of EUR 39.2 million in the reporting period contrasted with capital expenditure of EUR 17.5 million. The impairment losses of EUR 4.0 million primarily relate to the further impairment of fixed assets of stores that made a negative contribution to earnings and are earmarked for closure.

Net Working Capital down EUR 4.7 million

Net working capital is calculated as the sum of inventories and trade receivables less trade payables at the reporting date.

Amounting to EUR 138.5 million at the reporting date, inventories were down EUR 20.6 million on the prior-year figure (2016: EUR 159.1 million). This decrease was attributable mainly to a reduction in order volumes and faster inventory turnover combined with a continuation of increased sales activities in the first and fourth quarter of 2017. Due to reporting date effects, trade receivables increased by EUR 12.6 million to EUR 53.8 million at the reporting date (2016: EUR 41.2 million). Trade payables fell by EUR 3.3 million to EUR 125.0 million (2016: EUR 128.3 million) as at the reporting date.

On the whole, net working capital as at 31 December 2017 fell by EUR 4.7 million to EUR 67.3 million (2016: EUR 72.0 million), and thus accounted for 7.3% of consolidated revenue (2016: 7.4%).

Selected Figures for Net Assets, Financial Position and Results of Operations

EUR million	2017	2016	2015
Equity	213.0	162.9	225.5
Non-current liabilities	189.6	282.9	318.6
Current liabilities	243.8	249.9	279.0
Financial liabilities	137.5	232.8	267.9
Cash funds	24.2	38.1	50.5
Net debt	113.3	194.7	217.4
Total assets	646.3	695.7	823.1

Financial Liabilities and Net Debt Reduced Significantly

Under the non-current liabilities, non-current financial liabilities as at 31 December 2017 decreased by EUR 94.8 million year-on-year to EUR 101.4 million (2016: EUR 196.2 million). This reduction was largely due to repayment of the fixed-rate loan on schedule, the reclassification of the borrower's note loan tranche maturing in May 2018 to current financial liabilities and the reduction of overdrafts. Current financial liabilities were down slightly EUR 0.5 million at the reporting date to EUR 36.1 million (2016: EUR 36.6 million).

At 31 December 2017, net debt amounted to EUR 113.3 million, down EUR 81.4 million on the prior-year figure of EUR 194.7 million.

Equity Ratio at 33.0%

Equity increased to EUR 213.0 million due to the capital increase carried out in June 2017 and the net income for the period (31 December 2016: EUR 162.9 million). TOM TAILOR Holding SE increased equity by EUR 64.1 million – before deducting equity raising costs – in June 2017 by issuing 9,865,423 shares. The equity ratio rose to 33.0% compared with 31 December 2017 (31 December 2016: 23.4%).

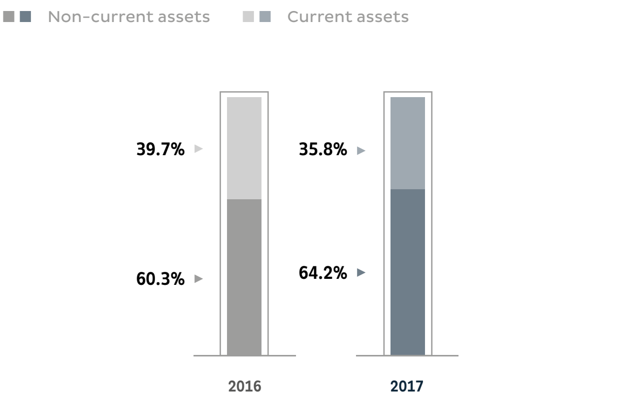
Off-Balance-sheet Financial Instruments

The Company does not use any off-balance-sheet financing instruments such as asset-backed securities or contingent liabilities involving special-purpose entities not included in the consolidated financial statements. At 31 December 2017, receivables from German business customers of EUR 11.5 million were sold under a rolling factoring programme.

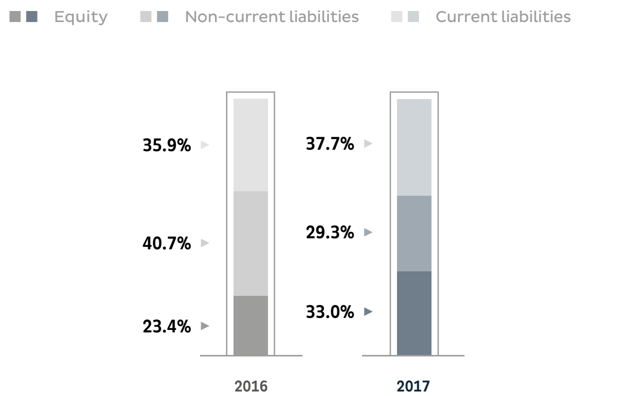
Rating

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.

Asset Structure of the TOM TAILOR GROUP



Capital Structure of the TOM TAILOR GROUP



RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS OF TOM TAILOR HOLDING SE

RESULTS OF OPERATIONS

Revenue / investment Income / other Operating Income

TOM TAILOR Holding SE generates revenue and other operating income by recharging services to the German subsidiaries. The Company's operating activities continue to be determined by the investment income generated and by profits transferred by or losses assumed from its subsidiaries.

At EUR 34.6 million, the sum total of net investment income and other operating income was up EUR 82.9 million on the prior-year figure of EUR -48.3 million. This increase is primarily attributable to net investment income, which rose to EUR 30.4 million (2016: EUR -57.0 million). In particular, the positive result generated by Tom Tailor GmbH led to income from the transfer of profits in the amount of EUR 26.7 million.

Expenses

As at 31 December 2017 and as in the previous year, TOM TAILOR Holding SE had three Management Board members.

Compared with the previous year, personnel expenses declined by EUR 5.0 million to EUR 3.1 million (2016: EUR 8.1 million). Personnel expenses for the 2016 financial year had been driven up by severance payments made to former Management Board members.

Other operating expenses increased slightly by EUR 0.9 million to EUR 9.4 million (2016: EUR 8.5 million), mainly due to higher administrative expenses.

Financial Result

The financial result improved by EUR 0.5 million year-on-year to EUR -5.3 million due to lower interest expense (2016: EUR -5.8 million).

Net Income / loss for the Year

The Company posted net income of EUR 5.2 million in 2017. The significant year-on-year improvement in earnings is attributable to the positive earnings of the subsidiaries, whereas in the previous year a significant net loss was recorded as a result of loss absorption.

FINANCIAL POSITION AND NET ASSETS

Capital Expenditure

TOM TAILOR Holding SE's investment policy is focused on the acquisition and holding of equity investments. There were no material changes in the Company's financial assets in the 2017 financial year.

Balance Sheet Structure

Long-term financial assets, at EUR 450.8 million (2016: EUR 450.8 million), are TOM TAILOR Holding SE's main asset, accounting for around 97% of total assets in the amount of EUR 465.0 million (2016: EUR 474.3 million).

Equity rose by EUR 69.4 million to EUR 339.4 million (2016: EUR 270.0 million), as a result of the net income and the capital increase carried out in June 2017. The capital increase raised the Company's equity by EUR 64.1 million. Liabilities to banks were reduced by EUR 15.0 million in the financial year to EUR 102.5 million (2016: EUR 117.5 million) through the annual scheduled repayment.

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

The Management Board of TOM TAILOR Holding SE assesses the Group's current situation as mildly positive. In the 2017 reporting year, consolidated revenue declined by 4.8% as expected due to the completed RESET measures and the still very competitive market environment.

For the TOM TAILOR GROUP, 2017 was a transformational year during which the foundation was laid for profitable growth in the future. The implementation of some of the numerous RESET programme measures was even faster than planned which led to an earlier sharp rise in gross margin and profitability. In addition, the Group raised funds in a capital increase and began investing in promising areas.

For financial year 2018, the Management Board of TOM TAILOR Holding SE is again planning further measures and projects aimed at boosting the profitability of individual divisions, particularly in the TOM TAILOR Retail and BONITA segments.

Management Judgements

No accounting policies were applied in the 2017 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.

SEPARATE NON-FINANCIAL REPORT

The separate non-financial Group report in accordance with section 315b of the Handelsgesetzbuch (HGB – German Commercial Code) (hereafter: “separate non-financial report”) can be found in the Annual Report and on TOM TAILOR Holding SE’s website at http://ir.tom-tailor-group.com.

CORPORATE GOVERNANCE DECLARATION

The Corporate Governance Declaration in accordance with section 289f and section 315d of the HGB can be found in the Corporate Governance Report of the Annual Report and on TOM TAILOR Holding SE’s website at http://ir.tom-tailor-group.com.

REMUNERATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

REMUNERATION OF THE MANAGEMENT BOARD OF TOM TAILOR HOLDING SE

In the 2017 financial year, the Management Board of TOM TAILOR Holding SE comprised Dr Schäfer, Mr Dressendörfer, Mr Devoy (from 1 August 2017) and Mr Schröder (until 29 May 2017).

The system of remuneration for Management Board members aims to ensure the successful, sustainable, value-focused performance of the Company.

As required by section 87 of the Aktiengesetz (AktG – German Stock Corporation Act) and the German Corporate Governance Code (GCGC), the Supervisory Board determines the total remuneration and regularly reviews the remuneration system. In setting an appropriate level of total remuneration, attention is paid to its customariness in view of both the Company's environment (customary remuneration in the Company's industry, in companies of comparable size, in Germany) and the Company's pay scale (ratio of Management Board remuneration to that of the workforce).

COMPONENTS OF MANAGEMENT BOARD REMUNERATION

The Management Board's remuneration is composed of fixed and variable (performance-based) components. In addition, members receive fringe benefits, e.g. use of a company car and accident insurance.

1) Fixed Salary

The amount of fixed salary received depends on the duties and area of responsibility of each Management Board member. It is paid in 12 equal instalments.

2) Variable remuneration

The variable remuneration components for Dr Schäfer, Mr Dressendörfer and Mr Devoy are, in principle, based on a one-year and multi-year bonus.

In a departure from this, the variable remuneration of two members of the Management Board of TOM TAILOR Holding SE for the 2017 financial year was determined exclusively on the basis of selected key figures that can be derived from the IFRS consolidated financial statements for the 2017 financial year. For the 2017 financial year, it was agreed due to the fact that contracts were entered during 2017 that the performance-related variable remuneration should only be determined on the basis of the financial year in which the members of the Management Board started their work in their current position. This is because remuneration should be tied exclusively to the Management Board member's own performance and should not be influenced by the performance of the previous Management Board members.

The variable remuneration components are as follows:

- One-year bonus
- Multi-year bonus
- Matching Stock Programme (MSP)
- Long-Term Incentive Programme (LTI)
- Stock Option Programme (SOP)

a) One-year Bonus

For the Management Board members Dr Schäfer, Mr Devoy and Mr Schröder the contracts provide for a voluntary short-term bonus component, which can be specified by the Supervisory Board for each individual and for the respective financial year. The other variable remuneration components for these Management Board members in 2017 relate only to the development of certain key financial figures for financial year 2017. The contract of Mr Dressendörfer do not stipulate a one-year bonus.

b) Multi-year Bonus

The following targets are used depending on the provisions of the contract in each case: EBITDA growth, average EBIT, savings in purchasing, average operating cash flow / growth in operating cash flow, and consolidated earnings per share (EPS) and EPS growth for the TOM TAILOR Holding SE Group. As a rule, a multi-year average is used to calculate the averages of earnings figures. If, despite a positive EPS component in the period under review, EPS for the financial year is negative, the EPS-based bonus component will not be paid out. There is a cap on the amount of the multi-year bonus for Management Board members.

c) MSP

On 20 January 2010 the Supervisory Board approved implementation of a Matching Stock Programme (MSP) for the members of the Management Board as a share-based remuneration system to align the interests of the Management Board and the shareholders. The MSP entitles the plan participants to acquire phantom stocks provided that the plan participants' employment with the Company has not been terminated at the time the MSP is subscribed. Only the former Management Board members Mr Holzer and Dr Rebien participated in the MSP. Upon the departure of the two beneficiaries from the Management Board and the Group in financial year 2016 and their decision to waive the share-based compensation system in full under the severance agreements, no payments under the Matching Stock Programme were made by the TOM TAILOR Group.

d) LTI

In July 2010, a Long-Term Incentive (LTI) Programme was introduced for the Management Board and executives of TOM TAILOR Holding SE. This Programme serves to align the interests of the Management Board members, executives and shareholders of TOM TAILOR Holding SE as well as to encourage retention of personnel and achievement of the Company's long-term goals.

The LTI runs for a total of eight years from the date of initial listing of TOM TAILOR Holding SE shares. Assuming an active, unterminated employment relationship, the LTI will be awarded annually.

The target amount for each plan participant is based on their fixed salary at the time of issuance and is determined for the Management Board members by the Supervisory Board. The amount of the LTI payment will be calculated over a period of three years on the basis of EBITDA / net revenue (Factor 1) and the share price (Factor 2). Factor 1 comprises achievement of the target EBITDA growth over the three-year performance period weighted at 30% and achievement of the net revenue growth target over the three-year performance period weighted at 20%. Factor 2 comprises the growth in value of TOM TAILOR shares over the performance period. In calculating the LTI, Factor 2 must be included at a factor of at least 1.0.

Participants are entitled to a payout from the LTI only if at least 70% of the Factor 1 plan targets were attained. The value of the factors cannot exceed 2.0 in each case. The LTI payment is subject to a lock-up period of three years from the date it is granted.

e) SOP

On 3 June 2013 the Annual General Meeting of TOM TAILOR Holding SE voted to introduce a stock option programme (SOP 2013) at the Company. A resolution to introduce an additional stock option programme (SOP 2017) was adopted at the Annual General Meeting of TOM TAILOR Holding SE on 31 May 2017. The two stock option programme – SOP 2013 and SOP 2017 – have identical structures. The performance targets for the programmes 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.

In financial year 2017, the members of the Management Board Dr Schäfer and Mr Dressendörfer were eligible to participate in the stock option programme. Dr Schäfer and Mr Dressendörfer were granted stock options.

Each option entitles plan participants to acquire one TOM TAILOR share. Until the TOM TAILOR shares are transferred, the option holders are entitled neither to pre-emptive rights to new shares of the Company from capital increases nor to equity derivatives nor to rights to dividends or other distributions.

The SOP performance period for the respective tranche runs for four years, and the maximum term of the stock options shall not exceed seven years from the date of issue. In the four issuing periods of the SOP 2013 and issue period of the SOP 2017, 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 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 adjusted for special factors for the financial year ending prior to the end of the respective vesting period have increased by at least 50%. The gain achieved by the option beneficiaries when exercising their options may not exceed three times the issue price (cap).

f) Equity Interest in FCM Beteiligungs GmbH (Third-party Benefits)

In financial year 2014, the Management Board members Mr Holzer and Dr Rebien invested in FCM Beteiligungs GmbH from their net earnings for an equity interest in this company totalling 38%. FCM Beteiligungs GmbH holds 1,991,369 TOM TAILOR Holding SE shares. This represents a share of 6.96%. The Management Board members' equity interest therefore constitutes an investment in TOM TAILOR Holding SE and aligns the interests of management with those of the shareholders.

Proceeds are generated from the equity interest when shares are sold by FCM Beteiligungs GmbH. The gains from the equity interest are paid to participants in proportion to their interest in FCM Beteiligungs GmbH. This interest is reduced by what is known as a "performance ratchet" arrangement to a previously determined minimum, if the share price remains below a previously fixed hurdle when shares are sold. In addition to the aforementioned proceeds, the Management Board members are entitled to a performance bonus when TOM TAILOR shares are sold. This is based on the share price exceeding additional hurdles within a fixed time period. Shares can be sold after expiration of the lock-up period on 11 August 2015. This requires prior consultation with the Management Board members and executives of TOM TAILOR Holding SE. When the investment was made, the market value of the equity interest attributable to the members of the Management Board was around EUR 0.7 million.

Upon leaving TOM TAILOR Holding SE, participants in the performance ratchet arrangement are generally entitled to retain their interest in TOM TAILOR shares. Their share of the investment is reduced to the ratchet minimum. Claims to any performance bonuses are thereby extinguished.

3) Fringe Benefits

In addition to the personal use of a company car, fringe benefits include reimbursement of flight costs to the place of residence and work, premium payments for accident insurance, legal expenses insurance and D&O insurance.

4) Termination Benefits

No retirement benefits are granted to the members of the Management Board. 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. In the event of termination of an employment contract by the Company, Management Board members are entitled to severance pay in the amount of their fixed remuneration for the remaining term of the contract. The severance amount is limited to a maximum of two years' minimum salary in accordance with German Corporate Governance Code regulations. If employment is terminated for good cause in accordance with section 626 of the Bürgerliches Gesetzbuch (BGB – German Civil Code), then any claims to severance pay are extinguished.

As part of the termination agreements signed with Dr Rebien and Mr Holzer, the Company waived its claims to repayment of the overpayment amounting to EUR 0.2 million in each case in financial year 2015. In this context, Dr Rebien and Mr Holzer in turn waived any claims arising from the MSP, LTI or SOP variable remuneration components. In addition, the continued payment of Mr Holzer's fixed salary and granting or maintenance of his other benefits until the end of March 2017 were agreed.

A commitment was made in financial year 2016 to pay Dr Rebien and Mr Holzer total severance of EUR 1.7 million and EUR 1.3 million, respectively.

Benefits Granted

	Dieter Holzer				Dr Axel Rebien			
in EUR	2016 [2]	2017	2017 (Min)	2017 (Max)	2016 [2]	2017	2017 (Min)	2017 (Max)
Fixed remuneration	900,000	225,000	225,000	225,000	710,000	–	–	–
Fringe benefits	32,198	7,823	7,823	7,823	12,742	–	–	–
Total (fixed)	**932,198**	**232,823**	**232,823**	**232,823**	**722,742**	–	–	–
One-year variable remuneration	–	–	–	–	4,275	–	–	–
Multi-year variable remuneration	22,915	–	–	–	18,077	–	–	–
Multi-year bonus	–	–	–	–	–	–	–	–
LTI 2015 – 2018 / 2016 – 2019	22,915	–	–	–	18,077	–	–	–
SOP [1] 2015 – 2019 / 2017 – 2021	–	–	–	–	–	–	–	–
Total (variable)	**955,113**	**232,823**	**232,823**	**232,823**	**745,094**	–	–	–
Pension expense	–	–	–	–	–	–	–	–
Total remuneration	**955,113**	**232,823**	**232,823**	**232,823**	**745,094**	–	–	–

Benefits Granted

	Dr Heiko Schäfer				Thomas Dressendörfer			
in EUR	2016	2017 [5]	2017 (Min)	2017 (Max)	2016 [3]	2017 [5]	2017 (Min)	2017 (Max)
Fixed remuneration	590,000	591,667	591,667	591,667	245,000	450,000	450,000	450,000
Fringe benefits	12,600	16,800	16,800	16,800	5,246	10,488	10,488	10,488
Total (fixed)	**602,600**	**608,467**	**608,467**	**608,467**	**250,246**	**460,488**	**460,488**	**460,488**
One-year variable remuneration	300,000	795,000	–	900,000	650,000	–	–	–
Multi-year variable remuneration	154,205	271,679	–	2,735,197	217,735	1,158,282	–	3,261,795
Multi-year bonus	–	– [8]	– [8]	– [8]	–	919,000	–	1,050,000
LTI 2015 – 2018 / 2016 – 2019	45,337	74,359	–	698,947 [7]	–	41,962	–	175,545 [7]
SOP [1] 2015 – 2019 / 2017 – 2021	108,868	197,320	–	2,036,250	217,735	197,320	–	2,036,250
Total (variable)	**1,056,805**	**1.675,146**	**608,467**	**4,243,664**	**1,117,981**	**1,618,770**	**460,488**	**3,722,283**
Pension expense	–	–	–	–	–	–	–	–
Total remuneration	**1,056,805**	**1,675,146**	**608,467**	**4,243,664**	**1,117,981**	**1,618,770**	**460,488**	**3,722,283**

1 In financial years 2016 and 2017, only Mr Thomas Dressendörfer and Dr Heiko Schäfer each were granted options under the SOP. The gain achieved by the option beneficiaries when exercising their options may not exceed three times the issue price (cap).

2 Mr Holzer and Dr Rebien waived portions of their remuneration in their respective termination agreement.

3 The fixed and variable remuneration for Mr Dressendörfer and Mr Schröder in financial year 2016 comprises pro-rated remuneration for their period of service as Management Board members.

4 The fixed and variable remuneration for Mr Devoy and Mr Schröder in financial year 2017 comprises pro-rated remuneration for their period of service as Management Board members.

5 Overall remuneration comprising the fixed annual salary and the bonus (excluding LTI and SOP) is capped at EUR 1.5 million.

6 Overall remuneration comprising the fixed annual salary and the bonus (excluding LTI and SOP) is capped at EUR 0.8 million.

7 In principle, the LTI is not capped pursuant to the current director's contract.

8 As regards the Management Board employment contracts entered into in 2017, the multi-year bonus will not be calculated for the first year.

Benefits Granted

	Liam Devoy				Uwe Schröder			
in EUR	**2016**	**2017** [4,6]	**2017** (Min)	**2017** (Max)	**2016** [3]	**2017** [4]	**2017** (Min)	**2017** (Max)
Fixed remuneration	–	166,667	166,667	166,667	198,334	250,000	250,000	250,000
Fringe benefits	–	10,780	10,780	10,780	–	–	–	–
Total (fixed)	**–**	**177,447**	**177,447**	**177,447**	**198,334**	**250,000**	**250,000**	**250,000**
One-year variable remuneration	–	141,146	–	166,667	–	75,000	–	300,000
Multi-year variable remuneration	–	– [8]	– [8]	– [8]	–	–	–	–
Multi-year bonus	–	–	–	–	–	–	–	–
LTI 2015 – 2018 / 2016 – 2019	–	–	–	–	–	–	–	–
SOP [1] 2015 – 2019 / 2017 – 2021	–	–	–	–	–		–	–
Total (variable)	**–**	**318,593**	**177,447**	**344,114**	**198,334**	**325,000**	**250,000**	**550,000**
Pension expense	–	–	–	–	–	–	–	–
Total remuneration	**–**	**318,593**	**177,447**	**344,114**	**198,334**	**325,000**	**250,000**	**550,000**

Benefits Granted

	Total Management Board	
in EUR	**2016**	**2017**
Fixed remuneration	2,643,334	1,683,334
Fringe benefits	62,786	45,891
Total (fixed)	**2,706,120**	**1,729,225**
One-year variable remuneration	954,275	1,011,146
Multi-year variable remuneration	412,932	1,429,961
Multi-year bonus	–	919,000
LTI 2015 – 2018 / 2016 – 2019	86,329	116,321
SOP [1] 2015 – 2019 / 2017 – 2021	326,603	394,640
Total (variable)	**4,073,327**	**4,170,332**
Pension expense	–	–
Total remuneration	**4,073,327**	**4,170,332**

1 In financial years 2016 and 2017, only Mr Thomas Dressendörfer and Dr Heiko Schäfer each were granted options under the SOP. The gain achieved by the option beneficiaries when exercising their options may not exceed three times the issue price (cap).

2 Mr Holzer and Dr Rebien waived portions of their remuneration in their respective termination agreement.

3 The fixed and variable remuneration for Mr Dressendörfer and Mr Schröder in financial year 2016 comprises pro-rated remuneration for their period of service as Management Board members.

4 The fixed and variable remuneration for Mr Devoy and Mr Schröder in financial year 2017 comprises pro-rated remuneration for their period of service as Management Board members.

5 Overall remuneration comprising the fixed annual salary and the bonus (excluding LTI and SOP) is capped at EUR 1.5 million.

6 Overall remuneration comprising the fixed annual salary and the bonus (excluding LTI and SOP) is capped at EUR 0.8 million.

7 In principle, the LTI is not capped pursuant to the current director's contract.

8 As regards the Management Board employment contracts entered into in 2017, the multi-year bonus will not be calculated for the first year.

Benefits received

	Dieter Holzer		Dr Axel Rebien		Dr Heiko Schäfer		Thomas Dressendörfer	
in EUR	**2016 [5]**	**2017**	**2016 [1,5]**	**2017**	**2016**	**2017**	**2016 [3]**	**2017 [4]**
Fixed remuneration	900,000	225,000	710,000	–	590,000	591,667	245,000	450,000
Fringe benefits	32,198	7,823	12,742	–	12,600	16,800	5,246	10,488
Total	**932,198**	**232,823**	**722,742**	–	**602,600**	**608,467**	**250,246**	**460,488**
One-year variable remuneration	–	–	–	–	300,000	300,000	650,000	650,000
Multi-year variable remuneration	29,507	–	18,988	–	–	–	–	–
Multi-year bonus	–	–	–	–	–	–	–	–
LTI 2015 – 2018 / 2016 – 2019	29,507	–	18,988	–	–	–	–	–
SOP [2] 2015 – 2019 / 2017 – 2021	–	–	–	–	–	–	–	–
Total	**961,705**	**232,823**	**741,730**	**–**	**902,600**	**908,467**	**900,246**	**1,110,488**
Pension expense	–	–	–	–	–	–	–	–
Total remuneration	**961,705**	**232,823**	**741,730**	**–**	**902,600**	**908,467**	**900,246**	**1,110,488**

1 Dr Axel Rebien waived all of his short- and medium-term variable remuneration in his termination agreement dated 3 May 2016 and receives severance pay of EUR 90 thousand as compensation.

2 In financial years 2016 and 2017, only Mr Thomas Dressendörfer and Dr Heiko Schäfer each were granted options under the SOP. The gain achieved by the option beneficiaries when exercising their options may not exceed three times the issue price (cap).

3 The fixed and variable remuneration for Mr Dressendörfer and Mr Schröder in financial year 2016 comprises pro-rated remuneration for their period of service as Management Board members.

4 The fixed and variable remuneration for Mr Devoy and Mr Schröder in financial year 2017 comprises pro-rated remuneration for their period of service as Management Board members.

5 Mr Holzer and Dr Rebien waived portions of their remuneration in their respective termination agreement.

Benefits received

in EUR	Liam Devoy 2016	Liam Devoy 2017 [4]	Uwe Schröder 2016 [3]	Uwe Schröder 2017 [4]	Total Management Board 2016	Total Management Board 2017
Fixed remuneration	–	166,667	198,334	250,000	2,643,334	1,683,334
Fringe benefits	–	10,780	–	–	62,786	45,891
Total	–	**177,447**	**198,334**	**250,000**	**2,706,120**	**1,729,225**
One-year variable remuneration	–	–	–	75,000	950,000	1,025,000
Multi-year variable remuneration	–	–	–	–	48,495	–
Multi-year bonus	–	–	–	–	–	–
LTI 2015 – 2018 / 2016 – 2019	–	–	–	–	48,495	–
SOP [2] 2015 – 2019 / 2017 – 2021	–	–	–	–	–	–
Total	–	**177,447**	**198,334**	**325,000**	**3,704,615**	**2,754,225**
Pension expense	–	–	–	–	–	–
Total remuneration	–	**177,447**	**198,334**	**325,000**	**3,704,615**	**2,754,225**

1 Dr Axel Rebien waived all of his short- and medium-term variable remuneration in his termination agreement dated 3 May 2016 and receives severance pay of EUR 90 thousand as compensation.

2 In financial years 2016 and 2017, only Mr Thomas Dressendörfer and Dr Heiko Schäfer each were granted options under the SOP. The gain achieved by the option beneficiaries when exercising their options may not exceed three times the issue price (cap).

3 The fixed and variable remuneration for Mr Dressendörfer and Mr Schröder in financial year 2016 comprises pro-rated remuneration for their period of service as Management Board members.

4 The fixed and variable remuneration for Mr Devoy and Mr Schröder in financial year 2017 comprises pro-rated remuneration for their period of service as Management Board members.

5 Mr Holzer and Dr Rebien waived portions of their remuneration in their respective termination agreement.

REMUNERATION OF THE SUPERVISORY BOARD MEMBERS

In accordance with the old Articles of Association, the members of the Supervisory Board receive fixed remuneration of EUR 48 thousand (the Chairman receives EUR 165 thousand and the Deputy Chairman EUR 90 thousand), plus compensation for outofpocket expenses until 31 May 2017. 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.

The remuneration of Supervisory Board members stipulated in Article 12 (1) of the Articles of Association was reduced at the Annual General Meeting on 31 May 2017. Apart from being reimbursed for their expenses, the members of the Supervisory Board receive remuneration (plus statutory value added tax in case such tax is incurred) for the relevant financial year, which amounts to EUR 25 thousand for each individual member and EUR 100 thousand for the Chairman of the Supervisory Board. Members of Supervisory Board committees receive additional remuneration for the relevant financial year for each membership in a committee, which amounts to EUR 20 thousand for each individual member and EUR 30 thousand for the Chairman of the committee.

In the 2017 financial year, the remuneration for each member of the Supervisory Board is calculated on a pro rata basis for the period of time for which they are entitled under the regulations governing remuneration in accordance with the respective applicable Articles of Association, as well as for the period of their membership on the Supervisory Board.

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 SE 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 SE's subscribed capital (share capital) as at 31 December 2017 was EUR 38,495,269.00 and is composed of 38,495,269 noparvalue 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

Lock-up provisions or other restrictions affecting voting rights or the transfer of shares did not exist in the reporting period.

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 2017, the following direct or indirect equity interests in the share capital of TOM TAILOR Holding SE exceed 10% of the voting rights:

Fosun International Holdings Ltd., Road Town, Tortola, British Virgin Islands, holds 28.89% of the voting shares. 28.89% of the voting rights (11,119,995 voting rights) are attributable to Fosun International Holdings Ltd. in accordance with both section 34 (1) sentence 1 no. 1 WpHG new version (corresponds to section 22 (1) sentence 1 no. 1 WpHG old version) and section 34 (2) WpHG new version (corresponds to section 22 (2) WpHG old version).

The voting rights attributed to Fosun International Holdings Ltd. in accordance with section 34 (1) sentence 1 no. 1 WpHG new version (corresponds to section 22 (1) sentence 1 no. 1 WpHG old version) are held by the following companies it controls and whose interest in the voting shares of TOM TAILOR Holding SE is 3% or more in each case: Fosun Holdings Limited; Fosun International Limited; Fosun Financial Holdings Limited; Millennium Gain Limited; Longrun Portugal, SGPS, S.A.; Fidelidade-Companhia de Seguros, S.A; FCM Beteiligungs GmbH.

[1] Amended by section 3 of the second Financial Market Amendment Act dated 23 June 2017, Federal Law Gazette I, 1693 (no. 39) effective 3 January 2018.

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 6 (11) 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 30 May 2022 by up to a total of EUR 4,449,500 by issuing new, noparvalue registered shares against cash and / or noncash contributions (Authorised Capital 2017). 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)).

The Management Board is, however, authorised, with the consent of the Supervisory Board, to disapply shareholders' pre-emptive rights fully or partially in the following cases.

- to eliminate fractions
- in the case of capital increases against noncash 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 cash capital increases, if the issue price of the new shares is not materially lower than the quoted market price of the existing listed shares and the shares issued while disapplying shareholders' pre-emptive rights in accordance with 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 (a) 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 (b) are or can be issued to service bonds and / or participation rights with conversion and / or warrant rights or conversion and / or warrant obligations insofar as these financial instruments are issued after this authorisation comes into effect subject to the disapplication pre-emptive rights in line with section 186 (3) sentence 4 of the AktG.
- in the case of cash capital increases insofar as it is necessary to grant to holders of bonds or participation rights with conversion and / or warrant rights or conversion and / or warrant obligations issued by the company or Group companies in which the company holds a majority interest either directly or indirectly a subscription right to new shares of the company in the amount to which they would be entitled as shareholders after exercise of the warrant or conversion right, or after fulfilment of the warrant or conversion obligation, or after exercise of a right of substitution by the company.

The aforementioned authorisations to exclude subscription rights for capital increases against cash and / or non-cash contributions may not exceed a total of 20% of the share capital either at the time that this authorisation comes into effect or at the time it is exercised. Own shares that were sold during the term of this authorisation subject to the exclusion of subscription rights must additionally be included in the aforementioned 20% limit along with shares issued to honour financial instruments with conversion and / or warrant rights or conversion and / or warrant obligations to the extent that the financial instruments were issued during the term of this authorisation based on a future authorisation by the Annual General Meeting to issue such financial instruments subject to the exclusion of the subscription rights of shareholders. In addition, shares issued during the term of this authorisation based on other corporate actions subject to the exclusion of subscription rights of shareholders must also be included in the maximum limit of 20% of the share capital mentioned above.

The Management Board is authorised, with the consent of the Supervisory Board, to stipulate the other details of the implementation of capital increases out of the Authorised Capital 2017.

The Supervisory Board is authorised to amend the Articles of Association in accordance with the scope of the respective capital increase out of the Authorised Capital 2017.

Contingent Capital

In accordance with section 6 (10) of the Articles of Association, the share capital has been contingently increased by up to EUR 1,141,000 by issuing up to 1,141,000 noparvalue 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 Longterm 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.

The Supervisory Board is authorised to amend the Articles of Association in accordance with the scope of the capital increase from Contingent Capital 2013.

In accordance with section 6 (12) of the Articles of Association, the share capital has been contingently increased by up to EUR 290,000 by issuing up to 290,000 noparvalue registered shares (Contingent Capital 2017). The sole purpose of the contingent capital increase is to grant shares to the holders of stock option rights under the 2017 Stock Option Programme. The Management Board was authorised to grant these shares by way of a resolution adopted by the Annual General Meeting on 31 May 2017. 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 31 May 2017 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.

The Supervisory Board is authorised to amend the Articles of Association in accordance with the scope of the capital increase from Contingent Capital 2017.

TOM TAILOR Holding SE 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

The shareholders have authorised the Management Board to acquire and use own shares as follows:

a)

The Company is authorised to acquire own shares for any permissible purpose until June 2, 2020 with a total nominal value representing up to 10% of the share capital existing at the time of the resolution, or – if less – of the share capital existing at the time of exercise of the present authorisation. The shares acquired based on this authorisation, along with any own shares acquired for any other purpose in the company's possession or attributable to it based on section 71d and section 71e AktG, are not permitted to exceed 10% of the company's share capital at any time. The authorisation may not be used by the Company to trade in own shares.

b)

The shares must be acquired on the stock market (aa) below) or by way of a public purchase offer directed to all shareholders (bb) below). Offers in accordance with bb) can also be solicited via a public invitation directed to all shareholders to submit offers to sell shares.

aa)
If the shares are acquired on the stock market, the purchase price per share paid by the Company (not including incidental acquisition costs) may not exceed or fall below by more than 10% the average closing price (arithmetic mean) of the Company's shares in XETRA trading on the Frankfurt Stock Exchange, or a successor system, on the last ten trading days prior to the undertaking to acquire the shares.

bb)
If the shares are acquired by way of a public purchase offer, a purchase price or a purchase price range can be specified. In this case, the purchase price per share paid by the Company (not including incidental acquisition costs) may not exceed by more than 10% or fall below by more than 20% the average closing price (arithmetic mean) of the Company's shares in XETRA trading on the Frankfurt Stock Exchange, or a successor system, on the last ten trading days prior to the date of publication of the final decision by the Management Board on issuing an offer or invitation. If the relevant price changes not insignificantly after publication of a public purchase offer, the purchase price or purchase price range may be adjusted. In this case, the closing price in XETRA trading on the Frankfurt Stock Exchange, or a successor system, on the last trading day prior to the public announcement of any adjustment is the deciding price.

cc)
The volume of the public purchase offer can be limited. If the volume of shares offered in a public purchase offer exceeds the possible buy-back volume, then the offers must be accepted in proportion to the shares offered; in this respect, the right of shareholders to tender their shares in proportion to their ownership interests is disapplied. In addition, the conditions can include preferred acceptance of smaller numbers of shares (up to 100 tendered shares per shareholder) partially barring a possible right to tender and rounding according to commercial principles to avoid fractions of shares. The public purchase offer can stipulate additional terms and conditions.

c)
The Management Board is authorised to use the own shares acquired on the basis of this authorisation for any legally permissible purpose, especially the following:

aa)
The shares can be sold (i) on the stock exchange or (ii) by way of an offer to all shareholders.

bb)
The shares can also be sold in ways other than on the stock exchange or by way of an offer to shareholders, if the shares are sold for cash and at a price (not including the incidental selling costs) that is not significantly below the stock exchange price of the Company's shares at the time of sale. This authorisation is only applicable provided the shares sold while disapplying shareholders' pre-emptive rights in accordance with section 186 (3) sentence 4 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 exercised. This limit is to include shares issued during the term of this authorisation from authorised capital while disapplying shareholders' pre-emptive rights in accordance with section 186 (3) sentence 4 AktG. Furthermore, this limit is also to include shares issued to service bonds with conversion or warrant rights or obligations, if the bonds are issued during the term of the authorisation while disapplying pre-emptive rights by corresponding application of section 186 (3) sentence 4 AktG.

cc)
The shares can be offered to third parties in exchange for non-cash contributions, particularly as part of business combinations and acquisitions of companies, parts of companies, or equity investments in companies, along with other assets in connection with such acquisitions, and transferred to these third parties.

dd)
The shares can be used to service subscription rights issued 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 from a Stock Option Programme resolved under agenda item 5 by the Annual General Meeting on 3 June 2013 with own shares of the Company. Please refer to the information pursuant to section 193 para. 2 no. 4 AktG in the resolution on agenda item 5 from the Annual General Meeting on 3 June 2013. This authorisation is applicable to the Supervisory Board to the extent that own shares are to be transferred to members of the Management Board of the Company.

ee)
The shares can be used to fulfil conversion or warrant rights granted by the Company or a Group company when issuing bonds in the future, or to fulfil conversion or warrant obligations arising from bonds issued by the Company or a Group company in the future.

ff)
The shares can be retired without the retirement or its implementation requiring an additional resolution by the Annual General Meeting. The retirement will lead to a reduction in the Company's share capital by the percentage attributable to the retired shares. By way of exception to the preceding, the Management Board can deem the share capital unchanged during the retirement and instead increase the percentage of the share capital accounted for by the non-retired shares. In this case, the Management Board is authorised to adjust the number of no-par value shares in the Articles of Association.

d)
The preceding authorisations can be exercised in whole or in part, once or several times, for one or more than one purpose by the Company and, with the exception of the authorisation under c)ff), also by dependent companies or companies in which the Company holds a majority interest, or by third parties acting on their account or the Company's account.

e)
The use of own shares in accordance with the authorisations in sections c)bb) to c)ff) requires the approval of the Supervisory Board.

f)
The pre-emptive rights of shareholders are disapplied if the shares are used in accordance with the preceding authorisations in sections c)bb) to c)ee). In addition, the Management Board can disapply the pre-emptive rights of shareholders for fractions in the event the shares are sold by way of an offer to all shareholders.

APPOINTMENT AND DISMISSAL OF MEMBERS OF THE MANAGEMENT BOARD; AMENDMENTS OF THE ARTICLES OF ASSOCIATION

The appointment and dismissal of the members of the Management Board of TOM TAILOR Holding SE are regulated by sections 84 and 85 of the AktG in conjunction with section 7 of the Articles of Association. According to section 7 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. Deputy members of the Management Board may also be appointed.

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 11 (3) 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. In accordance with section 15 (4) of the Articles of Association, an amendment to the Articles of Association requires a two-thirds majority of the valid votes cast or a simple majority of the valid votes cast if at least half of the share capital is represented. This simple majority is not sufficient for an amendment to the purpose of the Company, a resolution on the relocation of the registered office in accordance with Art. 8 (6) of Council Regulation (EC) No. 2157/2001 – SE Regulation – as well as for cases in which a higher share capital majority is required.

CHANGE OF CONTROL

TOM TAILOR Holding SE 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 either Fosun International Limited alone or in conjunction with a company directly or indirectly affiliated with Fosun and/or with several persons acting in concert within the meaning of section 2 (5) of the Wertpapierübernahmegesetz (WpÜG – German Securities Acquisition and Takeover Act) acquires more than 50% of the voting rights in the Company, or if one or more persons (acting in concert) otherwise 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. Targets set may not be met either in whole or in part due to negative deviations (risks) or may be exceeded because of positive deviations (opportunities).

BALANCED RISK AND OPPORTUNITY POLICY

The aim of risk and opportunity management is to identify risks at an early stage, to control them and to manage them using appropriate countermeasures. Another goal is to systematically leverage arising opportunities without ignoring the associated risks, and to simultaneously ensure that the Company's risk profile is acceptable.

EFFICIENTORGANISATION OF RISK AND OPPORTUNITY MANAGEMENT

The Management Board of TOM TAILOR Holding SE bears overall responsibility for efficient risk and opportunity management in the Group as a whole. Group-wide risk management is centrally coordinated and managed from the Company's headquarter in Hamburg.

In operational risk management, risk owners manage all risks and opportunities arising from business processes in their areas of responsibility and are involved in making the associated business decisions. The risk manager coordinates and describes the responsibilities, processes, binding guidelines and formal rules in a risk manual. This provides the formal foundation for the risk management system. The risk manager also issues a risk report twice a year as well as reporting to the Management Board as needed.

STANDARDISED INTERNAL RISK CONTROL SYSTEM RELEVANT FOR THE FINANCIAL REPORTING PROCESS

The internal control system relevant for the financial reporting process of the TOM TAILOR GROUP ensures 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 financial reporting process, it comprises preventive, monitoring and detection measures designed to ensure security and control.

A key tool is the principle of functional separation to ensure that the relevant corporate processes are handled separately. Consequently, employees only have access to the processes and data that are related to their work.

The Company also keeps in close contact with its 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 tools that provide all the information required for full IFRS consolidated financial statements are used by subsidiaries for reporting to the parent.

RISK AND OPPORTUNITY MANAGEMENT SYSTEM

During risk inventories, any new sources of risk are identified and existing sources of risk are reassessed if necessary. Risk assessments are first recorded in accordance with the "gross principle", i.e. without taking into account measures that minimise risk. Subsequently, the net principle is applied (remaining risk after countermeasures). Relevant risks and opportunities are evaluated as fully as possible in terms of quantitative aspects and prioritised.

Risk owners manage all operational risks and opportunities in the Company's day-to-day business. All material risks and the potential and actual countermeasures taken are also always considered by the Management Board.

Risk control encompasses all measures that reduce either the probability of occurrence and / or the extent of the losses of a risk situation. Unacceptable risks are avoided wherever possible, or at the very least contained to a large degree by introducing countermeasures or transferred to third parties. Opportunities are leveraged as much as possible. Risk reporting ensures comprehensive presentation of the results of the preceding phases of the risk management process in a way that is relevant to the Company.

This process runs continually so that changes in business conditions can be reflected in risk reporting. This comprehensive risk management system is the foundation particularly for enabling the Company to identify developments that threaten the continued existence of the Company at an early stage and allowing the Management Board to manage these by taking appropriate measures.

RISKS AND OPPORTUNITIES

The individual risks relevant to the TOM TAILOR GROUP are combined in risk categories and presented below together with the opportunities in the same categories. The presentation is limited to the risks and opportunities that are material to the TOM TAILOR GROUP.

The TOM TAILOR GROUP applies the negative impact of a risk or positive effect of an opportunity to changes in enterprise value and / or profit / loss for the year, and takes into consideration relevant risks that could harm the Company or its reputation. The separate non-financial report also includes a presentation of risks affecting third parties and the environment. The breakdown of risks and opportunities presented below uses a condensed form of the same risk and opportunity categories as those used in the internal risk management system: financial, Company-related, strategic, external risks, as well as operational risks and opportunities. Unless specified otherwise, all risks and opportunities relate to all of the TOM TAILOR GROUP's segments or companies. The occurrence of risks is estimated as realistically as possible. Nonetheless, other negative or positive effects on the net assets, financial position and results of operations of the TOM TAILOR GROUP cannot be ruled out completely.

YEAR-ON-YEAR CHANGES

The implementation of ERP software resulted in material changes that may bring greater risks as well as greater opportunities in 2018. Liquidity risk was lowered thanks to the capital increase successfully carried out in 2017 and the associated reduction in net debt. Additional minor deviations are explained in the sections below.

FINANCIAL RISKS AND OPPORTUNITIES

Impairment risks in the consolidated and single-entity financial statements of TOM TAILOR Holding SE

A deterioration in the profitability or the business prospects for individual segments or business units may lead to higher impairment losses on the assets reported in the consolidated balance sheet. A failure to meet the projections for the development of business in the BONITA segment to a significant extent could lead to the impairment of intangible assets. There is a particular focus on business performance in this segment due to the reduced difference between the fair value and the carrying amount of the BONITA brand revealed by an impairment test. In 2018, this risk continues to be classed as medium-high.

As the parent of and holding company for 44 direct and indirect subsidiaries, TOM TAILOR Holding SE is exposed to the risks of its subsidiaries through the existing ownership structure and the profit / loss transfer agreements entered into. These include in particular the risks arising from lower profit transfers to or losses assumed by TOM TAILOR Holding SE as a consequence of the subsidiaries' earnings situation. The profits / losses of Tom Tailor GmbH, Hamburg, as well as those of its German subsidiaries, and the profits / losses of BONITA GmbH, Hamminkeln, as well as those of its German subsidiary GEWIB GmbH, Hamminkeln, are transferred automatically to TOM TAILOR Holding SE on the basis of existing profit / loss transfer agreements. The Company's risk exposure in this regard also includes the risk that valuation allowances on or impairments of Group receivables or carrying amounts of equity investments must be recognised as a result of deteriorated earnings performance. The carrying amount of the investment in BONITA GmbH was deemed to be recoverable in 2017 but depends to a large extent on the future performance and achievement of the targets defined in the corporate planning. This risk is still classified as medium-high.

Tax Risks

At TOM TAILOR Holding SE, deferred tax assets were recognised for the interest-related loss carryforwards as well as for the corporate income and trade tax loss carryforwards. At the level of TOM TAILOR Holding SE's German income tax group, TOM TAILOR Holding SE's planning will lead to income being generated in the coming years against which existing tax losses can be offset in the future. The usability of these tax loss carryforwards depends on the future performance and achievement of the targets defined in the corporate planning. Furthermore, as TOM TAILOR Holding SE is part of an international corporate group, it has a tax exposure arising from the corporate group's international operations and existing internal transfer pricing models. Overall, the risk of potential subsequent tax and interest expense is still classified as medium.

Currency Risks and Opportunities

Currency risk in the TOM TAILOR GROUP is the result of the international focus of the Group's business activities in connection with the procurement and distribution of merchandise in different currencies. This means that both risks and opportunities may arise as a result of exchange rate fluctuations. The majority of items procured by the TOM TAILOR GROUP are invoiced in US dollars. An increase in the value of the US dollar compared with the euro could have a significantly negative impact. A large part of the risk arising from exchange rate fluctuations is minimised using currency forwards. This is therefore classified as a medium risk for 2018. The Russian ruble's devaluation against the euro reduces the purchasing power of TOM TAILOR customers in Russia. We are monitoring the market carefully and put this risk in the medium category. Currency risks arising from other currencies and currency opportunities are currently regarded as insignificant and are therefore not explained in more detail.

Liquidity Risk

Liquidity risk is the risk that payment obligations cannot be met or cannot be met on time because insufficient cash funds are available or the Company cannot comply with financial covenants. The Company prepares a revolving liquidity plan and daily liquidity reports to document cash inflows and outflows in both the short and medium term. If the TOM TAILOR GROUP were unable to comply with the covenants, access might be lost to existing credit lines (either in whole or in part). As a result of the successful capital increase implemented in 2017, the significant reduction of financial liabilities and the associated increase in liquidity, this risk has decreased considerably compared with the previous year and is now only classified as low.

Credit Risk (incl. Risk of Revenue Loss)

Currently, credit risks exist only with respect to key accounts in the Wholesale segment due to the granting of payment terms and the associated customer credit risk. The Finance department therefore regularly and continually reviews and monitors credit ratings and outstanding receivables for the Group. Moreover, the Company takes out credit insurance policies and obtains collateral to counter this risk. Identified risks are accounted for by recognising valuation allowances or provisions. Despite the current market situation in the fashion industry, this risk and the resulting risk of the respective customer's revenue loss is now classified as a low risk given the measures that have been adopted.

COMPANY-RELATED RISKS AND OPPORTUNITIES

Compliance Risk

The TOM TAILOR GROUP is currently setting up and optimising its compliance management system. This includes the efficient management of individual compliance risks by risk owners in the relevant departments and by the Compliance Officer. Compliance is defined as adherence to laws and internal guidelines. Compliance violations could have financial consequences such as lawsuits, reputational damage and/or monetary fines for the TOM TAILOR GROUP. Compliance risks usually have a low probability of occurrence but a high loss potential. On account of the measures initiated in 2017, this risk has been downgraded to the medium-high category. More information on this topic is presented in the separate non-financial report of the TOM TAILOR GROUP.

IT Risks and Opportunities

The TOM TAILOR GROUP is dependent on the high availability and operability of its IT systems. These are essential for the management of business processes and effective cost control. The failure or disruption of these IT systems or an attack from the outside could significantly impact business processes. In order to counter the aforementioned risks, 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 the continuous operability of its systems and the effectiveness of its processes. The risks associated with IT systems and performance are combined here and classified as medium.

In financial year 2017, the TOM TAILOR GROUP successfully completed the roll-out of a new e-commerce platform. This platform will provide numerous opportunities in 2018 in particular, such as process optimisation for the organisation. Currently, the TOM TAILOR GROUP is also implementing ERP (enterprise resource planning) software. In 2018, delays and/or budget overruns cannot be ruled out. In addition, there is a risk that business processes in operations may be disrupted, which in turn could result in revenue and earnings shortfalls. Systematic and effective project management including project risk management is expected to minimise these risks during the project period and after the (partial) roll-out. The project risks overall are classified as medium-high. In 2018, the opportunities associated with the aforementioned projects are still considered minor.

Personnel Risks

Personnel risks arise primarily from a lack of top performers, gaps in employee qualifications and the risk that employees will leave the Company. The Group is particularly dependent on the Management Board, certain managers and employees in key positions. A loss from among this group of people could have a negative effect on business performance. The TOM TAILOR GROUP addresses this risk by positioning itself as an attractive employer, offering its employees good career prospects, thus enabling the Company to recruit and retain staff. As a result of the implementation of measures aimed at recruiting and retaining employees, this risk is now classified as medium, unlike the previous year.

Risks Arising from Long-term Contracts

The TOM TAILOR GROUP has entered into long-term agreements with a number of lessors and with numerous wholesale contract partners and licensees. This means that, for example, leases for unprofitable stores could not be terminated early or renegotiated. All existing and new agreements are therefore reviewed and approved by the financial and legal department before signing. Nevertheless, there could be litigation, which could be costly and could damage the TOM TAILOR GROUP's reputation even if it were resolved in its favour. Given the successfully implemented measures in the course of the RESET programme, this risk is now only classified as low.

STRATEGIC RISKS AND OPPORTUNITIES

Risks Arising from Trend Identification and Pricing

The TOM TAILOR GROUP rapidly identifies current trends, implements them in new collections and distributes them promptly to the points of sale. If the Group is unsuccessful in rapidly identifying current trends, catering to the tastes of its target groups in the target markets it supplies, pricing its products appropriately, or successfully developing and launching new products, this could have a negative effect on the TOM TAILOR GROUP's competitive position and profitability. This risk is still significant in 2018, especially at BONITA, but due to initiated measures such as the cooperation with Franziska Knuppe in developing the collection, it can now be classified as a medium risk.

Risks and Opportunities Associated with Long-Term Competitive Positioning and Brand Image

Among other things, the Group's economic success is based on the strength and on the long-term strong competitive positioning of the TOM TAILOR and BONITA brands. Deterioration in the image of the brands and the competitive positioning of these brands could negatively impact the profitability prospects of the Group in the long term. The TOM TAILOR GROUP focuses its marketing to strengthen its competitive position and brand image and classifies this risk only as a medium risk given the positive developments seen in 2017. At the same time, opportunities can arise if strengthening the TOM TAILOR GROUP brands has a greater positive impact than expected.

EXTERNAL RISKS AND OPPORTUNITIES

Risks and Opportunities of Competition

The markets in which the TOM TAILOR GROUP operates are largely dominated by fierce competition. The market's shift toward online sales is also continuing to accelerate. The TOM TAILOR GROUP invests in strengthening its brands and improving its online portal to reduce the risks of intense competition. New and existing global online and brick-and-mortar competitors could negatively influence the market share of the TOM TAILOR GROUP. This risk is classified as medium. However, the TOM TAILOR GROUP could also benefit from predatory competition if other brands or manufacturers drop out of the market. This opportunity is also classified as medium.

Risks Arising from Economic Developments

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. Reports on the economy are analysed regularly to be able to react to changes in due time. Based on the currently observable economic indicators, the risk of a weak economic development with negative consequences for the TOM TAILOR GROUP is considered to be medium for the markets of the TOM TAILOR GROUP in 2018.

Country-related Risks and Opportunities

The TOM TAILOR GROUP is exposed to various country risks. The general macroeconomic, political and legal environment in some of the procurement and sales countries of the TOM TAILOR GROUP is different to that in Western Europe. On the sales side, this concerns countries in South-Eastern Europe and Russia, for example. The Company continues to classify the risk arising from such negative developments with negative consequences for the TOM TAILOR GROUP as low to medium. On the other hand, there is still attractive potential in the markets in South-Eastern Europe and Russia. The TOM TAILOR GROUP generally views this as a chance to generate positive effects. This opportunity is classified as minor to medium.

OPERATING RISKS AND OPPORTUNITIES

Sales and Inventory Risk

The TOM TAILOR GROUP is exposed to a sales and inventory risk as long as the inventory remains the property of the TOM TAILOR GROUP until it is sold to the end customer. Mistakes when forecasting actual customer demand and sales as well as a loss of wholesale clients could decrease revenue in the future. The resulting inventory surpluses may lead to increased stocks and / or an impairment of the goods. The TOM TAILOR GROUP therefore applies detailed planning, conducts regular reviews and carries out targeted sales activities. Given the measures that have been taken, this risk is classified as low to medium.

Risks and Opportunities Arising from the Company's Organisation

The TOM TAILOR GROUP operates in international markets with various brands. As a result, business processes are becoming increasingly complex. If coordination is lacking or insufficient, this can lead to inefficiencies. The TOM TAILOR GROUP has already withdrawn from some markets, including the United States, South Africa and China. Due to the measures successfully implemented in the course of the RESET programme initiated in the previous year, the risk of the aforementioned inefficiencies is only low. However, there is a still a chance, albeit smaller in 2018, that the planned goals to reduce complexity will be exceeded. This opportunity is classified as minor.

Logistics Risk

If natural forces, accidents or bankruptcies affect air and sea freight, deliveries of merchandise could be delayed or even destroyed. This risk could affect scheduled deliveries to customers and lead to increased claims for damages and reputational damage. This risk is almost entirely hedged by insurance that covers the loss of merchandise and earnings. Overall, this risk has been downgraded to the low category.

A disruption in inventory management systems or warehousing and logistics services outsourced to partners could result in problems with timely delivery and adversely affect revenue and profits. The Company has outsourced to third parties the management of the largest warehouse spaces for the TOM TAILOR brands and the e-commerce platform and therefore reduced this risk – but also its direct controllability as a result of having only indirect access now. Close cooperation with the relevant partners allows the Company to identify possible problems or difficulties in good time and to take suitable countermeasures. The risks associated with the outsourcing of processes and disruptions at major warehouses are now categorised as low given the countermeasures that have been implemented.

Social and Environmental Risks

The TOM TAILOR Holding SE is committed to the principle of sustainable management and acknowledges the Company's responsibility to its stakeholders and society (corporate social responsibility). Detailed information on this topic is presented in the separate non-financial report of the TOM TAILOR GROUP.

Risk and opportunity profile at a glance

Financial risks and opportunities	
Impairment risks in the consolidated and single-entity financial statements	medium-high
Tax risks	medium
Currency risk (EUR / USD)	low
Currency risk (EUR / RUB)	medium
Liquidity risk	low
Credit risk (incl. risk of revenue loss)	low
Company-related risks and opportunities	
Compliance risk	medium-high
IT risks	medium
Project risks	medium-high
Project opportunities	minor
Personnel risks	medium
Risks arising from long-term contracts	low
Strategic risks and opportunities	
Risks arising from trend identification and pricing	medium
Risks associated with long-term competitive positioning and brand image	medium
Opportunities associated with long-term competitive positioning and brand image	medium
External risks and opportunities	
Risks of competition	medium
Opportunities provided by competition	medium
Risks arising from economic developments	medium
Country risks	low to medium
Country opportunities	minor to medium
Operating risks and opportunities	
Sales and inventory risk	low to medium
Risks arising from the Company's organisation	low
Opportunities arising from the Company's organisation	minor
Logistics risk	low
Logistics risk – inventory management systems	low

OVERALL ASSESSMENT BY THE MANAGEMENT BOARD OF THE TOM TAILOR HOLDING SE'S RISK AND OPPORTUNITY POSITION

Overall, there were changes with regard to the risk position of the TOM TAILOR GROUP and of TOM TAILOR Holding SE in the reporting year compared to financial year 2016.

Creating organisational structures and processes makes early identification and assessment of risks possible and thus permits suitable countermeasures to be used. Not all future risks might have been included in this report.

Overall risk and overall opportunities are assessed based on information from the risk and the opportunity management systems along with the planning, steering and control systems in place. Risks are evaluated independently from the opportunities that could arise for the Company. Having determined the probability of occurrence and the potential effects of all the risks described above, these risks, either individually or in the aggregate, do not at the time this management report was prepared represent a threat to the TOM TAILOR GROUP's continued existence over the next 12 months from the Management Board's perspective.

REPORT ON POST-BALANCE SHEET DATE EVENTS

In the period up to 9 March 2018, there were no other significant operational and structural changes or transactions within the TOM TAILOR GROUP that could have a material effect on the net assets, financial position or results of operations compared with 31 December 2017. We refer to the notes to the single-entity and consolidated financial statements of TOM TAILOR Holding SE.

REPORT ON RELATIONS WITH AFFILIATED COMPANIES

The Management Board prepared a report on the relations of TOM TAILOR Holding SE with affiliated companies in accordance with section 312 German Stock Corporation Act (AktG). The report on relations with affiliated companies contains the following final statement:

"We declare that with respect to the legal transactions and measures listed in the report on relations with affiliated companies, and based on the circumstances known to us at the time these legal transactions were carried out or the measures were taken or omitted, the Company in the financial year ended received appropriate compensation for each legal transaction and was not placed at a disadvantage as a result of taking or failing to take measures."

REPORT ON EXPECTED DEVELOPMENTS

OUTLOOK – ECONOMIC ENVIRONMENT AND SECTOR DEVELOPMENTS

EURO ZONE TO CONTINUE BROAD UPTURN IN 2018

In January 2018, the International Monetary Fund (IMF) once again raised its forecasts and now expects the global economy to grow by 3.9% in 2018 (last forecast: +3.7%). The key drivers of this sharp upturn are the USA as well as emerging and developing economies. Current prospects are positive and the upturn is economically intact, including in the TOM TAILOR GROUP's core markets. However, this assumes that the political risks and uncertainties caused by increasing protectionism, Brexit negotiations and numerous regional crises do not escalate. Major corrections in the financial and currency markets could also place a strain on the economy.

The Institute for the World Economy (IfW) in Kiel currently expects growth of 2.3% in the euro zone. While very strong growth is expected in Ireland and EU countries in Eastern and South-Eastern Europe, Italy, Belgium and Portugal are likely to experience only moderate growth. Brexit pressure on the United Kingdom is increasingly acting as a brake on future growth for both the UK and Europe as a whole. In the monetary union, the upturn is being fuelled by domestic demand, with increased investments expected to be the primary driver in 2018. Inflation is likely to increase only marginally in 2018. Although the ECB is gradually winding down its bond-buying programme and thus beginning to retreat from its ultra-expansive monetary policy, key interest rates are expected to remain low. The IfW forecasts a sustained positive trend for the euro zone labour market. In this environment, consumer spending is once again likely to experience robust growth of 2.0% in euro zone countries.

2018: CONSUMPTION TAILWIND IN TOM TAILOR'S REGIONAL CORE MARKETS

The economic environment and the propensity of private households in Germany to consume are very important for the TOM TAILOR GROUP.

The IfW expects growth in Germany to accelerate to 2.5% in 2018 (+2.6% adjusted for calendar effects). The key drivers will be considerably higher investments and, once again, residential housing construction. The IfW also anticipates a positive labour market trend in 2018. According to its estimates, employment will rise by at least 550,000 persons and unemployment will fall. While the IfW expects consumer prices to rise (+1.7%), it predicts that the disposable income of private households will climb more sharply by +3.3% in nominal terms, resulting in an overall increase in consumer spending of 1.7% in real terms for 2018. However, this means that growth rates will dip slightly compared to the previous two years.

The start of 2018 is characterised by highly positive consumer sentiment. In January 2018, the GfK consumer confidence index stood at 10.8 points, 0.1 points higher than a month earlier and 0.9 points higher than the same time a year ago. As a result, economic expectations were considerably more positive compared to the previous year while the propensity to buy was significantly more pronounced. The index is forecast to reach 11.0 points in February 2018.

The core international markets for the TOM TAILOR GROUP are Switzerland, Austria, South-Eastern European EU countries and Russia. The economies of these countries are expected to develop as follows in 2018:

After several restrained years, leading Swiss economic researchers expect growth in Switzerland to accelerate to 2.3% in 2018, with investments and exports picking up noticeably. In this environment, the labour market will continue to recover, and employment is expected to climb by 1.2%. As inflation remains very low, spending by private households is likely to increase at a higher rate compared to recent years in 2018, with forecasts ranging between 1.4% (SECO) and 1.6% (KOF / ETH Zurich).

The very strong upturn in the Austrian economy is set to continue. Austria's central bank (OeNB) estimates that growth will remain dynamic at 2.8% in 2018. While investments and exports are once again rising at above-average rates, they are climbing at a slightly slower pace than in the previous year. Spending by private households will experience a slightly stronger tailwind in 2018 and is set to increase by 1.6% according to the OeNB. With inflation expected to remain high, this growth is based on a rise in employment and higher wages. Disposable household income is forecast to rise by 1.6% in real terms in 2018 (OeNB).

The economic prospects in Eastern Europe are still positive for 2018. The IMF expects aggregate growth of 4.0% in this region (2017: 5.2%). The IfW in Kiel expects economic growth in the South-Eastern European EU countries of Slovenia (+3.7%), Croatia (+2.9%), Bulgaria (+3.6%) and Romania (+5.7%) to outstrip that of the euro zone. According to the IMF, Russia will continue its robust economic recovery in 2018 with growth of 1.7%.

2018: TEXTILE AND FASHION BUSINESS CONTINUES TO FACE HUGE CHALLENGES

The strong economy in 2018 and the positive economic data for consumer spending in the core sales markets for the TOM TAILOR GROUP provide a generally positive climate for retail in these countries. Rising employment and higher consumer spending point to vibrant demand. According to the GfK, consumer sentiment in Europe improved markedly over the past year. The mood in Austria and South-Eastern Europe brightened considerably.

The German Retail Federation (HDE) is feeling confident about the future. It anticipates overall revenue growth in German retail sales of 2.0% in nominal terms to EUR 523.1 billion in 2018. Online sales are expected to experience above-average growth again of 9.7% to EUR 53.4 billion, lowering the market share of the brick-and-mortar retail business.

Estimates from the GfK suggest that average purchasing power per capita in Germany will increase by EUR 633 or +2.8% in nominal terms in 2018. This means rising living costs and additional requirements, including those for housing and insurance as well as holidays and leisure, will need to be met. Helped by lower interest rates, consumers are also currently focusing on larger purchases such as renovations, furniture and consumer electronics. As a result, the fashion industry is not expected to experience a turnaround in 2018. The prospects for the textile and fashion business therefore remain very challenging. Competitive and price pressures will remain high. Manufacturers that are able to react to trends with flexibility, have lean structures and can reach customers in both the over-the-counter retail business and online have comparatively good opportunities for sound development in 2018 and beyond.

EXPECTED DEVELOPMENT OF THE GROUP'S POSITION

CONSOLIDATED REVENUE EXPECTED TO BE DOWN ON PREVIOUS YEAR DUE TO RESET MEASURES

From today's perspective, the Management Board of TOM TAILOR Holding SE estimates that consolidated revenue will be slightly below the level of the previous year overall due to the streamlining of the store portfolio as well as market and countrywide closures in 2018. In contrast, the Management Board expects robust growth in e-commerce and from international expansion, principally in South-Eastern Europe and Russia, to partly compensate for the decline in revenue.

The Management Board also expects revenue in the TOM TAILOR Retail segment to increase slightly due to rising e-commerce revenues and planned expansion of space, especially in Russia, more than offsetting the decline in revenue caused by store closures.

In the TOM TAILOR Wholesale segment, the Management Board is anticipating a fall in revenue due to the transfer of wholesale revenue in the TOM TAILOR KIDS division to the Kids Fashion Group as well as the full-year effect of store closures, brand discontinuations and the termination of business in certain countries.

In the past two years, 280 of the Group's stores have been closed – mainly as part of RESET – (of which in 2016: 90), while the TOM TAILOR CONTEMPORARY MEN, TOM TAILOR CONTEMPORARY WOMEN and TOM TAILOR POLO brands have been discontinued. The TOM TAILOR GROUP has also largely withdrawn from South Africa, China, France and the USA.

Furthermore, the Management Board expects revenue in the BONITA segment to decline as a result of the discontinuation of the BONITA MEN brand and its associated store closures as well as the BONITA WOMEN store closures. To date, a total of

215 BONITA brand stores have been closed as a result of RESET and other planned closures (of which in 2016: 77). The Company plans to close additional retail spaces in Germany, as a result of which declining revenue is to be expected for BONITA.

The forecast assumes stable conditions in the core markets for the TOM TAILOR GROUP and, generally speaking, a volatile textile market with fluctuations within the normal range. At Group level, the Management Board therefore expects revenue to decline slightly year-on-year in the 2018 financial year.

ADDITIONAL INCREASE EXPECTED IN REPORTED EBITDA MARGIN

Several of the numerous measures associated with the RESET programme were implemented faster than expected during the reporting year, which meant that the significant rise in gross margin and profitability occurred earlier than expected. The Management Board estimates that these far-reaching measures will provide a basis for sustainably improving the Group's operating ratios in the medium term, giving its profitability a boost.

Against this backdrop, the Management Board of TOM TAILOR Holding SE anticipates to see a moderate increase in the Group's EBITDA margin in 2018. This forecast includes the assumption that e-commerce activities, the TOM TAILOR Wholesale and TOM TAILOR Retail segments and BONITA business activities will perform as planned.

NET DEBT REDUCTION AND EQUITY RATIO INCREASE

The TOM TAILOR GROUP intends to further reduce net debt and to use cash flow from operations and free cash flow for this purpose. Net debt will also be lowered, among other things, through the annual scheduled repayment of EUR 15 million of the long-term loans. The Company will repay the EUR 15 million borrower's note loan as planned in May 2018.

The TOM TAILOR GROUP remains committed to keeping the ratio of net debt to reported EBITDA below 2.0 and the equity ratio above 30% based on the currently applicable accounting rules.

TOM TAILOR GROUP:
Key Data for the Company Forecast for 2018

	Forecast for 2018
Consolidated revenue	slight decrease year-on-year
Gross margin	moderate increase year-on-year
Reported EBITDA	moderate increase year-on-year
Reported EBITDA margin	moderate increase year-on-year
Reported EBIT	strong increase year-on-year
Reported EBIT margin	strong increase year-on-year

TOM TAILOR Holding SE:
For the 2018 financial year, the Management Board of TOM TAILOR Holding SE estimates positive net income in the single-digit million euro range and a further slight increase in the equity ratio. Long-term bank liabilities will also see a further strong decrease in 2018.

OVERALL ASSESSMENT OF EXPECTED DEVELOPMENTS BY THE MANAGEMENT BOARD

From today's perspective, the Management Board of TOM TAILOR Holding SE estimates that consolidated revenue in 2018 will be lower than in the previous year due to the full year effects of the RESET measures. In contrast, the Management Board expects robust growth in e-commerce and from international expansion, principally in South-Eastern Europe and Russia, to partly compensate for the decline in revenue. At Group level, the Management Board therefore expects a slight decline in revenue and a moderate year-on-year increase in the EBITDA margin.

The Management Board is therefore confident that TOM TAILOR Holding SE will generate sustainable growth and be able to further increase profitability in the coming years. As a result, the Management Board expects the Group's results of operations, financial position and net assets to improve in financial year 2018.

The following points are essential for the future development of the TOM TAILOR GROUP:

- Expanding e-commerce and omnichannel capability
- Strengthening brand attractiveness
- Profitable growth in existing core markets and selected growth markets (e.g. Russia)
- Upgrading the digital infrastructure and data analytics capabilities

The forecast for financial year 2018 assumes stable conditions in the core markets for the TOM TAILOR GROUP and, generally speaking, a volatile textile market with fluctuations within the normal range. The forecast also takes into account all currently known occurrences and events that could influence business developments. However, it is possible that the Company's actual business performance could differ from the forecasts due to political, economic or structural developments or the impact of the weather – factors that the Group cannot influence, predict or plan for in any way.

Hamburg, 9 March 2018

The Management Board

Dr Heiko Schäfer
(CEO)

Thomas Dressendörfer
(CFO)

Liam Devoy
(COO)

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

Consolidated Income Statement from 1 January to 31 December 2017

in EUR thousand	Note	2017	2016
Revenue	1	**921,775**	**968,519**
Other own work capitalized	10	696	–
Other operating income	2	37,463	32,312
Cost of materials	3	-384,085	-441,042
Personnel expenses	4	-195,292	-220,158
Depreciation, amortisation and impairments	5	-39,172	-83,145
Other operating expenses	6	-297,482	-329,375
Profit from operating activities		**43,903**	**-72,889**
Financial result	7	**-15,333**	**-16,314**
Result before income taxes		**28,570**	**-89,203**
Income taxes	8	-11,515	16,203
Net income for the period		**17,055**	**-73,000**
thereof: Shareholders of TOM TAILOR Holding SE		12,660	-77,232
Non-controlling interests		4,395	4,232
Earnings per share	9		
Basic earnings per share (EUR)		0.37	-2.95
Diluted earnings per share (EUR)		0.37	-2.95

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Consolidated Statement of Comprehensive Income from 1 January to 31 December 2017

in EUR thousand	2017	2016
Net income for the period	**17,055**	**–73,000**
Other comprehensive income from the remeasurement of pensions and similar obligations	–9	–112
Tax effect	3	35
Items that will not be reclassified subsequently to profit or loss	**–6**	**–77**
Exchange differences on translating foreign operations	–684	1,246
Change in fair value of cash flow hedges	–35,180	674
Tax effect on change in fair value of cash flow hedges	10,928	–247
Items that may be reclassified subsequently to profit or loss	**–24,936**	**1,673**
Other comprehensive income	**–24,942**	**1,596**
Total comprehensive income, net of tax	**–7,887**	**–71,404**
thereof: Shareholders of TOM TAILOR Holding SE	–12,181	–75,756
Non-controlling interests	4,294	4,352

CONSOLIDATED BALANCE SHEET

Consolidated Balance Sheet as at 31 December 2017

in EUR thousand	Note	31/12/2017	31/12/2016
Assets			
Non-current assets			
Intangible assets	10	321,323	295,168
Property, plant and equipment	11	79,380	104,221
Other assets	13	14,271	19,940
		414,974	**419,329**
Current assets			
Inventories	14	138,511	159,084
Trade receivables	15	53,845	41,209
Income tax receivables		2,347	2,660
Other assets	13	12,431	35,259
Cash and cash equivalents	16	24,189	38,123
		231,323	**276,335**
Total assets		**646,297**	**695,664**

Consolidated Balance Sheet as at 31 December 2017

in EUR thousand	Note	31/12/2017	31/12/2016
Equity and liabilities			
Equity			
Subscribed capital	17	38,495	28,630
Capital reserves	17	346,528	294,175
Consolidated net accumulated losses	17	–163,525	–176,185
Accumulated other comprehensive income		–13,461	11,380
Attributable to shareholders of TOM TAILOR Holding SE		**208,037**	**158,000**
Non-controlling interests		4,913	4,892
		212,950	**162,892**
Non-current provisions and liabilities			
Provisions for pensions	21	1,530	1,533
Other provisions	22	19,734	20,027
Deferred tax liabilities	23	60,450	63,974
Non-current financial liabilities	24	101,385	196,220
Other non-current liabilities	26	6,489	1,154
		189,588	**282,908**
Current provisions and liabilities			
Other provisions	22	44,657	50,673
Income tax payables		6,644	6,477
Current financial liabilities	24	36,077	36,618
Trade payables	25	125,022	128,276
Other current liabilities	26	31,359	27,820
		243,759	**249,864**
Total equity and liabilities		**646,297**	**695,664**

CONSOLIDATED STATEMENT ON CHANGES IN EQUITY

Consolidated Statement on Changes in Equity for the Financial Year from 1 January to 31 December 2017

EUR thousand, if not stated otherwise	Number of shares in thousand	Subscribed capital	Capital reserves
Balance at 1 January 2017	**28,630**	**28,630**	**294,175**
Total comprehensive income, net of tax	–	–	–
Cash capital increase	9,865	9,865	54,260
Costs of raising equity capital	–	–	–2,088
Dividends paid	–	–	–
Other changes	–	–	181
Balance at 31 December 2017	**38,495**	**38,495**	**346,528**

Consolidated Statement on Changes in Equity for the Financial Year from 1 January to 31 December 2016

EUR thousand, if not stated otherwise	Number of shares in thousand	Subscribed capital	Capital reserves
Balance at 1 January 2016	**26,027**	**26,027**	**283,473**
Total comprehensive income, net of tax	–	–	–
Cash capital increase	2,603	2,603	10,151
Costs of raising equity capital	–	–	–453
Dividends paid	–	–	–
Other changes	–	–	1,004
Balance at 31 December 2016	**28,630**	**28,630**	**294,175**

	Accumulated other comprehensive income					
Consolidated net accumulated losses	Currency translation differences	Cash flow hedge reserve (IAS 39)	Remeasurement of pensions and similiar obligations reserve	Attributable to shareholders of TOM TAILOR Holding SE	Non-controlling interests	Total
−176,185	**−483**	**12,157**	**−294**	**158,000**	**4,892**	**162,892**
12,660	−583	−24,252	−6	−12,181	4,294	−7,887
–	–	–	–	64,125	–	64,125
–	–	–	–	−2,088	–	−2,088
–	–	–	–	–	−4,273	−4,273
–	–	–	–	181	–	181
−163,525	**−1,066**	**−12,095**	**−300**	**208,037**	**4,913**	**212,950**

	Accumulated other comprehensive income					
Consolidated net accumulated losses	Currency translation differences	Cash flow hedge reserve (IAS 39)	Remeasurement of pensions and similiar obligations reserve	Attributable to shareholders of TOM TAILOR Holding AG	Non-controlling interests	Total
−98,953	**−1,609**	**11,730**	**−217**	**220,451**	**5,029**	**225,480**
−77,232	1,126	427	−77	−75,756	4,352	−71,404
–	–	–	–	12,754	–	12,754
–	–	–	–	−453	–	−453
–	–	–	–	–	−4,489	−4,489
–	–	–	–	1,004	–	1,004
−176,185	**−483**	**12,157**	**−294**	**158,000**	**4,892**	**162,892**

CONSOLIDATED STATEMENT OF CASH FLOWS

Consolidated Statement of Cash Flows for the Financial Year from 1 January to 31 December 2017

in EUR thousand	2017	2016
Net income for the period	**17,055**	**–73,000**
Depreciation, amortisation and impairment losses	38,765	82,882
Income taxes	11,515	–16,203
Interest income / expense	15,333	16,314
Change in non-current provisions	-938	10,409
Change in current provisions	–4,737	17,901
Proceeds from disposal of intangible assets and items of property, plant and equipment	3,090	3,310
Change in inventories	22,168	35,259
Change in receivables and other assets	-9,275	15,274
Change in liabilities	-5,115	–37,129
Income taxes paid / refunded	-4,089	–5,493
Other non-cash changes	-402	797
Cash generated from operations	**83,370**	**50,321**
Interest paid	-13,306	–15,872
Interest received	118	17
Net cash provided by operating activities	**70,182**	**34,466**
Payments to acquire intangible assets and items of property, plant and equipment	-17,451	–16,352
Proceeds from disposal of intangible assets and items of property, plant and equipment	4,216	1,899
Net cash used in investing activities	**-13,235**	**–14,453**
Cash capital increase by issuing new shares	64,125	12,956
Costs of raising equity capital	-3,027	–453
Dividend payment to non-controlling interest shareholders	-4,273	–4,489
Proceeds from financial liabilities	–	3,818
Repayments of financial liabilities	-127,481	–44,539
Net cash provided by / used in financing activities	**-70,656**	**–32,707**
Effect of exchange rate changes on cash and cash equivalents	-225	292
Net change in cash and cash equivalents	-13,934	–12,402
Cash and cash equivalents at beginning of period	38,123	50,525
Cash and cash equivalents at end of period	**24,189**	**38,123**
Composition of cash and cash equivalents		
Cash funds	**24,189**	**38,123**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A. GENERAL DISCLOSURES

The TOM TAILOR GROUP in an international, vertically integrated fashion and lifestyle company focused on offering casual wear in the mid-range price segment. Its product portfolio is complemented by an extensive range of fashionable accessories and home textiles. The Company covers the different segments of the fashion market (age groups of the target customers) with the TOM TAILOR and BONITA umbrella brands.

In the reporting period, TOM TAILOR Holding SE (Hamburg Local Court, HRB 146032) was formed in the course of the merger of TOM TAILOR Wien AG, domiciled in Vienna / Austria, (commercial register of Vienna Commercial Court, FN 432874 f) as the transferring entity and TOM TAILOR Holding AG, domiciled in Hamburg / Germany, (Hamburg Local Court, HRB 103641) as the acquiring entity by way of a merger agreement dated 27 September 2016 and the resolutions approving the merger by the Annual General Meeting of TOM TAILOR Wien AG on 19 February 2016 and the Annual General Meeting of TOM TAILOR Holding AG on 3 June 2015. The merger entered into force upon its entry in the commercial register on 18 April 2017. The ultimate parent of the TOM TAILOR GROUP is TOM TAILOR Holding SE, which is domiciled in Hamburg / Germany. Its registered office is at Garstedter Weg 14, 22453 Hamburg.

BASIS OF PREPARATION

The consolidated financial statements of TOM TAILOR Holding SE ("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 2017 were also applied.

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

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

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

a) Changes applicable in 2017

The TOM TAILOR GROUP applied the following new or amended standards and interpretations in financial year 2017:

Future New Regulations and Amendments in Financial Reporting in the Reporting Year

	Effective date	Date of EU endorsement
Amendments to standards		
Amendment to IAS 7: Statement of Cash Flows	1/1/2017	6/11/2017
Amendment to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	1/1/2017	6/11/2017

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. The reconciliation of financial liabilities required by the amended IAS 7 is presented in section 24 of the notes to the consolidated financial statements.

b) Standards, interpretations and amendments to published standards approved by the IASB, but not yet applicable nor adopted by the EU as at 31 December 2017

In financial year 2017, 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 endorsement
New standards / interpretations		
IFRS 9: Financial Instruments	01/01/2018	22/11/2016
IFRS 15: Revenue from Contracts with Customers	01/01/2018	22/09/2016
IFRS 16: Leases	01/01/2019	31/10/2017
IFRIC 22: Foreign Currency Transactions and Advance Consideration	01/01/2018	Q3 2018
Amendments to standards		
Clarifications of IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers	01/01/2018	31/10/2017
Amendment to IFRS 2: Clarification of Classification and Measurement of Share-based Payment Transactions	01/01/2018	27/02/2018
Amendment to IAS 40: Classification of Unfinished Property	01/01/2018	Q1 2018
Amendment to IAS 28: Long-term Interests in Associates and Joint Ventures	01/01/2019	2018
IFRIC 23: Uncertainty over Income Tax Treatments	01/01/2019	Q3 2018
Amendment to IFRS 9: Prepayment Features with Negative Compensation	01/01/2019	Q1 2018
Annual Improvements (2014 – 2016 Cycle):	01/01/2018 01/01/2017	07/02/2018
Annual Improvements (2015 – 2017 Cycle)	01/01/2019	2018

Provisions that are relevant in principle for the TOM TAILOR GROUP are presented below:

IFRS 9 Financial Instruments

In July 2014, the IASB completed its project to replace IAS 39 Financial Instruments: Recognition and Measurement with the issue of the final version of IFRS 9 Financial Instruments. IFRS 9 introduces a uniform approach to classification and measurement of financial assets. In the future, subsequent measurement of financial assets will be based on three categories with different measures of value and different ways of recording fair value changes. The assets will be categorised based on the contractual cash flows of the instrument and also the business model in which the instrument is held. For financial liabilities, on the other hand, IFRS 9 essentially took over the categorisation guidance in IAS 39. IFRS 9 provides for a new impairment model based on expected credit losses. IFRS 9 also includes new guidance on the application of hedge accounting aimed at presenting an entity's risk management activities better, especially in relation to the management of non-financial risks. Moreover, IFRS 9 requires additional disclosures to be made in the notes.

The first-time application of IFRS 9 has no material effect on the presentation of the Group's net assets, financial position and results of operations. The Group only anticipates the new impairment model, which is based on the expected credit losses, to affect presentation. For most existing receivables, the TOM TAILOR GROUP has arranged credit default insurance. The analyses conducted therefore estimates the effects of the new impairment model at under EUR 1,000 thousand.

In view of the new hedge accounting rules, TOM TAILOR expects all existing hedges to meet the requirements for hedge accounting according to IFRS 9.

IFRS 15 Revenue from Contracts with Customers

The new standard replaces IAS 18 Revenue and IAS 11 Construction Contracts, as well as the related interpretations. IFRS 15 defines a comprehensive framework for determining whether, in which amount and at which point in time revenue must be recognised. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers. This core principle is implemented in a five-step model within the scope of this standard. In this model, the first steps are to identify the relevant contracts with the customer and the performance obligations in the contracts. Revenue is then recognised in the amount of the consideration expected for each distinct performance obligation satisfied at a point in time or over time. IFRS 15 also contains detailed application guidance on a number of individual topics including contract modifications, sale with a right of return, accounting for contract costs, renewal options, licensing, principal versus agent, bill-and-hold arrangements and consignment arrangements. Additional information must also be included in the notes to the financial statements. The objective of the new disclosure requirements is for an entity to disclose information on the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

In 2017 the TOM TAILOR GROUP signed a licensing agreement with Kids Fashion Group for the manufacture and distribution of TOM TAILOR KIDS brand products. Based on this agreement the TOM TAILOR GROUP has been generating royalties in the TOM TAILOR Wholesale segment. In turn, the Company no longer generates wholesale revenue from the KIDS collection. Against this backdrop and based on the rules on licence income in IFRS 15, the Management Board has decided to report all licence income in revenue rather than in other operating income, as was the case previously. Revenue is therefore expected to increase by an amount in the high single-digit millions. In the case of revenue-oriented remuneration for licences, variable remuneration will result in revenue only when and insofar as the licensee realises the revenue underlying the licence income. This approach is in line with the Group's current accounting practice and is not anticipated to affect the amount of expected licence income.

In the TOM TAILOR Wholesale segment, bonuses, margin agreements and advertising cost subsidies are granted to key accounts. The initial application of IFRS 15 is not expected to have any material effect, since recognition of the resulting obligations already reduces revenue by the full amount.

In the TOM TAILOR Wholesale, TOM TAILOR Retail and BONITA segments, the Group projects effects on the results of operations in the low single-digit millions on account of existing customer rights of return. This is due to the fact that going forward, neither revenue nor the corresponding cost of goods sold will be recognised for expected customer returns. To date, revenue was reduced based on the average margin generated. Regarding net assets, contract assets and liabilities will be reported in the amount of the expected returns in the low single-digit million range.

The customer loyalty programmes in the TOM TAILOR Retail and BONITA segments will not result in any material effect as a result of the initial application of IFRS 15, since recognition of the resulting obligations already reduces revenue by the full amount.

IFRS 16 Leases

IFRS 16 eliminates the existing distinction between operating and finance leases in the financial statements of lessees. For all leases, a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is depreciated over the lease term in accordance with the requirements for intangible assets. The lease liability is accounted for in accordance with the requirements for financial instruments in IAS 39 or, in future, IFRS 9. Depreciation of the asset and interest on the lease liability are presented separately in the income statement. There are exemptions for short-term leases and leases of low-value assets.

The disclosures in the notes to the financial statements will become more extensive and are intended to enable users of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases.

For lessors, on the other hand, the requirements in the new standard are similar to the existing requirements in IAS 17. Leases will continue to be classified as either finance or operating leases.

Application of the new standard will have a considerable impact on the consolidated financial statements, as the standard requires the recognition of right-of-use assets and lease liabilities for leases. Due to the significant volume of leases held by the TOM TAILOR Group through its retail business, applying the new standard in the consolidated financial statements will result in a sharp increase in assets and liabilities. In addition to a significant increase in total assets and liabilities in mid three digit millions and the related reduction in the equity ratio, there will also be some movements between operating profit and the financial result, as depreciation charges on right-of-use assets and interest expense on lease liabilities will be reported in future, rather than the operating lease expenses presented thus far. The precise extent of the changes in the consolidated financial statements due to the first-time application of IFRS 16 Leases is currently being examined, as a result of which the management will not be able to give a reliable estimate of the amount of the effect until the review has been completed.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 addresses a question about the application of IAS 21 The Effects of Changes in Foreign Exchange Rates. It clarifies when to determine the exchange rate for the translation of foreign currency transactions that include the receipt or payment of advance consideration, Specifying that the exchange rate for the related asset, income or expenses should be determined at the date on which the asset or liability resulting from the advance payment is initially recognised. The first-time application is not expected to have any significant impact on the Group since prepayments made and received were only minor.

BASIS OF CONSOLIDATION

The basis of consolidation of the TOM TAILOR GROUP comprises TOM TAILOR Holding SE 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, Hamburg / Germany
- TOM TAILOR Verwaltungs-GmbH, Hamburg / Germany
- TOM TAILOR Gesellschaft m.b.H., Wörgl / Austria
- TOM TAILOR Retail Gesellschaft m.b.H., Wörgl / Austria
- TT RETAIL GmbH, Lindau / Germany
- Tom Tailor Benelux B.V., Almere / The Netherlands
- Tom Tailor (Schweiz) Retail AG, Dietikon / 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 DOOEL, Skopje / Macedonia
- 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 Trading (Shanghai) Company Limited, Shanghai / 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
- TT textiles GmbH, Hamburg / Germany
- TOM TAILOR Lizenzmanagement GmbH, Oststeinbek / Germany
- WHS Tom Tailor BH d.o.o, Sarajevo / Bosnia-Herzegovina
- Tom Tailor CND Inc., Montreal / Canada
- Tom Tailor USA Inc., Delaware / USA
- BONITA Deutschland Holding Verwaltungs GmbH, Hamminkeln / Germany
- BONITA E-commerce GmbH, Hamburg / Germany
- GEWIB GmbH, Hamminkeln / Germany
- GEWIB GmbH & Co. KG, Pullach / Germany
- BONITA (Schweiz) Retail AG, Baar / Switzerland
- BONITA ITALIA S.R.L. UNIPERSONALE, Verona / Italy
- BONITA Österreich Handels GmbH, Salzburg / Austria
- BONITA Lesce d.o.o., Lesce / Slovenia

Indirect equity interests

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

Except for the entities listed below, the parent company holds all shares in each subsidiary.

Subsidiaries included in the consolidated financial statements

in %	Equity interest 31/12/2017	31/12/2016
Subsidiaries included in the consolidated financial statements		
TOM TAILOR South Eastern Europe Holding GmbH, Wörgl / Austria	80.0	80.0
Tom Tailor Sarajevo d.o.o., Sarajevo / Bosnia-Herzegovina	80.0	80.0
TOM TAILOR Beograd d.o.o., Belgrade / Serbia	80.0	80.0
Tom Tailor Sofia EOOD, Sofia / Bulgaria	80.0	80.0
Tom Tailor Zagreb d.o.o., Zagreb / Croatia	80.0	80.0
TOM TAILOR Lesce d.o.o., Lesce / Slovenia	80.0	80.0
TOM TAILOR DOOEL, Skopje / Macedonia	80.0	80.0
TOM TAILOR Sourcing Ltd., Hong Kong / China	75.0	75.0
TT textiles GmbH, Hamburg / Germany	51.0	51.0
TOM TAILOR RETAIL RO SRL, Bucharest / Romania	90.2	90.2
BONITA Lesce d.o.o., Lesce / Slovenia	75.0	75.0
Subsidiaries not included in the consolidated financial statements		
TT OFF SALE (NI) Ltd., Belfast / United Kingdom	49.0	49.0
Tom Tailor CND Inc,. Montreal / Canada	100.0	51.0
Tom Tailor USA Inc,. Delaware / USA	51.0	51.0

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 in TT OFF SALE (NI) LTD. has not been included in the consolidated financial statements because it is insignificant. For more details please see section D “12. Financial Assets”.

In the 2015 financial year, Tom Tailor GmbH increased its equity interest in TOM TAILOR South Eastern Europe Holding GmbH, Wörgl / Austria, from 75% to 80%. A purchase option that can be exercised from 1 January 2018 to 31 December 2019 is in place for the remaining 20% minority interest.

In 2011, TOM TAILOR established a joint venture with its long-standing partner Asmara International Ltd., domiciled in Hong Kong. TOM TAILOR held a 51% majority interest in TOM TAILOR Sourcing Ltd., Hong Kong, which was formed in December 2011. 49% of the shares were held by its partner, Asmara International Ltd. In financial year 2014, Tom Tailor GmbH, Hamburg, increased its interest from 51% to 63%. In the financial year 2015, Tom Tailor GmbH further increased its interest in TOM TAILOR Sourcing Ltd., Hong Kong, from 63% to 75%. Tom Tailor GmbH, Hamburg, has a call option to acquire the remaining 25% non-controlling interest in TOM TAILOR Sourcing Ltd., Hong Kong. This option can be exercised on 1 January 2019 for the first time and has an indefinite term.

The purchase price payable for the two options to acquire the remaining shares in TOM TAILOR Sourcing Ltd., Hong Kong / China, and TOM TAILOR South Eastern Europe Holding GmbH, Wörgl / Austria will be based on the current fair value of the shares when the option is exercised. The fair value of the purchase options, whose strike price is oriented on the shares’ market value, is negligible.

In 2015 TOM TAILOR established TOM TAILOR CND INC., Montreal / Canada together with a partner. TOM TAILOR held a 51% interest in the entity. Its Canadian partner held the other 49%. In the 2017 financial year, TOM TAILOR took over the shares held by the founding partner, as a result of which Tom Tailor GmbH holds 100% of the interests in TOM TAILOR CND INC., Montreal / Canada. This company is not included in the consolidated financial statements due its insignificance to the Group’s net assets, financial position and results of operations.

CHANGES IN THE BASIS OF CONSOLIDATION

In the 2017 financial year, TOM TAILOR Wien AG, Vienna / Austria was merged into TOM TAILOR Holding AG for the purpose of converting TOM TAILOR Holding AG Hamburg / Germany into a Societas Europaea (SE). BONITA SAS, Paris / France ceased operations in the 2017 financial year and was merged into BONITA GmbH, Hamminkeln.

SUBSIDIARIES WITH SIGNIFICANT NON-CONTROLLING INTERESTS

In the TOM TAILOR GROUP, the significant subsidiary TOM TAILOR Sourcing Ltd., whose registered office is in Hong Kong / China, has non-controlling interests of 25% (2016: 25%).

The table below shows the summarised financial information on the Group’s subsidiaries in which significant non-controlling interests are held.

Subsidiaries with significant non-controlling interests

	TOM TAILOR Sourcing Ltd.		Group TOM TAILOR South Eastern Europe Holding GmbH	
in EUR thousand	**31/12/2017**	**31/12/2016**	**31/12/2017**	**31/12/2016**
Revenue and income	25,542	29,470	41,578	42,999
Expenses	–13,173	–12,881	–38,701	–42,052
Net profit for the period	12,369	16,589	2,877	947
Net profit for the year attributable to non-controlling interests	3,092	4,147	575	189
Non-current assets	496	634	8,849	11,248
Current assets	11,813	17,363	16,333	22,521
Non-current liabilities and provisions	–	–	233	725
Current provisions and liabilities	407	452	11,829	22,937
Equity	11,902	17,545	13,120	10,107
Thereof:				
Owners of the parent	8,927	13,159	10,496	8,048
Non-controlling interests	2,976	4,386	2,624	2,059
Dividends paid to non-controlling interests	4,273	4,489	–	–
Cash flows from operating activities	13,531	17,208	8,280	–99
Cash flows from investing activities	1	–28	–285	–1,515
Cash flows from financing activities	–17,091	–17,956	–4,851	2,160

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 2017 (2016: 1 January to 31 December 2016).

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

B. ACCOUNTING POLICIES AND CONSOLIDATION METHODS

GENERAL PRINCIPLES

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

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.

With the exception of the mergers of the subsidiaries TOM TAILOR Wien AG, Vienna / Austria, and BONITA SAS, Paris / France mentioned above, the basis of consolidation did not change in the reporting year.

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. This does not apply to foreign exchange differences from loans receivable that represent part of a net investment in a foreign operation.

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	**31/12/2017**	**31/12/2016**	**2017**	**2016**
US dollars	1.20	1.05	1.13	1.11
Swiss francs	1.17	1.07	1.11	1.09
Russian rubles	69.39	64.30	65.94	74.14

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 (acquisition accounting). 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 life Years
Buildings	25 – 50
Shop fittings and fixtures and leasehold improvements	5 – 10
IT and other technical equipment	3 – 10
Other equipment, operating and office equipment	1 – 5

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

IMPAIRMENT OF ASSETS

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

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

FINANCE LEASES

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

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

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

FINANCIAL ASSETS

Shares in unconsolidated affiliates are measured at the lower cost or fair value. The shares are not shown in a dedicated line item in the balance sheet for reasons of materiality. The existing equity investments are carried at amortised cost.

FINANCIAL INSTRUMENTS

a) General

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

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

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

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

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

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

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

Financial assets are initially recognised at fair value, plus 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.

b) Derivatives and hedge accounting

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

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

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 actual and forecast purchases of goods in foreign currencies. TOM TAILOR Holding SE 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 24-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 31.1% (2016: 31.0%). This comprises the corporation tax rate of 15.0% (2016: 15.0%), the solidarity surcharge of 5.5% of the corporation tax rate (2016: 5.5%) and the average trade tax rate in the Group of 15.3% (2016: 15.2%). 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/deferred tax 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

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

Where necessary, write-downs to their lower realisable 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 are recognised in other comprehensive income in the year concerned. The interest cost on expected pension obligations and the expected return on plan assets are reported in the financial result. All other expenses from the funding of pension obligations are reported in the personnel expenses item.

Other Long-term Employee Benefits

The Long-Term Incentive Programme, which is measured in accordance with 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

The obligations under the stock option programmes for management (hereinafter referred to as the Long-Term Stock Option Programme, or “SOP 2013” and “SOP 2017” for short) are measured using option pricing models (Black-Scholes model), in accordance with IFRS 2.

The fair value of the management equity participation programme was measured using actuarial methods based on a binominal 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 H. “Other Disclosures and Explanations”.

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

OTHER PROVISIONS

Other provisions are recognised where there is a legal or constructive obligation to third parties that will probably lead to an outflow of resources embodying economic benefits, where the amount of the provision can be measured with sufficient reliability. The provisions are measured at fully absorbed cost.

Provisions for onerous contracts are recognised if the unavoidable costs of meeting a contractual obligation exceed the economic benefits expected to be received under the contract.

An onerous lease contract exists if, based on past experience and site forecasts, an avoidable excess of obligations is expected over the period to the anticipated closure date. The underlying contracts have terms of up to five years.

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.

KEY DISCRETIONARY DECISIONS, ASSUMPTIONS AND ESTIMATES

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 recognised as an expense in the period in which they are incurred.

EVENTS AFTER 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.

C. INCOME STATEMENT DISCLOSURES

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

in EUR thousand	2017	2016
Foreign exchange gains	8,464	7,443
Royalties	6,937	6,591
Rental income	5,108	4,564
Income from the reversal of provisions	4,953	2,573
Income from recharged marketing expenses	2,312	2,496
Insurance refunds	390	1,414
Income from disposal of non-current assets	298	1,150
Recharged freight and other costs	2,065	1,005
Onward charging of delivery costs of online business	554	481
Shopfitting commissions / bonuses	383	438
Reversal of impairment losses on non-current assets	408	264
Income from claims for compensation	1,995	–
Miscellaneous operating income	3,596	3,893
	37,463	**32,312**

EUR 2.4 million of the increase in other operating income resulted from higher income from the reversal of provisions, particularly employee-related provisions and provisions for customer bonuses. In addition to the personnel expenses relating to the introduction of SAP recharged in 2017 totalling EUR 2.0 million, foreign exchange gains from currency translation, which were EUR 1.0 million higher, also led to the jump in other operating income.

Royalties of EUR 6.9 million from the out-licensing of the TOM TAILOR brand and rental income of EUR 5.1 million from subletting space leased by the Group are further significant portions of other operating income.

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

in EUR thousand	2017	2016
Wages and salaries	165,463	187,818
Social security costs	17,502	18,535
Post-employment benefit costs	12,327	13,805
	195,292	**220,158**

The wages and salaries item includes expenses in the amount of EUR 390 thousand (2016: EUR 518 thousand) and EUR -212 thousand (2016: EUR 488 thousand) for the LTI programme and Long-Term Stock Option Programme (SOP) granted to managers.

In addition, personnel expenses included expenses of EUR 393 thousand (2016: EUR 160 thousand) arising from the management equity participation programme for the Management Board and selected executives. Since the programme was terminated early, the remaining expenses were fully recognised in personnel expenses in the 2017 financial year. For a detailed description of the variable remuneration system, see the explanation under section D “19. Management Equity Participation Programme”.

The year-on-year decline in personnel expenses is attributable to a decrease in the average number of employees by 570, mostly due to store closings, as well as the lower amount of expenses for severance payments and leaves of absence granted to employees and former members of the Management Board included in this item in 2017 as compared with the previous year. In the 2016 financial year, personnel expenses included one-off and special charges in the amount of EUR 7.7 million which were related to the cost and process optimisation programme announced in the third quarter of 2016.

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

Number of Employees (Average)

	2017	2016
Wholesale	744	818
Retail	5,569	6,065
	6,313	**6,883**

Wages and salaries include expenses for severance payments in the amount of EUR 4.5 million (2016: EUR 12.9 million). Together with additions to defined benefit plans in the amount of EUR -42 thousand (2016: EUR 320 thousand), personnel expenses also included defined contribution obligations in the form of employer contributions to statutory pension insurance in the amount of EUR 12.4 million (2016: EUR 13.5 million).

5. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES

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

6. OTHER OPERATING EXPENSES

Other operating expenses are composed of the following items:

Other Operating Expenses

in EUR thousand	2017	2016
Distribution expenses	59,653	54,445
Administrative expenses	48,271	47,059
Operating and other expenses	189,558	227,871
	297,482	**329,375**

Distribution expenses mainly include EUR 32.3 million (2016: EUR 30.4 million) in marketing expenses and EUR 14.4 million (2016: EUR 14.0 million) in freight costs for deliveries to customers and the Company’s own retail stores.

The most significant expenses within the administrative expenses item are IT costs totalling EUR 9.1 million (2016: EUR 7.8 million), legal and consulting costs totalling EUR 8.3 million (2016: EUR 10.9 million) and exchange rate losses totalling EUR 6.5 million (2016: EUR 7.8 million).

The sharp drop in operating and other expenses totalling EUR 38.3 million is mainly the result of a EUR 12.9 million decrease in rental expenses and incidental rental costs due to store closings in the TOM TAILOR Retail and BONITA segments and of a EUR 16.4 million decline in one-off costs for provisions for expected losses from store locations, an item first recognised in 2016.

At EUR 126.7 million (2016: EUR 134.5 million), rent and incidental rental costs were the largest cost item of operating and other expenses, despite the cost savings achieved in comparison with the previous year. Furthermore, the largest items in operating and other expenses were remuneration for the logistics service provider for providing logistics services for deliveries to sales partners and remuneration for the fulfilment provider, which handles the online business.

7. FINANCIAL RESULT

Financial result

in EUR thousand	2017	2016
Financial income	118	17
Financial expense	–15,451	–16,331
	–15,333	**–16,314**

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

The decrease in financial expenses mostly stems from a decline in interest expense due to a decrease in average net debt in the 2017 financial year. The lower net debt is mainly due to the cash capital increase carried out in the 2017 financial year and the repayment of financial liabilities using the cash inflow from operating activities.

Bank commissions and consulting fees totalling EUR 3.8 million were paid in connection with the refinancing in 2015. Transaction-related financing costs are spread over the expected term of the loan of five years using the effective interest method. The transaction costs are recognised in profit or loss under interest expense in the subsequent periods.

Bank commissions and transaction costs of EUR 2.0 million that related to the renegotiation of the financial covenants as at 30 September 2016 were offset against liabilities to banks and are recognised in profit or loss under interest expense on a straight-line basis over the remaining term of the loans.

The financial result in the 2017 financial year does not include financial expenses from the fair value measurement of financial liabilities (2016: EUR 1.6 million).

As well as these effects, financial expenses included expenses of EUR 29 thousand (2016: EUR 37 thousand) from the unwinding of discounted pension provisions, as well as expenses of EUR 635 thousand (2016: EUR 372 thousand) from the unwinding of discounts on other provisions.

8. INCOME TAXES

Income taxes are primarily composed of the following items:

Tax Expenses

in EUR thousand	2017	2016
Current taxes		
Current income taxes for the financial year	–4,564	–3,180
Prior-period adjustments	2,384	285
	–2,180	**–2,895**
Deferred taxes		
Utilisation of loss carryforwards / interest carried forward	–7,727	2,791
Origination and reversal of temporary differences	–1,609	16,307
	–9,336	**19,098**
	–11,515	**16,203**

In financial year 2016, interest expense for the reporting period was only tax deductible in the amount of current interest income for the reporting period, as taxable EBITDA was negative. Interest expense for the reporting period over and above that amount increased the interest carried forward from the previous year, as a result of which cumulative interest carried forward amounted to EUR 28.5 million towards the end of 2016. In addition, deferred tax assets in the amount of EUR 11.3 million were shown for corporation tax loss carryforwards in the amount of EUR 37.1 million and for trade tax loss carryforwards in the amount of EUR 16.4 million based on the extent to which it will be possible to offset these against future taxable profit.

In the 2017 reporting period, deferred tax assets recognised for existing tax loss carryforwards and interest carryforwards were utilised. As a result, cumulative interest carried forward in the German tax group totalled EUR 20.0 million at the end of 2017. Corporation tax and trade tax loss carryforwards amounted to EUR 28.8 million and EUR 0.7 million, respectively. Due to the extent to which it will possible to offset amounts against future taxable profit at the companies of the consolidated German tax group, deferred tax assets recognised for the aforementioned tax loss carryforwards now amount to a total of EUR 3.6 million. The year-on-year decline in deferred tax assets is attributable in the amount of EUR 2.2 million to the write-down of a deferred tax asset as a result of remeasurement by the Management Board. 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.

The reversal of deferred tax assets results from the reversal of certain temporary differences on provisions that were recognised in financial year 2016 for onerous contracts recognised and impairment losses related to the cost and process optimisation programme because these provisions were not allowable for tax purposes.

As at the reporting date, the Group's total tax loss carryforwards and interest carried forward amounted to EUR 124.3 million (2016: EUR 114.7 million) and EUR 20.0 million, respectively (2016: total of EUR 28.5 million). No deferred tax assets were recognised for tax loss carryforwards in the amount of EUR 112.7 million (2016: EUR 85.2 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

in EUR thousand	2017	2016
Average composite tax rate	28,570	–89,204
Expected income tax expense (in %)	31.1	31.0
Expected income tax	-8,885	27,683
Reconciliation		
Effects of tax rate differences	4,795	6,012
Effects of tax rate changes	-116	–447
Non-recognition of deferred tax assets	-5,317	–14,126
Other tax effects from differences in the basis of tax assessment	-2,515	–2,307
Usable other loss carryforwards	-2,100	–686
Prior-period effects	2,493	–137
Effects from the use of deferred tax assets, for which no deferred taxes were recognized	491	–
Other effects	-361	211
Reported income tax / expense	-11,515	16,203
Effective tax rate (in %)	40	18

Deferred taxes were calculated on the basis of a uniform tax rate of 31.1% (2016: 31.0%) for reasons of simplification. Please refer to our disclosures in section "B. 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.

The usable other loss carryforwards are primarily attributable to the reversal of deferred taxes on trade and corporation tax loss carryforwards and on tax interest carried forward. The background here is the offsetting of tax loss carryforwards against the taxable profit of the German tax group.

Effects of tax rate differences are attributable to differences between the combined tax rate used to calculate deferred taxes and the 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 (current and expected) additional tax payments and refunds for prior years and the recognition of deferred taxes and temporary differences from prior 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 SE 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 and performance targets for the stock options were not met at 31 December 2017, 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

	31/12/2017	31/12/2016
Total shares as at the reporting date	38,495,269	28,629,846
	2017	**2016**
Share of consolidated net income attributable to shareholders of the parent (in EUR thousand)	12,660	–77,232
Weighted average number of ordinary shares (thousands of shares)	33,900	26,163
Basic earnings per share (in EUR)	0.37	–2.95
Diluted earnings per share (in EUR)	0.37	–2.95

TOM TAILOR Holding SE issued 9,865,423 new, no-par-value registered shares in June 2017 as part of a cash capital increase from authorised capital. Following the cash capital increase, there were a total of 38,495,269 no-par-value shares.

D. BALANCE SHEET DISCLOSURES

10. INTANGIBLE ASSETS

Intangible assets are composed of the following items:

Intangible Assets

in EUR thousand	31/12/2017	31/12/2016
Hidden reserves identified in the course of initial consolidation		
Brands	246,675	246,675
Customer bases	11,489	14,246
Beneficial leases	0	1,228
Licensing agreements and similar rights	2,445	4,989
	260,609	**267,138**
Other		
Key money / store subsidies	6,310	7,254
Other rights of use	324	2,394
Software	42,682	6,594
	49,316	**16,242**
	309,925	**283,380**
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 TOM TAILOR RETAIL RO SRL, Bucharest	1,408	1,408
	11,237	**11,237**
Prepayments		
Licences	161	551
	321,323	**295,168**

Due to the discontinuation of the BONITA MEN brand, the brand value of EUR 3.3 million recognised under intangible assets was written down in full in financial year 2016. There were no further 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. In the TOM TAILOR Group, brands and goodwill are allocated to the TOM TAILOR Wholesale, TOM TAILOR Retail and BONITA cash-generating units.

EUR 44.8 million (2016: EUR 44.8 million) of the brands item is allocated to the TOM TAILOR Wholesale cash-generating unit in connection with impairment testing, EUR 17.4 million (2016: EUR 17.4 million) to the TOM TAILOR Retail segment, and EUR 184.5 million (2016: EUR 184.5 million) to BONITA. The BONITA MEN brand (EUR 3.3 million) was written down in full in financial year 2016 as a result of the impairment test. EUR 4.9 million (2016: EUR 4.9 million) of goodwill relates to the TOM TAILOR Wholesale cash-generating unit and EUR 6.3 million (2016: EUR 6.3 million) to the TOM TAILOR Retail cash-generating unit.

Impairment testing is based on corporate planning, with a five-year planning period followed by a terminal value, and thus Level 3 fair value measurement in accordance with IFRS 13. Following the three-year detailed planning period, the planning was updated for a period of two years using a constant annual growth rate of 1% (2016: 1% p.a.).

To calculate fair value less costs to sell, cash flows for the next five 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 based on different assumptions about revenue growth in the detailed planning period. From today's perspective, the Management Board of TOM TAILOR Holding SE expects consolidated revenue to decline slightly. In this context, the Management Board expects revenue in the TOM TAILOR Retail segment to increase slightly due to rising e-commerce revenues and planned expansion of space, especially in Russia, thus more than offsetting the decline in revenue caused by store closures. In the TOM TAILOR Wholesale segment, the Management Board is anticipating a fall in revenue due to the transfer of wholesale revenue in the TOM TAILOR KIDS division to the Kids Fashion Group as well as the full-year effect of store closures, brand discontinuations and the termination of business in certain countries. Furthermore, the Management Board expects revenue in the BONITA segment to decline as a result of the discontinuation of the BONITA MEN brand and its associated store closures as well as the BONITA WOMEN store closures. The forecast assumes stable conditions in the core markets for the TOM TAILOR GROUP and, generally speaking, a volatile textile market with fluctuations within the normal range. In addition to revenue growth, the fair value is also determined based on assumptions regarding the gross margin and cost trends, which were planned taking into account the implemented cost cutting measures.

Cash flow is extrapolated using a growth rate of 1% (2016: 1%) for the terminal value. 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 consistently with the previous year – with the exception of a slightly different peer group resulting from the bankruptcy of one company. As at 31 December 2017, the WACC before taxes for the BONITA and TOM TAILOR brands was 10.0% and 10.7%, respectively (2016: 10.3% and 10.6%), while the WACC after taxes for the BONITA brand and the TOM TAILOR brand was 6.92% and 7.34%, respectively (2016: 7.11% and 7.34%).

Impairment testing did not lead to any impairment losses in the 2017 financial year.

To validate the calculated fair values, sensitivity analyses were carried out for each material cash-generating unit covering the three significant measurement parameters, WACC, revenue and EBITDA margin. The sensitivity analyses were carried out in isolation for all material factors so that any change in the recoverable amount at one cash-generating unit was caused only by a reduction or increase of the respective factor. The sensitivity analysis for the revenue factor was carried out taking into account the following effects this change has on all other relevant variables used for measuring the recoverable amount, resulting in the assumption of a constant EBITDA margin.

Even significant and unexpected changes of the measurement parameters mentioned would not result in an impairment of the cash-generating units TOM TAILOR Wholesale and TOM TAILOR Retail.

The impairment test of the BONITA brand showed that the fair value less costs to sell exceeds the carrying amount by EUR 61.4 million. The fair value less costs to sell of the BONITA brand would correspond to the carrying amount if the WACC after tax for the BONITA brand was 8.85% instead of 6.92%, or if a lump-sum discount of 18.9% per annum was applied to the revenue planned for the detailed planning period and the terminal value, or if a lump-sum discount of 2.1 percentage points per annum was applied to the EBITDA margin in the detailed planning period and to the terminal value.

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), 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.

At EUR 34.9 million, the additions to recognised software concern the SAP FMS solution, the implementation of which in the TOM TAILOR Group began in financial year 2017. In addition, EUR 4.6 million relates to additions to software on the new e-commerce platform, which went live in September 2017. Of the additions to the e-commerce platform, EUR 696 thousand is attributable to internal development work, which is shown as "Other own work capitalised" in the income statement.

Intangible assets changed as follows in 2017:

Changes in Intangible Assets in 2017

in EUR thousand	Brands	Goodwill	Customer bases	Licensing agreements and similar rights	Beneficial leases	Software	Other	Prepayments	Total
Cost									
Balance at 1 January 2017	**249,953**	**11,508**	**67,074**	**32,596**	**21,994**	**21,498**	**44,057**	**551**	**449,231**
Foreign exchange differences	–	–	–	–	–	-11	-722	–	-733
Additions	–	–	–	–	–	38,084	828	2,340	41,252
Reclassifications	–	–	–	–	–	2,245	376	-2,645	-24
Disposals	–	–	–	–	–	-1,454	-6,478	-85	-8,017
Balance at 31 December 2017	**249,953**	**11,508**	**67,074**	**32,596**	**21,994**	**60,362**	**38,061**	**161**	**481,709**
Amortisation and impairment losses									
Balance at 1 January 2017	**3,278**	**271**	**52,828**	**27,607**	**20,766**	**14,904**	**34,409**	**–**	**154,063**
Foreign exchange differences	–	–	–	–	–	-13	-601	–	-614
Additions from amortisation	–	–	2,757	2,544	1,228	3,376	3,143	–	13,048
Reclassifications	–	–	–	–	–	-179	687	–	508
Disposals	–	–	–	–	–	-408	-6,211	–	-6,619
Balance at 31 December 2017	**3,278**	**271**	**55,585**	**30,151**	**21,994**	**17,680**	**31,427**	**–**	**160,386**
Carrying amount									
Balance at 1 January 2017	**246,675**	**11,237**	**14,246**	**4,989**	**1,228**	**6,594**	**9,648**	**551**	**295,168**
Balance at 31 December 2017	**246,675**	**11,237**	**11,489**	**2,445**	**–**	**42,682**	**6,634**	**161**	**321,323**

The customer bases with a carrying amount of EUR 11,489 thousand concern solely recurring customers.

Intangible assets changed as follows in financial year 2016:

Changes in Intangible Assets in 2016

in EUR thousand	Brands	Goodwill	Customer bases	Licensing agreements and similar rights	Beneficial leases	Software	Other	Prepay-ments	Total
Cost									
Balance at 1 January 2016	**249,953**	**11,508**	**67,074**	**32,596**	**21,994**	**19,308**	**46,762**	**157**	**449,352**
Foreign exchange differences	–	–	–	–	–	–4	97	–	93
Additions	–	–	–	–	–	3,418	1,854	915	6,187
Reclassifications	–	–	–	–	–	–	505	–521	–16
Disposals	–	–	–	–	–	–1,224	–5,161	–	–6,385
Balance at 31 December 2016	**249,953**	**11,508**	**67,074**	**32,596**	**21,994**	**21.498**	**44,057**	**551**	**449,231**
Amortisation and impairment losses									
Balance at 1 January 2016	**–**	**271**	**50,071**	**24,910**	**14,934**	**12,830**	**34,149**	**–**	**137,165**
Foreign exchange differences	–	–	–	–	–	–1	73	–	72
Write-ups	–	–	–	–	–	–	–89	–	–89
Additions from amortisation	–	–	2,757	2,697	4,481	2,789	4,345	–	17,069
Additions from impairments	3,278	–	–	–	1,351	–	–	–	4,629
Disposals	–	–	–	–	–	–714	–4,069	–	–4,783
Balance at 31 December 2016	**3,278**	**271**	**52,828**	**27,607**	**20,766**	**14,904**	**34,409**	**–**	**154,063**
Carrying amount									
Balance at 1 January 2016	**249,953**	**11,237**	**17,003**	**7,686**	**7,060**	**6,478**	**12,613**	**157**	**312,187**
Balance at 31 December 2016	**246,675**	**11,237**	**14,246**	**4,989**	**1,228**	**6,594**	**9,648**	**551**	**295,168**

In the 2016 financial year, the customer bases with a carrying amount of EUR 14,246 thousand concerned solely recurring customers.

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 2017

in EUR thousand	Land, buildings, including buildings on third-party land	Other equipment, operating and office equipment	Prepay-ments	Total
Cost				
Balance at 1 January 2017	**54,124**	**315,879**	**603**	**370,606**
Foreign exchange differences	–90	–1,171	–33	–1,294
Additions	1,383	5,697	126	7,206
Reclassifications	–226	507	–256	25
Disposals	–9,730	–39,702	–	–49,432
Balance at 31 December 2017	**45,461**	**281,210**	**440**	**327,111**
Depreciation and impairment losses				
Balance at 1 January 2017	**27,542**	**238,843**	**–**	**266,385**
Foreign exchange differences	–28	–920	–	–948
Reversal of impairment losses	–	–407	–	–407
Additions from depreciation	3,496	18,614	–	22,110
Additions from impairments	–	4,014	–	4,014
Reclassification	–504	–3	–	–507
Disposals	–6,042	–36,874	–	–42,916
Balance at 31 December 2017	**24,464**	**223,267**	**–**	**247,731**
Carrying amount				
Balance at 1 January 2017	**26,582**	**77,036**	**603**	**104,221**
Balance at 31 December 2017	**20,997**	**57,943**	**440**	**79,380**
of which leased	–	–	–	**14,899**

The additions in financial year 2017 related mainly to investments in controlled spaces in the TOM TAILOR Retail and TOM TAILOR Wholesale segments.

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

Non-current assets allocated to the stores were tested for recoverability in financial year 2017 due to indications that property, plant and equipment may be at risk of impairment. The impairment test was performed at the level of the individual stores as the smallest cash-generating unit. The carrying amounts were compared with the value in use determined using a DCF approach. Value in use is the present value of the future cash flows expected to be derived from continuing use of the asset or the cash-generating unit in the entity or from its disposal at the end of its useful life (residual value). If the value in use is less than the carrying amount of the asset being tested, impairment losses were recognised to reduce the asset to its value in use or, where the present value is negative, write it down in full.

The underlying inputs and planning assumptions are generally the same as those outlined under D. 10. “Intangible Assets”. In a departure from the procedure in the notes on intangible assets, future cash flows were not calculated using a terminal value.

Impairment losses on property, plant and equipment were recognised in all three of the TOM TAILOR Wholesale, TOM TAILOR Retail and BONITA segments in a total amount of EUR 4,014 thousand (2016: EUR 28,023 thousand) in the reporting period. Impairment charges on property, plant and equipment amounting to EUR 407 thousand were reversed in the 2017 financial year.

Please refer to section 24 (c) “Disclosures on Collateral” for information on the provision of items of property, plant and equipment as collateral.

Changes in Property, Plant and Equipment in 2016

in EUR thousand	Land, buildings, including buildings on third-party land	Other equipment, operating and office equipment	Prepay-ments	Total
Cost				
Balance at 1 January 2016	**52,439**	**333,212**	**479**	**386,130**
Foreign exchange differences	133	576	44	753
Additions	1,547	15,977	275	17,799
Reclassifications	42	169	−195	16
Disposals	−37	−34,055	–	−34,092
Balance at 31 December 2016	**54,124**	**315,879**	**603**	**370,606**
Depreciation and impairment losses				
Balance at 1 January 2016	**22,319**	**211,483**	**–**	**233,802**
Foreign exchange differences	28	175	–	203
Additions	–	−175	–	−175
Additions from depreciation	5,496	27,928	–	33,424
Additions from impairments	–	28,023	–	28,023
Disposals	−301	−28,591	–	−28,892
Balance at 31 December 2016	**27,542**	**238,843**	**–**	**266,385**
Carrying amount				
Balance at 1 January 2016	**30,120**	**121,729**	**479**	**152,328**
Balance at 31 December 2016	**26,582**	**77,036**	**603**	**104,221**
of which leased	–	–	–	**20,691**

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

in EUR thousand	31/12/2017	31/12/2016
Minimum lease payments		
Up to 1 year	6,507	8,041
1 to 5 years	23,627	18,353
After 5 years	771	1,173
	30,905	**27,567**
Interest component		
Up to 1 year	630	915
1 to 5 years	2,867	1,408
After 5 years	55	111
	3,552	**2,434**
Present value of minimum lease payments		
Up to 1 year	5,877	7,126
1 to 5 years	20,760	16,944
After 5 years	715	1,062
	27,352	**25,132**

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 sub-stance; 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. FINANCIAL ASSETS

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 contribution was paid in cash and amounted to GBP 100 (corresponding to EUR 104 at the time). In 2016, the Company recorded revenue of GBP 889 thousand (corresponding to EUR 1,084 thousand) and a net loss for the year of GBP 889 thousand (corresponding to EUR 1,084 thousand). The share of losses attributable to the Group was EUR 531 thousand. The cumulative share of losses (EUR 2,710 thousand) was not included in the consolidated financial statements. The financial statements for financial year 2017 are not yet available.

In its annual financial statements for year ended 31 December 2016, TT OFF SALE (NI) LTD. reported non-current assets in the amount of GBP 348 thousand (corresponding to EUR 406 thousand), current assets in the amount of GBP 356 thousand (corresponding to EUR 416 thousand), current liabilities in the amount of GBP 5,236 thousand (corresponding to EUR 6,116 thousand) and equity in the amount of GBP −4,532 thousand (corresponding to EUR −5,293 thousand).

Tom Tailor GmbH supplied TT OFF SALE (NI) LTD. with merchandise valued at EUR 424 thousand in the reporting period (2016: EUR 657 thousand).

In 2015 TOM TAILOR established TOM TAILOR CND INC., Montreal / Canada. Tom Tailor GmbH holds 100% of the interests in TOM TAILOR CND INC., Montreal / Canada.

The equity of CAD 200 was paid in cash. In 2017 the company generated revenue of CAD 2,978 thousand (equivalent to EUR 2,033 thousand) and a net loss for the year of CAD 709 thousand (equivalent to EUR 484 thousand). The loss is attributable to the Group in the amount of EUR 484 thousand. The cumulative share of losses (EUR 881 thousand) was not included in the consolidated financial statements. The 2017 financial statements were not audited.

In its annual financial statements for year ended 31 December 2017, TOM TAILOR CND INC. reported non-current assets in the amount of CAD 4 thousand (corresponding to EUR 3 thousand), current assets in the amount of CAD 1,136 thousand (corresponding to EUR 755 thousand), current liabilities in the amount of CAD 3,576 thousand (corresponding to EUR 2,378 thousand) and equity in the amount of CAD -2,436 thousand (corresponding to EUR -1,620 thousand).

In 2017, Tom Tailor GmbH supplied goods valued at EUR 738 thousand to TOM TAILOR CND INC. There is no existing fair value for the equity interests.

13. OTHER ASSETS

Other assets are composed of the following items:

Other Assets

in EUR thousand	31/12/2017	31/12/2016
Fair value of currency futures	57	25,802
Creditors with debit accounts	1,357	3,842
Security deposits	9,286	8,465
Store subsidies	4,935	5,543
Receivables from online business	2,649	2,913
Receivables arising from factoring	1,984	2,042
Procurement agent commissions	2,378	2,516
Receivables from personnel	62	42
Other assets	3,994	4,034
	26,702	**55,199**
of which non-current	14,271	19,940
of which current	12,431	35,259

Other assets in the 2016 financial year included the fair value of the foreign currency derivatives acquired as part of the Group's hedging strategy in the amount of EUR 25.8 million. Of these, EUR 5.9 million was shown under other non-current assets. Due to the performance of the US dollar, most of the Company's currency derivatives had a negative fair value as at 31 December 2017 and are therefore reported in other liabilities.

In the 2015 financial year, a factoring arrangement on the monthly revolving sale of current trade receivables with a term of 36 months was agreed as part of an active receivables management strategy. The contract stipulates a minimum overall purchase price of EUR 5.0 million and a maximum overall purchase price of EUR 20.0 million. Since the material risks arising from the receivables under the factoring arrangement have been transferred to the buyer of the receivables, the receivables sold at the reporting date with a nominal volume of EUR 11.5 million were (2016: EUR 13.6 million) fully derecognised. Other assets in the current financial year include an ongoing commitment arising from the del credere risk, risk of dilution and moral hazard associated with the factoring arrangement in the amount of EUR 2.0 million (2016: EUR 2.0 million). Since all trade receivables sold have a term of less than one year, the carrying amount of the ongoing commitment is equal to its fair value. This also corresponds to the maximum exposure to loss. An exposure to loss can only arise from the receivables sold in connection with the factoring if these do not have actual legal validity or legal enforceability, if they were voluntarily reduced by the Company or the volume was reduced, or if they remain unsettled over the entire term of the factoring arrangement. The sale of the receivables led to EUR 253 thousand (2016: EUR 192 thousand) being reported as an expense under the financial result in the reporting period.

Other assets also include receivables from online business with a carrying amount of EUR 2,649 thousand (2016: EUR 2,913 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

in EUR thousand	31/12/2017	31/12/2016
Raw materials, consumables and supplies	2,060	2,450
Merchandise	136,451	156,634
	138,511	**159,084**

Write-downs to the lower net realisable value fell by EUR 13.2 million compared with the previous year (2016: increase of EUR 14.4 million). The change was recognised in the cost of materials item in profit or loss. The measurement of the impairment included expected costs to sell that are still to be incurred. A portion of the impaired inventories was sold at prices exceeding their net realisable value in the reporting year. In connection with the sale, reversals of impairment losses of EUR 1.6 million were recognized in profit or loss, which are shown under cost of materials.

The carrying amount of inventories, which were recognised at the lower of purchase costs and net realisable value, amounted to EUR 52.2 million as at the reporting date (2016: EUR 48.5 million). Inventories include goods in transit in the amount of EUR 32.0 million (2016: EUR 29.5 million). The decline in inventories is due mainly to the lower number of stores as a result of closures, the improvement in inventory turnover time, and the continued year-on-year reduction in volumes purchased.

The inventories recognised in the cost of materials in financial year 2017 amounted to EUR 384.1 million (2016: EUR 441.0 million).

15. TRADE RECEIVABLES

As in the previous year, trade receivables amounting to EUR 53,845 thousand (2016: EUR 41,209 thousand) are due within one year. Their carrying amount corresponds to their fair value.

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

Valuation Allowances on Current Receivables

in EUR thousand	31/12/2017	31/12/2016
At the beginning of the year	**9,987**	**7,801**
Additions recognised in profit or loss	3,503	2,783
Utilisation	–865	–642
Reversals	0	45
At the end of the year	**12,625**	**9,987**

The trade receivables include amounts that are 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 expected to be paid by the customer. 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

in EUR thousand	Total	Neither due nor impaired	Carrying amount of receivables impaired	Past due but not impaired		
				< 30 days	30 – 90 days	> 90 days
2017	**53,845**	22,206	17,323	5,549	1,578	7,189
2016	**41,209**	26,099	5,640	4,868	2,548	2,054

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 5,201 thousand (2016: EUR 6,212 thousand).

16. CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents

in EUR thousand	31/12/2017	31/12/2016
Overnight funds and other bank deposits	21,260	33,718
Cash-in-hand	2,929	4,405
	24,189	**38,123**

Of the cash funds reported, bank deposits of EUR 0.6 million (2016: EUR 9.2 million) are pledged. Assuming collateral is furnished, these cash funds can be placed at the Company's disposal within a reasonable period of time.

17. EQUITY

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

In June 2017, TOM TAILOR Holding SE issued a total of 9,865,423 new shares with a notional value of EUR 1.00 per share to strengthen its equity base. At an issuing price of EUR 6.50 per share, the capital increase in return for cash contributions generated gross issuing proceeds of approximately EUR 64.1 million for the Company.

The 9,865,423 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 20 June 2017. The new shares carry dividend rights as from 1 January 2017.

The Company's subscribed capital after the cash capital increase amounts to a total of EUR 38,495,269 and is composed of 38,495,269 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 SE (adjusted for the income tax benefit) in the amount of EUR 2.1 million, which are recognised directly in equity, total capital reserves rose by EUR 52.4 million to EUR 346.5 million.

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

Of the foreign currency derivatives recognised in equity at their fair value in financial year 2016 in the amount of EUR 17.6 million, net of the related deferred taxes of EUR 5.4 million, an amount of EUR 12.6 million was reclassified in its entirety to net income for the period in 2017 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. For these and for derivatives entered into in previous years, a total of EUR -17.5 million was appropriated to the hedge reserve. Corresponding deferred taxes amounted to EUR -5.4 million. After adjustment for deferred taxes and the amount recognised in net income for the period, the hedge reserve totalled EUR -12.1 million as at 31 December 2017 (31 December 2016: EUR 12.2 million).

Consolidated net accumulated losses changed as follows:

Accumulated Loss (Development)

in EUR thousand	2017	2016
1 January	**–176,185**	**–98,953**
Group net income before minorities	17,055	–73,000
Less non-controlling interests	4,395	4,232
After non-controlling interests	12,660	–77,232
31 December	**–163,525**	**–176,185**

The foreign currency translation reserve in the amount of EUR -1,066 thousand (31 December 2016: EUR -483 thousand) 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. Furthermore, the reserve includes currency translation differences from loan receivables, which constitute part of a net investment in foreign operations.

The Annual General Meeting on 3 June 2013, authorised the Management Board 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 in return for cash contributions (Authorised Capital 2013 I).

At the Annual General Meeting on 3 June 2015, the Management Board's authorisation to increase the authorised capital 2013 II by the remaining amount of up to EUR 3,023,709.00 was revoked and replaced as follows. The Management Board was then 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 2020 by up to a total of EUR 5,205,426.00 by issuing new no-par-value registered shares in return for cash and/or non-cash contributions (Authorised Capital 2015). In connection with the cash capital increase implemented in financial year 2016, EUR 2,602,713,00 of that amount was utilised, resulting in remaining authorised capital 2015 of EUR 2,602,713.00 as at 31 December 2016.

In connection with the cash capital increase totalling EUR 9,865,423.00 implemented in 2017, Authorised Capital 2013 I and the remaining Authorised Capital 2015 were utilised in full.

At the Annual General Meeting on 31 May 2017, the Management Board was 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 30 May 2022 by up to a total of EUR 4,449,500.00 by issuing new no-par-value registered shares in return for cash and/or non-cash contributions (Authorised Capital 2017).

The contingent capital totalling EUR 1,431,000,00 (2016: EUR 2,400,000,00) is available exclusively for granting stock option rights to members of the Management Board of TOM TAILOR Holding SE, members of the executive management of affiliated companies and selected employees below executive management level. For more details please see section "18. Stock Option Programm".

18. STOCK OPTION PROGRAMME

On 3 June 2013, the Annual General Meeting of TOM TAILOR Holding AG adopted a resolution to launch a stock option programme (2013 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 executive management level of affiliated companies (hereinafter referred to as the Long-Term Stock Option Programme or "SOP" for short). 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 on 3 June 2013 also adopted a resolution 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 executive 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. By the end of the 2016 reporting period, 1,955,000 stock options of the 2,400,000 stock options possible under the Stock Option Programme 2013 had been granted (8 June 2016: 500,000 stock options; 23 June 2015: 450,000; 11 June 2014: 520,000; 26 August 2013: 485,000). Due to the fact that not all of the 600,000 possible stock options per tranche were granted and stock option beneficiaries left the Company prior to the end of the vesting period, 1,141,000 stock options had not yet expired as at 31 December 2016. Against this backdrop, the Annual General Meeting on 31 May 2017 amended Article 6 (10) of the Articles of Association. As a result, the share capital can only be contingently increased by up to EUR 1,141,000,00 by issuing up to 1,141,000 noparvalue registered shares (Contingent Capital 2013). As at 31 December 2017, 984,500 of the originally granted stock options had not yet expired.

In view of the vesting period for tranches two to four, which is not yet over, only the unexpired stock options from the first tranche (144,000) of the Stock Option Programme 2013 are exercisable. The stock options in the first tranche were not exercisable in the reporting period, because the performance targets for this were not met in the reporting period.

At the Annual General Meeting of TOM TAILOR Holding SE on 31 May 2017 a new stock option programme (Stock Option Programme 2017) was agreed. Stock options can be granted through this Programme to members of the Company's Management Board, members of the executive management of affiliated companies and selected employees below Management Board level of the Company and below executive management level of affiliated companies. In this context, the share capital was contingently increased by up to EUR 290,000.00 by issuing up to 290,000 noparvalue registered shares (Contingent Capital 2017). The sole purpose of the contingent capital increase is to grant shares to the holders of stock option rights under the Stock Option Programme 2017. The stock options may be issued in one or more tranches.

The terms of the stock options under the Stock Option Programme 2017 basically correspond to those of the Stock Option Programme 2013. As at 24 November 2017 all 290,000 stock options from the Stock Option Programme 2017 had been granted to the beneficiaries.

Fair value measurement was carried out based on the following parameters:

Fair Value Measurement

	SOP 2013				SOP 2017
Fair value parameters	**Tranche 1**	**Tranche 2**	**Tranche 3**	**Tranche 4**	**Tranche 2017**
Stock options issued (number)	485,000	520,000	450,000	500,000	290,000
Stock options forfeited (number)	311,000	309,500	279,000	41,000	–
Stock options outstanding (number)	144,000	210,500	171,000	459,000	290,000
Strike price Type A (EUR)	16.30	14.25	10.32	4.07	3.17
Strike price Type B (EUR)	19.56	17.10	12.38	4.88	1.36
Fair value Type A (EUR)	3.39	2.00	2.04	1.11	2.71
Fair value Type B (EUR)	2.77	1.51	1.73	1.02	2.40
250-day volatility (in %)	30.0	20.6	36.4	64.8	45.9
Expected dividend (in %)	1.83	1.57	3.54	1.14	0.23
Risk-free interest rate (in %)	1.77	1.40	1.09	0.12	0.10
Share price at grant date (EUR)	16.30	14.25	10.32	4.07	9.05
Share price hurdle (EUR)	22.00	19.23	13.93	5.49	12.22
Average expected exercise period (in years)	5.5	5.5	5.5	5.5	5.5
Fluctuation (in %)	3	5	5	10	10

The pay-out is capped at 400% for type A stock option rights and 420% for type B stock option rights.

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 executive management level of affiliated companies amounted to EUR -212 thousand (2016: EUR 488 thousand), taking into account the forfeiture of stock options.

19. MANAGEMENT EQUITY PARTICIPATION PROGRAMME

In financial year 2014, members of the Management Board and selected executives of TOM TAILOR Holding AG were given the opportunity to acquire shares in FCM Beteiligungs GmbH in return for payment.

As part of a share transfer agreement, 6,028,050 shares of TOM TAILOR Holding AG (hereinafter "TT Shares") held by Versorgungs- und Förderungsstiftung Vaduz were transferred in the 2014 financial year to Fidelidade Companhia de Seguros S.A. (4,036,681 TT Shares) and FCM Beteiligungs GmbH (1,991,369 TT Shares). Together, the two companies hold a 23% interest in TOM TAILOR Holding SE. The members of the Management Board and five other executives of TOM TAILOR Holding SE were able to acquire their own 45% interest in FCM Beteiligungs GmbH. The equity interest held by Management Board members and executives therefore constitutes an investment in TOM TAILOR Holding SE and aligns the interests of management with those of the shareholders.

Proceeds are generated from the equity interest when TT Shares are sold by FCM Beteiligungs GmbH. The gains from the equity interest are paid to participants in proportion to their interest in FCM Beteiligungs GmbH. This interest is reduced by what is known as a "performance ratchet" arrangement to a previously determined minimum of 15%, if the TT Share price does not amount to at least EUR 19 when shares are sold. In addition to the aforementioned proceeds, the Management Board members and executives are entitled to a performance bonus when TT Shares are sold. This is based on the share price exceeding EUR 25 within a fixed time period. TT Shares can be sold after expiration of the lock-up period on 11 August 2015. This requires prior consultation with the Management Board members and executives of TOM TAILOR Holding SE.

Upon leaving TOM TAILOR Holding SE, the participants in the management equity participation programme are generally entitled to retain their interest in TOM TAILOR shares. Their share of the investment is reduced to the ratchet minimum. Claims to any performance bonuses are thereby extinguished.

When the investment was made, the market value of the equity interest attributable to the members of the Management Board and selected executives of TOM TAILOR Holding SE was EUR 0.7 million. In financial year 2017, expenses of EUR 0.4 million (2016: EUR 0.2 million) associated with the termination of the management equity participation programme were recognised.

20. DIVIDEND PER SHARE

The syndicated loan agreement entered into in financial year 2015 provides for a restriction on future dividend payments in order to protect the consortium banks. The loan agreement provides for a maximum potential dividend of 50% of consolidated net income for the period if the financial ratio of net debt to EBITDA is less than 2.75.

21. 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 plans are funded by provisions and are thus unfunded. For the pension commitments, whose present value is EUR 2.0 million (2016: EUR 2.0 million), reinsurance policies in the amount of EUR 0.5 million (2016: EUR 0.5 million) are in place which are offset against the pension commitments. From the Group's perspective, both the amount of the obligations and assets and the resulting net inflow / outflow are immaterial. The Group therefore refrains from presenting the actuarial method for calculating the obligation and the changes in the obligations and assets in detail.

22. OTHER PROVISIONS / CONTINGENT LIABILITIES

Other provisions changed as follows:

Other Provisions in 2017

in EUR thousand	Employee-related Provisions	Customer bonuses	Returns	Outstanding Invoices	Restoration obligations	Other	Total
Balance at 31 December 2016	**23,343**	**9,540**	**3,931**	**16,684**	**13,267**	**3,935**	**70,700**
Additions	14,819	11,951	1,125	948	698	1,640	31,181
Reversals	1,695	2,414	–	693	195	57	5,054
Unwinding of discounts / changes in interest rates	3	–	–	334	298	–	635
Utilisation	14,245	9,572	2,013	3,827	1,028	2,386	33,071
Balance at 31 December 2017	**22,225**	**9,505**	**3,043**	**13,446**	**13,040**	**3,132**	**64,391**
Current	21,654	9,505	3,043	5,489	1,834	3,132	44,657
Non-current	571	–	–	7,957	11,206	–	19,734

Other Provisions in 2016

in EUR thousand	Employee-related Provisions	Customer bonuses	Returns	Outstanding Invoices	Restoration obligations	Other	Total
Balance at 31 December 2015	**16,311**	**7,948**	**3,695**	**–**	**10,512**	**2,601**	**41,067**
Additions	23,950	9,420	1,875	16,684	2,828	3,507	58,264
Reversals	2,835	537	–	–	–	103	3,475
Unwinding of discounts / changes in interest rates	2	–	–	–	372	–	374
Utilisation	14,085	7,291	1,639	–	445	2,070	25,530
Balance at 31 December 2016	**23,343**	**9,540**	**3,931**	**16,684**	**13,267**	**3,935**	**70,700**
Current	22,834	9,540	3,931	7,709	2,724	3,935	50,673
Non-current	509	–	–	8,975	10,543	–	20,027

Employee-related provisions largely relate to bonuses, the long-term remuneration system for Management Board members and managers, and outstanding holiday and over-time entitlements. Provisions for personnel expenses also include severance and leave of absence 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 7: 27.30%; tranche 8: 28.54%; the risk-free interest rate (tranche 7: -0.72%; tranche 8: -0.63%), and the expected dividend distribution (0.5%). The programme is also open to some members of the Management Board. Due to the failure to meet the minimum targets, tranche 5 was not paid under the remuneration system in the 2017 financial year. tranche 6 and tranche 7 can first be paid out in 2018 and 2019 respectively.

Provisions were recognised for leased stores kept in operation despite a planned closure because of existing leases based on past experience and site forecasts, if an unavoidable excess of obligations is expected over the period to the end of the contractual minimum lease term. A DCF-based approach was used to measure this provision, the result of which depends on the estimates and assumptions by management regarding future cash flow. Although these estimates are made on the basis of management's current knowledge, actual results may deviate from these estimates.

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 twelve months, with the exception of part of the provision for the Long-term Incentive Programme (LTI) for management, restoration obligations and onerous contracts.

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 spaces are restored.

23. DEFERRED TAXES

Recognised deferred tax assets relate to the following items:

Deferred Tax Assets in the Reporting Period

	31 December 2017	
in EUR thousand	Basis of assessment	Deferred tax assets
Tax loss carryforwards and interest carried forward	11,576	3,600
Consolidation adjustments (consolidation of intercompany balances, elimination of intercompany profits / losses)	9,788	3,044
Impairment losses	21,099	6,561
Restoration obligations	3,543	1,101
Currency translation differences	17,883	5,562
Pension provisions	353	109
Provisions for onerous contracts	11,854	3,685
Other	6,218	1,929
	82,314	**25,591**
Set off against deferred tax liabilities	–82,314	–25,591
	–	–

Deferred tax assets on tax loss carryforwards and interest carried forward relate primarily to the future usability of cumulative interest carried forward, as well as corporation and trade tax loss carryforwards.

In addition to deferred tax assets in respect of tax loss carryforwards and interest carried forward, deferred tax assets were recognised primarily for consolidation adjustments and measurement differences relating to the provisions for restoration obligations and for provisions for onerous contracts and impairments.

Deferred Tax Assets in the Previous Year

	31 December 2016	
in EUR thousand	Basis of assessment	Deferred tax assets
Tax loss carryforwards and interest carried forward	49,055	11,317
Consolidation adjustments (consolidation of intercompany balances, elimination of intercompany profits / losses)	8,966	2,782
Impairment losses	23,825	7,393
Restoration obligations	3,011	933
Currency translation differences	3,175	985
Pension provisions	417	130
Provision for onerous contracts	14,477	4,492
Other	3,160	953
	106,086	**28,985**
Set off against deferred tax liabilities	–106,086	–28,985
	–	–

As at 31 December 2017, recognised deferred tax liabilities were attributable to the following recognition and measurement differences:

Deferred Tax Liabilities in the Reporting Period

	31 December 2017	
in EUR thousand	Basis of assessment	Deferred tax assets
Intangible assets	260.425	80.984
Leases	7.060	1.967
Treatment of transaction costs	3.009	936
Measurement of receivables	423	128
Currency translation differences	2.024	629
Other	4.527	1.397
	277.468	**86.041**
Set off against deferred tax assets	-82.314	-25.591
	195.154	**60.450**

Deferred tax liabilities in the amount of EUR 63.2 million were recognised on intangible assets in connection with the recognition of intangible assets in the course of the initial consolidation of BONITA Deutschland Holding GmbH, Hamminkeln / Germany, and its subsidiaries; these had a residual carrying amount of EUR 57.4 million as at the 2017 reporting date. Deferred taxes attributable to currency forwards are reported in other comprehensive income if they are part of an effective hedging relationship.

As at 31 December 2016, recognised deferred tax liabilities were attributable to the following recognition and measurement differences:

Deferred Tax Liabilities in the Previous Year

in EUR thousand	31 December 2016 Basis of assessment	Deferred tax assets
Intangible assets	266,350	82,648
Measurement of currency forwards	16,522	5,127
Leases	6,493	1,820
Treatment of transaction costs	4,377	1,358
Measurement of receivables	384	115
Other	6,393	1,890
	300,519	**92,958**
Set off against deferred tax assets	−106,086	−28,985
	194,433	**63,973**

24. FINANCIAL LIABILITIES

a) Composition

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

Financial Liabilities in the Reporting Period

	31 December 2017			
in EUR thousand	Up to 1 year	1 to 5 years	Over 5 years	Total
Liabilities to banks	30,200	79,910	–	110,110
Lease liabilities	5,877	20,760	715	27,352
	36,077	**100,670**	**715**	**137,462**

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

Financial Liabilities in the Previous Year

	31 December 2016			
in EUR thousand	Up to 1 year	1 to 5 years	Over 5 years	Total
Liabilities to banks	17,006	178,214	–	195,220
Lease liabilities	7,126	16,944	1,062	25,132
Liabilities to third parties	12,486	–	–	12,486
	36,618	**195,158**	**1,062**	**232,838**

b) Disclosures

Liabilities to banks

The TOM TAILOR GROUP entered into a syndicated loan for EUR 500.0 million in May 2015.

At the end of May 2013, TOM TAILOR Holding SE successfully issued a borrower's note loan totalling EUR 80.0 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 had three tranches with maturities of 2.6, 3.6 and five years, and bears both fixed and variable rates of interest. The remaining fixed-rate borrower's note loan in the amount of EUR 15.0 million falls due at the end of May 2018.

The coupons of the borrower's note loan reflect the present level of interest rates and are within the range of previously payable interest rates.

Continued loan finance as well as the syndicated loan are dependent on compliance with financial covenants (net debt / recurring EBITDA, net debt (incl. 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) at the end of the financial year.

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 available bank lines of credit with a total volume of EUR 500.0 million comprise a current account overdraft facility of EUR 187.5 million, a guaranteed line of credit of EUR 187.5 million and bank loans of EUR 125.0 million.

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

A total of EUR 475.0 million of the loan refinancing has a term of five years, while EUR 25.0 million has a term of three years plus two options to extend the term by one year in each case. The current account overdraft facility and guaranteed line of credit are available to the TOM TAILOR GROUP for five years from the date of grant in 2015.

The EUR 25.0 million long-term loan falls due at the end of May 2019 because only one of two extension options has been exercised.

The remaining long-term bank lines of credit become due at the end of May 2020.

Until May 2020, scheduled repayments of EUR 30.0 million must be made in connection with the syndicated loan.

Liabilities from overdraft facilities amounted to EUR 10.2 million as at the reporting date (2016: EUR 80.2 million).

As at the reporting date, bank commissions and transaction costs of EUR 1.7 million (2016: EUR 2.5 million) relating to the refinancing 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. Continued loan finance is dependent on compliance with certain financial covenants (net debt / recurring EBITDA, net debt (incl. 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) at the end of each quarter and at the end of the financial year. A violation of the financial covenants would give rise to an extraordinary right of cancellation for the lender. In this case, the lender would be entitled to call in the loans immediately.

Bank commissions and transaction costs of EUR 1.3 million (2016: EUR 2.0 million) relating to the renegotiation of the financial covenants in the third quarter of 2016 were offset against liabilities to banks as at 31 December 2017 and are recognised in profit or loss under interest expense on a straight-line basis over the remaining term of the loans.

The agreed financial covenants for the existing lines of credit were met in the 2017 financial year.

c) Disclosures on Collateral

In connection with the overall financing of the TOM TAILOR GROUP, TOM TAILOR Holding SE, Hamburg/Germany, Tom Tailor GmbH, Hamburg/Germany, Tom Tailor Retail GmbH, Hamburg/Germany, TOM TAILOR E-Commerce GmbH, Hamburg/Germany, BONITA GmbH, Hamminkeln/Germany, GEWIB GmbH, Hamminkeln/Germany, Tom Tailor (Schweiz) AG, Baar/Switzerland, TOM TAILOR Retail Gesellschaft m.b.H., Wörgl/Austria and TOM TAILOR RUS LLC, Moscow/Russia, are jointly liable for the liabilities to banks.

d) Liabilities to Third Parties

Liabilities to third parties in the amount of EUR 12.5 million in the 2016 financial year were the result of pre-financing liabilities to suppliers in order to optimise working capital. The liabilities are payable within one year and reported under current financial liabilities. In financial year 2017, no use was made of this pre-financing facility

e) Changes in liabilities from financing activities

The following reconciliation presents both cash and non-cash changes in liabilities from financing activities. The reconciliation must generally include debt items in which associated payments were reported in the cash flow statement in cash flows from financing activities or will be reported in that item in the future.

Changes in liabilities from financing activities

			Non-cash changes			
in EUR thousand	**1/1/2017**	**Cashflows**	**Acquisition**	**Distribition of transaction costs**	**Reclassification**	**31/12/2017**
Liabilities for banks (longterm)	178,214	-69,472	–	1,368	-30,200	79,910
Liabilities for banks (shortterm)	17,006	-17,006	–	–	30,200	30,200
Lease liabilities	25,132	-28,517	30,737	–	–	27,352
Liabilities to third parties	12,486	-12,486	–	–	–	–
	232,838	**-127,481**	**30,737**	**1,368**	**–**	**137,462**

25. 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.

26. OTHER LIABILITIES

Other liabilities are composed of the following items:

Other Liabilities

in EUR thousand	31/12/2017	31/12/2016
Other taxes (mainly VAT)	10,341	16,037
Customer vouchers, prepayments and credits	4,233	4,678
Employee-related liabilities and social security contributions	1,615	2,611
Fair value of currency futures	17,104	1,207
Contributions	494	266
Supervisory Board remuneration	466	461
Debtors with credit balances	766	574
Other liabilities	2,829	3,140
Carrying amount	**37,848**	**28,974**
of which non-current	6,489	1,154
of which current	31,359	27,820

Other liabilities in financial year 2017 include the fair value of the foreign currency derivatives acquired as part of the Group's hedging strategy in the amount of EUR 17.1 million. Of these, EUR 5.2 million is shown under other non-current liabilities.

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

E. MANAGEMENT OF FINANCIAL RISK AND FINANCIAL DERIVATIVES

CAPITAL MANAGEMENT

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

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

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

The capital structure is monitored primarily using cash-flow-related indicators (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 as at the reporting date amounted to EUR 212,950 thousand (2016: EUR 162,892 thousand).

The change in equity in the reporting period was influenced by the cash capital increase and the resulting gross issuing proceeds of EUR 64.1 million as well as the positive net income for the period of EUR 17.1 million. In contrast, accumulated other comprehensive income was lower, mainly due to the negative change in the hedge reserve.

The RESET cost and process optimisation programme the Company actively pursued in 2016 was focused on substantially boosting profitability. This will mainly involve systematic, long-term reduction of the Company's debt, which in turn will strengthen its equity base. The TOM TAILOR GROUP's financial strategy is to use the cash flow generated from operations to continue reducing its debt.

In financial year 2015, the TOM TAILOR GROUP arranged financing with the banks with a term of up to 2020 and is thus pursuing a clear financial strategy to strengthen its EBITDA and cash flow and to further improve its balance sheet structure. The Company's ability to finance its operating cash flow internally is pivotal here.

The TOM TAILOR GROUP's goal remains to generate a positive free cash flow that will be used to further reduce its debt and also the interest burden.

The Company is reiterating its objective of reducing the ratio of net debt to recurring EBITDA to below 2.0 in the medium term. The TOM TAILOR GROUP also endeavours to achieve net income for the period to strengthen the equity side of its balance sheet. The Group is aiming for an equity ratio of at least 30% in the medium term based on the currently applicable accounting rules.

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 currency forwards. The purpose of these derivative financial instruments is to hedge 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 VALUE OF FINANCIAL INSTRUMENTS

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

Fair Values of Financial Instruments

in EUR thousand	Category under IAS 39	Carrying amount 2017	Carrying amount 2016	Fair value 2017	Fair value 2016
Financial assets					
Trade receivables and other assets	lar	73,177	62,547	73,177	62,547
Cash and cash equivalents	lar	24,189	38,123	24,189	38,123
Derivatives used to hedge interest rate and currency risk that are part of a hedging relationship	n. a.	57	25,802	57	25,802
Financial liabilities					
Liabilities to banks					
Acquisition loan	flac	99,492	113,123	99,492	113,123
Other liabilities to banks	flac	10,618	82,097	10,618	82,097
Finance lease liabilities	flac	27,352	25,132	27,352	25,132
Liabilities to third parties	flac	–	12,486	–	12,486
Derivatives used to hedge interest rate and currency risk that are part of a hedging relationship	n. a.	17,104	1,207	17,104	1,207
Trade payables and other liabilities	flac	129,083	132,451	129,083	132,451

Flac = financial liabilities measured at amortised cost;

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 -17.5 million; 2016: EUR 17.6 million). 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 any losses expected on these receivables. As at 31 December 2017 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 (DCF) method. This is based on management's forecasts and assumptions about future revenue and earnings, investments, growth rates and discount rates.

The Group only enters into derivative financial instruments with financial institutions with a good credit rating. The 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.

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 tables show the financial instruments for financial years 2017 and 2016 that are subsequently measured at fair value.

Fair Values of Financial Instruments

in EUR thousand	2017	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Hedging instruments designated as cash flow hedges (currency forwards)	57	–	57	–
	57	**–**	**57**	**–**
Financial liabilities at fair value through profit or loss				
Hedging instruments designated as cash flow hedges (currency forwards)	17,104	–	17,104	–
	17,104	**–**	**17,104**	**–**

in EUR thousand	2016	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Hedging instruments designated as cash flow hedges (currency forwards)	25,802	–	25,802	–
	25,802	**–**	**25,802**	**–**
Financial liabilities at fair value through profit or loss				
Hedging instruments designated as cash flow hedges (currency forwards)	1,207	–	1,207	–
	1,207	**–**	**1,207**	**–**

Net Gains and Net Losses on Financial Instruments

in EUR thousand	2017	2016
Loans and receivables	–7,293	–6,853
of which net interest income	-253	–192
Financial liabilities measured at amortised cost	-9,664	–8,618
of which net interest income	-9,599	–11,460
Financial assets / liabilities at fair value through profit or loss	–	268
of which net interest income	–	–1,303

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 currency risk. This includes currency forwards to hedge the foreign exchange risk that results from importing items of clothing produced mainly in Asia.

The sensitivity analyses in the following sections refer in each case to the data as at 31 December 2017 and 2016.

The sensitivity analyses were prepared on the basis of the hedging relationships existing on 31 December 2017 and on the assumption that net debt, the ratio of fixed to variable interest rates on liabilities and derivatives, and the percentage of financial instruments in foreign currencies remain unchanged.

a) Credit Risk

The Group is exposed to counterparty 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.

The Group uses factoring to actively manage its receivables and improve working capital. Please refer to the disclosures under note 13. Other Assets.

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

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

b) Liquidity Risk

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

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

Analysis of Maturity in the Reporting Period

	Non-derivative financial liabilities			Derivative liabilities
in EUR thousand	Liabilities to banks	Finance leases	Other liabilities	Currency hedges
Carrying amount at 31 December 2017	**110,110**	**27,352**	**129,083**	**17,104**
Cash flows 2018				
Interest payments	4,070	630	–	–
Principal repayments	30,200	5,877	128,301	11,891
Cash flows 2019 bis 2022				
Interest payments	5,159	2,867	–	–
Principal repayments	79,910	20,760	782	5,213
Cash flows 2023 f.				
Interest payments	–	55	–	–
Principal repayments	–	715	–	–

Analysis of Maturity in the Previous Year

	Non-derivative financial liabilities			Derivative liabilities
in EUR thousand	Liabilities to banks	Finance leases	Other liabilities	Currency hedges
Carrying amount at 31 December 2016	**195,220**	**25,132**	**144,937**	**1,207**
Cash flows 2017				
Interest payments	11,112	915	800	–
Principal repayments	17,006	7,126	144,158	1,098
Cash flows 2018 bis 2021				
Interest payments	5,110	1,408	3,200	–
Principal repayments	178,214	16,944	779	109
Cash flows 2022 f.				
Interest payments	–	111	–	–
Principal repayments	–	1,062	–	–

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 492.0 million and falls due ratably over a period up to and including 2019.

c) Currency Risk

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

In the same period, cash inflows from those currency forwards were allocated to specific expected cash outflows for merchandise purchases, as a result of which the currency forwards entered into were designated as cash flow hedges (hedges of cash flows from forecast transactions). In addition to the intrinsic value, the 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 -17.1 million (2016: EUR 24.6 million) was recognised net of deferred taxes in the amount of EUR 5.3 million (2016: EUR 7.6 million) in the hedge reserve outside profit or loss and / or included in the measurement of inventories 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. The hedged future merchandise purchases and therefore the cash flows are expected to amount to USD 292.0 million in 2018 and to USD 200.0 million in 2019.

In financial year 2017, income of EUR 18.3 million (2016: income of EUR 10.9 million) generated when hedged items under currency forwards entered into in 2016 were realised was reclassified from other comprehensive income to profit or loss. Corresponding deferred taxes amounted to million EUR 5.7 million (2016: EUR 3.4 million).

In addition, the Russian Group company and 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 2017					
in EUR thousand	**Amount in local currency TCHF**	**Closing rate CHF / EUR 1.17**	**Amount in local currency TUSD**	**Closing rate USD / EUR 1.20**	**Amount in local currency TRUB**	**Closing rate RUB / EUR 69.39**
Trade receivables	1,235	1,055	–	–	311,581	4,490
Trade payables	693	592	76,664	63,924	62,114	895
	542	**463**	**–76,664**	–63,924	**249,467**	**3,596**

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

Currency Risk in the Previous Year

in EUR thousand	31 December 2016					
	Amount in local currency TCHF	Closing rate CHF/EUR 1.07	Amount in local currency TUSD	Closing rate USD/EUR 1.05	Amount in local currency TRUB	Closing rate RUB/EUR 64.30
Trade receivables	1,271	1,184	–	–	195,634	3,043
Trade payables	1,205	1,122	67,168	63,721	44,499	692
	66	**61**	**−67,168**	**−63,721**	**151,135**	**2,351**

Comprehensive income from foreign exchange gains and losses (excluding derivatives) amounted to EUR 2.0 million in financial year 2017 (2016: EUR -0.3 million).

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 relating the hypothetical changes in the risk variables to the holdings 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 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, the Swiss franc and the Russian ruble 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 5.7 million higher or EUR 7.0 million lower, respectively (2016: EUR 5.7 million higher or EUR 6.9 million lower). By contrast, the hedge reserve recognised in equity for currency forwards entered into in US dollars would have been EUR 31.3 million lower or EUR 40.6 million higher, respectively (2016: EUR 26.7 million lower or EUR 30.3 million higher).

A 10% rise (fall) in the euro against the Swiss franc or the Russian ruble would have resulted in the currency translation reserve for financial statements not prepared in the reporting currency being EUR 0.2 million higher or EUR 0.2 million lower, respectively (2016: EUR 0.1 million higher or EUR 0.1 million lower).

d) Interest Rate Risk

The Group is mainly subject to interest rate risk in the euro area.

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 2.0 million higher or EUR 0.8 million lower, respectively (2016: EUR 2.7 million higher or EUR 0.7 million lower).

e) Other Price Risk

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

F. CASH FLOW DISCLOSURES

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

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

The cash generated by the TOM TAILOR GROUP's operating activities amounted to EUR 70.2 million (2016: EUR 34.5 million), an increase of EUR 35.7 million compared with the previous year. The increase in cash generated from operations is mainly due to the positive net income for the period of EUR 17.1 million (2016: EUR -73.0 million) as well as to a further reduction in inventories. Capital tied up in inventories again declined from the previous year. This decrease is attributable to the closure of stores in the BONITA and TOM TAILOR Retail segments, a lower purchasing volume and faster inventory turnover. The reduction in capital tied up in inventories was partly offset by an increase in trade receivables.

In the 2017 financial year, net cash used in investing activities amounted to EUR 13.2 million, down only slightly from EUR 14.5 million in the previous year. Capital expenditure was focused on infrastructure and the new e-commerce platform and related mainly to the TOM TAILOR Wholesale and TOM TAILOR Retail segments.

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.

In the reporting period, net cash used in financing activities amounted to EUR 70.7 million (previous year: EUR 32.7 million). The cash inflow from the cash capital increase of EUR 64.1 million stood in contrast to cash outflow from the scheduled repayment of the loans in the amount of EUR 15.0 million and a significant repayment of available bank lines of credit in the amount of EUR 68.4 million.

As at 31 December 2017, financing activities also included unused lines of credit amounting to EUR 177.3 million (2016: EUR 108.9 million).

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

G. SEGMENT REPORTING

Operating segments 2017 (2016)

	Wholesale	Retail			
in EUR thousand	TOM TAILOR	TOM TAILOR	BONITA	Total	Group
Third-party revenue	**350,058**	**303,985**	**267,732**	**571,717**	**921,775**
	(351,928)	(313,622)	(302,969)	(616,591)	(968,519)
Gross profit	**169,490**	**181,718**	**186,482**	**368,200**	**537,690**
	(163,362)	(172,168)	(191,947)	(364,115)	(527,477)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**52,012**	**15,466**	**15,597**	**31,063**	**83,075**
	(24,678)	(8,217)	(−22,640)	(−14,423)	(10,255)
Earnings before interest and taxes (EBIT)	**38,831**	**2,547**	**2,525**	**5,072**	**43,903**
	(9,697)	(−18,460)	(−64,126)	(−82,586)	(−72,889)
Material non-cash expenses / income (within EBITDA)	**12,326**	**4,040**	**−2,850**	**1,190**	**13,516**
	(22,351)	(13,763)	(37,450)	(51,213)	(73,564)

Information about Regions 2017 (2016)

in EUR thousand	Germany	International markets	Group
Revenue	**575,427**	**346,348**	**921,775**
	(608,108)	(360,411)	(968,519)
Non-current assets	**370,149**	**30,555**	**400,704**
	(356,255)	(43,135)	(399,390)

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 TOM TAILOR 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. In the Retail segment a distinction is made between the TOM TAILOR and BONITA brands.

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 following as performance indicators: earnings before interest, taxes, depreciation and amortisation (EBITDA) used for management and reporting, earnings before interest and taxes (EBIT), revenue less corresponding cost of goods sold (gross profit), and revenue.

Impairment losses of EUR 3.0 million on property, plant and equipment were recognised in profit or loss in the BONITA segment in the reporting year. Impairment losses on property, plant and property recognised in profit or loss for the TOM TAILOR Retail segment amounted to EUR 1.0 million in 2017.

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, and impairment losses on inventories and trade receivables.

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

H. OTHER DISCLOSURES AND EXPLANATIONS

RESEARCH AND DEVELOPMENT

Research and development costs reported under expenses amounted to EUR 11.0 million (2016: EUR 16.5 million). They relate to the development of the collections.

CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

a) Contingent Assets and Liabilities

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

b) Other Financial Obligations

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

Other Financial Obligations in 2017

	31 December 2017			
in EUR thousand	Within 1 year	Between 1 and 5 years	More than 5 years	Total
Leases	87,273	218,494	48,824	**354,592**
Other operating leases	2,573	4,901	–	**7,474**
Other	22,135	72,458	32,700	**127,293**
	111,981	295,854	81,524	**489,359**

Other Financial Obligations in 2016

in EUR thousand	31 December 2016 Within 1 year	Between 1 and 5 years	More than 5 years	Total
Leases	**97,608**	**247,051**	**62,042**	**406,701**
of which Nordport logistics centre	252	–	–	252
Receivables from sublease: Nordport logistics centre	**–252**	**–**	**–**	**–252**
Other operating leases	**3,517**	**6,240**	**–**	**9,757**
Other	**21,100**	**99,356**	**48,800**	**169,256**
	121,973	**352,647**	**110,842**	**585,462**

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 2017, the Group had obligations to purchase goods in 2018 amounting to EUR 68.4 million (2016: EUR 77.9 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 4.9 million (2016: EUR 6.5 million). These related solely to minimum lease payments. Contingent lease payments are largely revenue-based and amounted to EUR 1.2 million in the reporting period (2016: EUR 1.3 million). 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 2017 or 2016.

Expenses for other operating leases of EUR 3.8 million were recognised in the reporting period (2016: EUR 4.5 million).

Excluding the lease obligation for the Nordport logistics centre, subleases in both the reporting period and the previous year mainly concerned the subletting of space rented by the Company. Please refer to the disclosures under “b) 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 and Canada; this relationship falls within the scope of normal business dealings.

The Northern Irish company is TT OFF SALE (NI) LTD., Belfast / United Kingdom, in which Tom Tailor GmbH directly holds 49% of the shares as part of a franchise partnership.

TT Off Sale (NI) LTD. is operated by the partner. The goods and services provided to the company amounted to EUR 424 thousand in the reporting period (2016: EUR 657 thousand). The receivables from the company (net of valuation allowances) amounted to EUR 0 thousand both at 31 December 2017 and at 31 December 2016. Valuation allowances on receivables from TT OFF SALE (NI) LTD. of EUR 77 thousand were recognised as expenses in financial year 2017 (2016: EUR 210 thousand).

The Canadian entity is TOM TAILOR CND INC., Montreal / Canada, in which TOM TAILOR GmbH holds 100% of the interests.

The goods supplied to the company amounted to EUR 738 thousand in the reporting period. As at 31 December 2017, the Group recognised trade receivables including valuation allowances of EUR 510 thousand. The reversal to profit or loss of valuation allowances on receivables vis-à-vis TOM TAILOR CND INC. amounted to EUR 601 thousand in the 2017 financial year.

Related Parties (Persons)

a) Management Board

Dr Heiko Schäfer,
Chief Executive Officer, Munich / Germany
Mr Thomas Dressendörfer,
Chief Financial Officer, Baar / Switzerland
Mr Liam Devoy,
Chief Operating Officer (purchasing, logistics and IT), Hamburg / Germany (since 1 August 2017)
Mr Uwe Schröder,
Management Board member for Sales and Marketing, Hamburg / Germany (until 29 May 2017)

With effect from 29 May 2017, Mr Uwe Schröder stepped down from his positions on the Management Board and Supervisory Board and will advise the Company as honorary president going forward.

Other Appointments of the Members of the Management Board

Mr Dressendörfer is also an operating partner at WP Management in Bad Homburg / Germany; until April 2017 he was also a member of the Supervisory Board of Pax Anlage AG in Basle / Switzerland.

Furthermore, Uwe Schröder was the Managing Director of Schröder Consulting GmbH, Hamburg, the Chairman of the Board of the German Association of Non-Food Importers (VFI), Hamburg, and a member of the Advisory Board of Kassenhalle Restaurant GmbH & Co. KG, Hamburg.

Management Board Remuneration

Share-based Remuneration System

On 20 January 2010, the Supervisory Board resolved to implement a share-based remuneration system (the Matching Stock Programme, or MSP) for the members of the Management Board. The MSP was classified and measured as an equity-settled share-based payment transaction. Upon the departure of the two beneficiaries from the Management Board and the Group and their decision to waive the share-based remuneration system (Matching Stock Programme) in full under the severance agreements, the full remuneration, less payroll tax and other deductions, was allocated to capital reserves and recognised in profit or loss in financial year 2016. The portion attributable to payroll tax and other deductions was released to profit or loss.

With regard to the Long-term Incentive Programme (LTI), please refer to the disclosures under note 22 “Other Provisions”.

In June 2013, the Annual General Meeting adopted a resolution to implement a stock option programme (Stock Option Programme 2013; SOP 2013), which is described under note 18 “Stock Option Programme”. Under the SOP 2013, up to 1,200,000 stock option rights can be issued to members of the Management Board of TOM TAILOR Holding AG. 300,000 stock option rights were issued to members of the Management Board in financial year 2016. Due to the departure of two members of the Management Board, the 100,000 stock options granted in financial year 2013 and the 150,000 stock options granted in financial year 2015 expired without them receiving compensation in 2016.

In May 2017 the Annual General Meeting voted to introduce a new stock option programme (Stock Option Programme 2017; SOP 2017), which is outlined in note 18, “Stock Option Programme”. Under the SOP, up to 190,000 stock options can be issued to members of the Management Board of TOM TAILOR Holding AG. In the 2017 financial year, 150,000 stock options were granted to the Management Board members. The measurement of the stock option rights issued to Management Board members led to a ratable expense of EUR 73 thousand for 2017 (2016: EUR 32 thousand).

The following table shows the governing body remuneration recognised in profit or loss:

Governing Body Remuneration

in EUR thousand	2017	2016
Salaries and short-term benefits	3,659	3,476
Severance payments	–	3,043
Other long-term incentives (LTI)	116	45
Long-term share-based remuneration (MSP)	–	–321
Stock Option Programme (SOP)	73	32
Management equity participation programme	–	131
	3,848	**6,406**

In the event of termination of an employment contract by the Company without cause, all members of the Management Board are entitled to severance pay. Benefits in the maximum amount of two times the minimum annual salary were granted in case the director's contract is terminated prematurely.

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 SOP, the LTI programme and the management equity participation programme totalling EUR 73 thousand (2016: EUR 208 thousand). These benefits will fall due for payment in 2018 and 2019 at the earliest. Details of the remuneration of the individual Management Board members in accordance with section 314 (1) no. 6a, sentences 5 to 8 of the Handelsgesetzbuch (HGB – German Commercial Code) are presented in the remuneration report in the combined Management Report.

Related Party Disclosures (Persons)

In accordance with IAS 19, a provision of EUR 613 thousand was recognised for pension obligations to former members of the management and their surviving dependants (2016: EUR 583 thousand).

There is an employment contract between TOM TAILOR Holding AG and Mr Oliver Schröder, the son of Uwe Schröder, who resigned from the Management Board during the reporting period. Mr Oliver Schröder has been employed by the TOM TAILOR GROUP since 1998.

Shareholdings of Members of the Management Board

The Chairman of the Management Board, Dr Heiko Schäfer, directly held 53,000 shares of the Company as at 31 December 2017. As at said date, Thomas Dressendörfer (Chief Financial Officer) directly held 25,000 shares of the Company.

b) Supervisory Board

At the Company's Annual General Meeting on 31 May 2017, an amendment of section 9 (2) sentences 1 and 2 of the Articles of Association of TOM TAILOR Holding SE was agreed in accordance with section 9 (2) of the agreement dated 6 July 2016, on the involvement of employees in the Company in accordance with section 21 of the SE-Beteiligungsgesetz, or Act on Employee Involvement in an SE, ("Employee Participation Agreement") and supplement dated 19 May 2017, that stipulates that the Supervisory Board of TOM TAILOR Holding SE consists of ten members appointed by the Annual General Meeting. Of the ten members, five members are appointed upon recommendation of the employees, with the Annual General Meeting bound by these proposals.

The Supervisory Board was / is composed of the following shareholder representatives:

Dr Thomas Tochtermann
Management Consultant, Hamburg / Germany
(Chairman, since 31 May 2017)
Mr Andreas Karpenstein
Lawyer, Düsseldorf / Germany
Ms Yun (Joann) Cheng
Executive President and Chief Financial Officer of the China Momentum Fund, Shanghai / China
Dr Junyang (Jenny) Shao
Executive Director of the German unit of the Fosun Group, Frankfurt am Main / Germany (since 13 February 2017)
Mr Otmar Debald
Management Consultant, Frankfurt am Main / Germany
(since 31 May 2017)
Mr Thomas Schlytter-Henrichsen
Businessman, Königstein / Taunus / Germany
(Deputy Chairman, until 31 May 2017)
Mr Jerome Griffith
Businessman, New York / USA (Chairman, until 31 May 2017)

The Supervisory Board was / is composed of the following employee representatives:

Ms Barbara Pfeiffer
Chairman of the Works Council at Tom Tailor GmbH, Hamburg / Germany (Vice Chairwoman, since 31 May 2017)

Ms Stefanie Branahl
Purchaser, Hamminkeln / Germany

Mr Oliver Kerinnes
Purchaser, Hamminkeln / Germany

Ms Kitty Cleijne-Wouters
Assistant in the HR department, Druten / The Netherlands

Mr. Sven Terpe
Import employee, Hamburg / Germany

In accordance with the provisions of the old Articles of Association, the members of the Supervisory Board receive a pro-rated portion (until 31 May 2017) of their fixed annual remuneration of EUR 48 thousand (the Chairman receives EUR 165 thousand and the Deputy Chairman EUR 90 thousand), plus compensation for out-of-pocket expenses (plus VAT, if applicable). This remuneration is payable after the end of the Annual General Meeting that receives or resolves on the approval of the consolidated financial statements for the financial year in question.

The remuneration of Supervisory Board members stipulated in Article 12 (1) of the Articles of Association was reduced at the Annual General Meeting on 31 May 2017. Apart from being reimbursed for their expenses, the members of the Supervisory Board receive remuneration (plus statutory value added tax in case such tax is incurred) for the relevant financial year, which amounts to EUR 25 thousand for each individual member and EUR 100 thousand for the Chairman of the Supervisory Board. Members of Supervisory Board committees receive additional remuneration for the relevant financial year for each membership in a committee, which amounts to EUR 20 thousand for each individual member and EUR 30 thousand for the Chairman of the committee.

Other Appointments of the Members of the Supervisory Board

Members of TOM TAILOR Holding SE's Supervisory Board are also members of a governing body of the following companies:

Dr Thomas Tochtermann (Chairman of the Supervisory Board)
- Chairman of the Supervisory Board of Vapiano SE, Bonn
- Member of the Supervisory Board of Dansk Supermarked Group, Braband / Denmark
- Member of the Advisory Board of Jahr Holding GmbH & Co. KG, Hamburg

Otmar Debald
- Member of the Advisory Board of POS Pulse / 24 insights GmbH, Berlin
- Managing Director of PP Picture Partners GmbH, Frankfurt am Main / Germany

Andreas Karpenstein
- Partner and Managing Director of Deloitte Legal Rechtsanwaltsgesellschaft mbH, Düsseldorf / Germany
- Member of the Supervisory Board (Deputy Chairman) of Trusted Advice AG, Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Düsseldorf / Germany

Yun (Joann) Cheng
- Deputy Chief Financial Officer of the Fosun Group, Shanghai / China
- Executive President of the Fosun Fashion Group, Shanghai / China

Dr Junyang (Jenny) Shao
- Managing Director Koller Beteiligungs-GmbH, Dietfurt

DISCLOSURES ON SHAREHOLDINGS IN TOM TAILOR HOLDING SE

Disclosures on Shareholdings in TOM TAILOR Holding SE

Notifying party	Date on which the shareholding exceeded or fell below the threshold(s)	Reportable threshold	Attribution	Attribution acc. to WpHG [1]	Interest in %	Interest in voting rights
FCM Beteiligungs GmbH, Hamburg / Germany	8 August 2014	Exceeded 3%, 5%, 10%, 15%, 20%	direct / indirect		23.16	6,028,050
			indirect	section 22 (2) WpHG [2]	15.51	4,036,681
Fidelidade-Companhia de Seguros, S.A., Lisbon / Portugal	8 August 2014	Exceeded 3%, 5%, 10%, 15%, 20%	direct / indirect		23.16	6,028,050
			indirect	section 22 (1), sentence 1, no. 1 WpHG [3] and section 22 (2) WpHG [4]	7.65	1,991,369
Longrun Portugal, SGPS, S.A., Lisbon / Portugal	8 August 2014	Exceeded 3%, 5%, 10%, 15%, 20%	indirect	section 22 (1), sentence 1, no. 1 WpHG [5] and section 22 (2) WpHG [6]	23.16	6,028,050
Millennium Gain Limited, Hong Kong / China	8 August 2014	Exceeded 3%, 5%, 10%, 15%, 20%	indirect	section 22 (1), sentence 1, no. 1 WpHG [7] and section 22 (2) WpHG [8]	23.16	6,028,050
Fosun Financial Holdings Limited, Hong Kong / China	8 August 2014	Exceeded 3%, 5%, 10%, 15%, 20%	indirect	section 22 (1), sentence 1, no. 1 WpHG [9] and section 22 (2) WpHG [10]	23.16	6,028,050
Fosun International Limited, Hong Kong / China	8 August 2014	Exceeded 3%, 5%, 10%, 15%, 20%	indirect	section 22 (1), sentence 1, no. 1 WpHG [11] and section 22 (2) WpHG [12]	23.16	6,028,050
Fosun Holdings Limited, Hong Kong / China	8 August 2014	Exceeded 3%, 5%, 10%, 15%, 20%	indirect	section 22 (1), sentence 1, no. 1 WpHG [13] and section 22 (2) WpHG [14]	23.16	6,028,050
Fosun International Holdings Ltd., Road Town, Tortola / British Virgin Islands	8 August 2014	Exceeded 3%, 5%, 10%, 15%, 20%	indirect	section 22 (1), sentence 1, no. 1 WpHG [15] and section 22 (2) WpHG [16]	23.16	6,028,050

1 section 22 (2) WpHG old version corresponds to section 34 (1), sentence 1, no. 1 WpHG new version

2 Held through the following shareholder (share of voting rights > 3%): Companhia de Seguros, S.A.

3 Held through the following shareholder (share of voting rights > 3%): FCM Beteiligungs GmbH

4 Held through the following shareholder (share of voting rights > 3%): FCM Beteiligungs GmbH

5 Held through the following shareholder (share of voting rights > 3%): Fidelidade-Companhia de Seguros, S.A; FCM Beteiligungs GmbH

6 Held through the following shareholder (share of voting rights > 3%): Fidelidade-Companhia de Seguros, S.A; FCM Beteiligungs GmbH

7 Held through the following shareholder (share of voting rights > 3%): Longrun Portugal, SGPS, S.A.; Fidelidade-Companhia de Seguros, S.A; FCM Beteiligungs GmbH

8 Held through the following shareholder (share of voting rights > 3%): Fidelidade-Companhia de Seguros, S.A; FCM Beteiligungs GmbH

9 Held through the following shareholder (share of voting rights > 3%): Millennium Gain Limited; Longrun Portugal, SGPS, S.A.; Fidelidade-Companhia de Seguros, S.A; FCM Beteiligungs GmbH

10 Held through the following shareholder (share of voting rights > 3%): Fidelidade-Companhia de Seguros, S.A; FCM Beteiligungs GmbH

11 Held through the following shareholder (share of voting rights > 3%): Fosun Financial Holdings Limited; Millennium Gain Limited; Longrun Portugal, SGPS, S.A.; Fidelidade-Companhia de Seguros, S.A; FCM Beteiligungs GmbH

12 Held through the following shareholder (share of voting rights > 3%): Fidelidade-Companhia de Seguros, S.A; FCM Beteiligungs GmbH

13 Held through the following shareholder (share of voting rights > 3%): Fosun International Limited; Fosun Financial Holdings Limited; Millennium Gain Limited; Longrun Portugal, SGPS, S.A.; Fidelidade-Companhia de Seguros, S.A; FCM Beteiligungs GmbH

14 Held through the following shareholder (share of voting rights > 3%): Fidelidade-Companhia de Seguros, S.A; FCM Beteiligungs GmbH

15 Held through the following shareholder (share of voting rights > 3%): Fosun Holdings Limited; Fosun International Limited; Fosun Financial Holdings Limited; Millennium Gain Limited; Longrun Portugal, SGPS, S.A.; Fidelidade-Companhia de Seguros, S.A; FCM Beteiligungs GmbH

16 Held through the following shareholder (share of voting rights > 3%): Fidelidade-Companhia de Seguros, S.A; FCM Beteiligungs GmbH

Disclosures on Shareholdings in TOM TAILOR Holding SE

Notifying party	Date on which the shareholding exceeded or fell below the threshold(s)	Reportable threshold	Attribution	Attribution acc. to WpHG [1]	Interest in %	Interest in voting rights
Farringdon Netherlands BV, Amsterdam / The Netherlands	29 September 2015	Exceeded 5%	indirect	section 22 (1), sentence 1, no. 6 WpHG [17]	5.33	1,387,704
CASO Asset Management S.A., Senningerberg / Luxembourg	20 November 2015	Exceeded 5%	indirect	section 22 (1), sentence 1, no. 6 WpHG [18]	7.08	1,841,425
Mr Guo Guangchang; People's Republic of China	30 December 2015	Exceeded 25%	indirect	section 25 (1), no. 2 WpHG [19]	29.47	7,669,271
Mr Guo Guangchang; People's Republic of China	4 Februay 2016	Exceeded 25%	indirect	section 22 (1), sentence 1, no. 1 WpHG in conjunction with section 22 (2) and section 25 (1) no. 2 WpHG [20]	29.47	7,669,271
Internationale Kapitalanlage-gesellschaft mbH, Düsseldorf / Germany	22 June 2016	Exceeded 5%	indirect	section 21 (1), sentence 1 WpHG	5.02	1,307,500
Mr Rudolf Bohli, Switzerland	13 December 2016	Exceeded 3%	indirect	section 22 (1), sentence 1, no. 6 WpHG	3.13	895,500
Farringdon I Luxembourg / Luxembourg	23 February 2017	Fell below 5%	direct		4.79	1,372,759
Carne Global Fund Managers S.A., Luxembourg / Luxembourg	23 February 2017	Fell below 5%	indirect	section 22 (1), sentence 1, no. 6 WpHG [21]	4.79	1,372,759
Mr Bram Cornelisse, the Netherlands	3 March 2017	Fell below 5%	indirect	section 21 (1), sentence 1 WpHG [22]	4.99	1,427,782

17 Attributed through the following shareholder (share of voting rights > 3%): Farringdon I – SICAV

18 Attributed through the following shareholder (share of voting rights > 3%): Farringdon I – SICAV

19 Attributed through the following shareholder (share of voting rights > 3%): Fidelidade-Companhia de Seguros, S.A.; FCM Beteilungs GmbH

20 Attributed through the following shareholder (share of voting rights > 3%): Fosun International Limited; Fidelidade-Companhia de Seguros, S.A; FCM Beteiligungs GmbH

21 Attributed through the following shareholder (share of voting rights > 3%): Farringdon I – SICAV

22 Attributed through the following shareholder (share of voting rights > 3%): Farringdon I – SICAV

Disclosures on Shareholdings in TOM TAILOR Holding SE

Notifying party	Date on which the shareholding exceeded or fell below the threshold(s)	Reportable threshold	Attribution	Attribution acc. to WpHG [1]	Interest in %	Interest in voting rights
Carne Global Fund Managers S.A., Luxembourg / Luxembourg	10 March 2017	Fell below 3%	indirect	section 22 (1), sentence 1, no. 6 WpHG [23]	2.88	825,962
Farringdon I – SICAV	10 March 2017	Fell below 3%	direct	section 21 (1), sentence 1 WpHG	2.88	825,962
Internationale Kapitalanlage-gesellschaft mbH, Düsseldorf / Germany	20 March 2017	Fell below 5%	indirect	section 21 (1), sentence 1 WpHG	4.90	1,401,728
Mr Bram Cornelisse, the Netherlands	22 March 2017	Fell below 3%	indirect	section 21 (1), sentence 1 WpHG [24]	2.97	848,944
Internationale Kapitalanlage-gesellschaft mbH, Düsseldorf / Germany	31 March 2017	Fell below 3%	indirect	section 22 (1), sentence 1, no. 6 WpHG	2.62	750,254
Mr Rudolf Bohli, Switzerland	13 April 2017	Fell below 3%	indirect	section 22 WpHG	2.88	823,700
Assenagon S.A., Senningerberg, Luxembourg	27 April 2017	Fell below 3%	indirect	section 22 WpHG	3.04	870,872
Assenagon S.A., Senningerberg, Luxembourg	28 April 2017	Fell below 3%	indirect	section 22 (1), sentence 1, no. 1 WpHG in conjunction with section 22 (2) and section 25 (1) no. 2 WpHG	0.89	256,970
Mr Guo Guangchang; People's Republic of China	20 June 2017	Fell below 25%	indirect	section 22 (1), sentence 1, no. 1 WpHG in conjunction with section 22 (2) and section 25 (1) no. 2 WpHG [25]	29.22	11,248,386
Mr Guo Guangchang; People's Republic of China	26 June 2017	Exceeded 25%	indirect	section 22 (1), sentence 1, no. 1 WpHG in conjunction with section 22 (2) and section 25 (1) no. 2 WpHG [26]	28.89	11,119,995
Dorval Asset Management, Paris, France	3 July 2017	Exceeded 5%	direct		5.026	1,934,775

23 Attributed through the following shareholder (share of voting rights > 3%): Farringdon I – SICAV

24 Attributed through the following shareholder (share of voting rights > 3%): Farringdon I – SICAV

25 Attributed through the following shareholder (share of voting rights > 3%): Fosun International Limited; Fidelidade-Companhia de Seguros, S.A; FCM Beteiligungs GmbH

26 Attributed through the following shareholder (share of voting rights > 3%): Fosun International Limited; Fidelidade-Companhia de Seguros, S.A; FCM Beteiligungs GmbH

DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

The Management Board and Supervisory Board of Holding SE 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 SE's website (http://ir.tom-tailor-group.com) in December 2017.

FEES OF THE AUDITORS (DISCLOSURE IN ACCORDANCE WITH SECTION 314 (1) NO. 9 HGB

The fees recognised as an expense in financial year 2017 amounted to EUR 371 thousand (2016: EUR 371 thousand) for the audit of the financial statements (including expenses), EUR 207 thousand (2016: EUR 28 thousand) for other assurance services, and EUR 23 thousand (2016: EUR 90 thousand) for tax advisory services.

The other assurance services in financial year 2017 mainly concern the preparation of a letter of comfort, the issuance of a certification on the profit forecast as part of the capital increase carried out in financial year 2017, and confirmations in connection with the European Market Infrastructure Regulation (EMIR).

EVENTS AFTER 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 / Germany
- Tom Tailor Retail GmbH, Hamburg / Germany
- TOM TAILOR E-Commerce GmbH, Hamburg / Germany
- BONITA GmbH, Hamminkeln / Germany
- GEWIB GmbH, Hamminkeln / Germany
- BONITA Deutschland Holding Verwaltungs GmbH, Hamminkeln / Germany
- BONITA E-commerce GmbH, Hamburg / Germany
- GEWIB GmbH & Co. KG, Pullach / Germany

plan to make use of the simplification options allowed by section 264 (3) and section 264b HGB regarding the preparation of a management report, as well as the publication of the documentation relating to their annual financial statements. The subsidiaries

- BONITA Deutschland Holding Verwaltungs GmbH, Hamminkeln / Germany
- BONITA E-commerce GmbH, Hamburg / Germany
- GEWIB GmbH & Co. KG, Pullach / Germany
- Tom Tailor GmbH, Hamburg / Germany
- Tom Tailor Retail GmbH, Hamburg / Germany
- TOM TAILOR E-Commerce GmbH, Hamburg / Germany

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 9 March 2018.

Hamburg, 9 March 2018

The Management Board

Dr Heiko Schäfer
Chief Executive Officer (CEO)

Thomas Dressendörfer
Chief Financial Officer (CFO)

Liam Devoy
Chief Operating Officer (COO)

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, which is combined with the management report of TOM TAILOR Holding SE, 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, 9 March 2018

The Management Board

Dr Heiko Schäfer
(CEO)

Thomas Dressendörfer
(CFO)

Liam Devoy
(COO)

AUDIT REPORT OF THE INDEPENDENT AUDITOR

To TOM TAILOR Holding SE, Hamburg

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

Audit opinions

We have audited the consolidated financial statements of TOM TAILOR Holding SE, Hamburg, (previously TOM TAILOR Holding AG, Hamburg) and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2017, the consolidated income statement and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January to 31 December 2017, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In addition, we have audited the Management Report of TOM TAILOR Holding SE, Hamburg, for the financial year from 1 January 2017 to 31 December 2017, which has been combined with the Group Management Report (subsequently referred to as the Combined Management Report). In accordance with the German legal requirements, we have not audited the content of the separate non-financial report of the Group (subsequently referred to as the "Separate non-financial report"), which has been published on the internet page of the Company and to which the Section "Separate non-financial report" of the Combined Management Report refers, and the content of the corporate governance declaration in accordance with § 289f and § 315d HGB, published on the internet page of the Company and to which the Section "Corporate governance declaration" in the Combined Management Report refers.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315e (1) HGB and in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2017, and of its financial position for the financial year from 1 January to 31 December 2017, and
- the accompanying Combined Management Report for the 2017 financial years as a whole provides an appropriate view of the Group's position. In all material respects, this Combined Management Report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the Combined Management Report does not extend to cover the contents of the separate non-financial report, published on the internet page of the Company and to which the Combined Management Report refers in the Section "Separate non-financial report", and also not to the corporate governance declaration in accordance with § 289f and § 315d HGB, published on the internet page of the Company, and to which the Combined Management Report refers in the Section "Corporate governance declaration".

Pursuant to § 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the Combined Management Report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the Combined Management Report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements.

In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the Combined Management Report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, we do not provide a separate audit opinion on these matters.

Hereinafter we present the key audit matters from our perspective:

1) Recoverability of intangible assets
2) Measurement of inventories
3) Depiction of planned store closures in the consolidated financial statements

Re 1) Recoverability of intangible assets

a) The risk for the financial statements

There are "Intangible Assets" of EUR 321.3 million recognised in the consolidated financial statements of TOM TAILOR Holding SE, Hamburg, as at 31 December 2017. Of this amount, EUR 246.7 million relate to brands, of which the BONITA brand represents the highest single value (EUR 184.5 million). The Company performed an impairment test on the BONITA brand as of 30 November 2017. This consists of a comparison of the carrying amount of the brand with the recoverable amount.

The calculation of the recoverable amount is based on a valuation model in accordance with the discounted cash flow method, which is based on the three-year operating plan prepared by the Management Board and approved by the Supervisory Board and which is rolled forward with a constant annual growth rate of 1% per annum.

The weighted average cost of capital (WACC) used to discount the cash flows was determined using market data from a peer group.

The Company's information on the BONITA brand and its recoverability are included in Text Nos. "B" and "D.10" in the notes to the consolidated financial statements and in the chapter "Net assets" in the Combined Management Report.

The risk for the consolidated financial statements is that the brands, and in particular on account of its significance, the BONITA brand, are not appropriately measures. As the result of the brand valuation depends greatly on the assessment of the future net cash flows by the Company's legal representatives and on the discount rate used, and is therefore subject to considerable uncertainty, the risk of significant mistakes in the impairment test for the BONITA brand is in our opinion therefore of particular significance for our audit.

b) Audit approach and conclusions

As part of our audit, we have inter alia assessed the methodical approach to the impairment test. We convinced ourselves of the reasonableness of the future net cash flows used in the valuation inter alia by comparing the amounts with the current budget included in the three-year plan prepared by the Company's legal representatives and approved by the Supervisory Board and by making a comparison with general and industry-specific market expectations. We also assessed the accuracy of the past business plans. In the knowledge that even very small changes in the discount rate used can have a significant impact on the amount of the thus determined capitalised earnings value, we have checked as far as possible the parameters used in determining the discount rate and reperformed the calculation. In addition, we critically assessed the sensitivity analysis prepared by the Company.

The valuation parameters and assumptions used by the Company's legal representatives are as a whole transparent.

Re 2) Measurement of inventories

a) The risk for the financial statements

There are inventories of EUR 138.5 million recognised in the consolidated financial statements of TOM TAILOR Holding SE, Hamburg, as at 31 December 2017. They relate mainly to goods for resale. The year-end inventory measurement is not performed automatically by the computer system but is performed manually based on data extracted from the ERP system. Inventories are measures at historical cost at the time of purchase. The measurement subsequent to the initial purchase is performed pro segment depending on the available distribution channels. In the “Wholesale” and “Retail” segments, inventories are devalued at subsequent balance sheet dates based on a valuation matrix which refers to the inventory aging. In the “Retail” segment further impairments are recognised based on the number of days' sales in inventory. The “BONITA” segment calculated potential write-downs depending on individually planned sales quantities and sales prices per collection. Further specific deductions are recognised if, because of exceptional effects, the aforementioned valuation methods do not result in an appropriate consideration of impairments.

The Company's information on the inventory measurement is included in Text Nos. “B”, “D.14” and “C.3” and “E” in the notes to the consolidated financial statements and in the Combined Management Report in the chapters “Results of operations” and “Net assets”.

As a result of the manual measurement as of the balance sheet date, there is the risk that inventory measurement contains material misstatements for the consolidated financial statements. Consequently, this matter was from our perspective of particular significance for our audit.

b) Audit approach and conclusions

In the course of our audit, we convinced ourselves that the historical costs had been appropriately determined, taking historical cost reductions into account.

Further, as part of the audit of a measurement following the initial purchase, we subjected the complete inventory data for the “Wholesale” segment to an audit analysis and checked whether the inventory measurement undertaken had been transparently performed.

As part of our audit of the “Retail” inventories, we checked whether the days' sales in inventory had been appropriately determined. In so doing, we convinced ourselves of the arithmetic accuracy of the process and checked whether the impairments made had been appropriately derived from average past inventory disposals.

As part of our audit of the inventories in the “BONITA” segment, we checked the reasonableness of the measurement undertaken using current sales statistics and transparently documented sales expectations.

We also checked whether the exceptional write-downs made by the Company in excess of those derived from the aforementioned devaluation routines, are founded and whether their level is acceptable based on the information available as of the balance sheet date.

The measurement system used by the Company's legal representatives, including the assumptions and judgemental decisions made, is in our opinion suited to enable an appropriate inventory measurement.

Re 3) Depiction of planned store closures in the consolidated financial statements

a) The risk for the financial statements

As of 31 December 2017, the TOM TAILOR Group operated 1,267 retail stores und has store furnishings in its balance sheet of EUR 54 million. In addition, corporate assets of EUR 28.5 million have been allocated to the stores pro rata, which are also included in the consolidated balance sheet line item “Property, plant and equipment”. These assets are measures at historical cost less depreciation and impairment

As part of the RESET programme initiated in 2016, the Company has in the meantime closed more than 150 branches and plans to close more than another 100 further loss-making stores in the coming years.

Regarding these stores, the impairment test performed on store furnishings in the financial year 2016 was updated in 2017 under consideration of the current business plan.

An impairment exists, if the carrying amount of the store furnishings per store and the corporate assets allocated to the store for purpose of the impairment test exceeds the recoverable amount. The impairment test performed by the Company was performed at the level of the individual store, as they have been identified by Management as the smallest cash generating units. The three-year operating plan of the TOM TAILOR Group, prepared on store level by the Company's legal representatives and approved by the Supervisory Board, has been used as a basis for the impairment test. The weighted average cost of capital (WACC) used to discount the future cash flows was determined using market data from a peer group.

In the cases where the expected discounted negative cash flow at the time of the expected store closure exceeds the carrying amount of the property, plant and equipment of the individual store, the Company makes a provision for onerous contracts in the amount of the excess. As of 31 December 2017, the balance sheet line item "Other provisions" includes provisions for onerous contracts of EUR 13.4 million. These provisions were determined on the basis of the unavoidable costs to fulfil each individual contract discounted with the market interest rate for the average remaining term of the contract.

The Company's information on the depiction of the planned store closures is included in Text Nos. "C.5.", "C.6", "D.11" and "D.22" in the notes to the consolidated financial statements and in the Combined Management Report in the chapters "Results of operations" and "Net assets".

The calculation of the necessary impairments at store level and of the provisions for onerous contracts is complex and highly dependent on the assessment of the legal representatives regarding future cash flows and is therefore subject to considerable uncertainty. With this background, the appropriate depiction of the planned store closures in the consolidated financial statements is in our view of particular significance for the consolidated financial statements.

b) Audit approach and conclusions

In the course of our audit, we assessed inter alia the methodical approach in the performance of the impairment test at store level and in the calculation of the provisions for onerous contracts. We convinced ourselves of the reasonableness of the cash flows underlying the valuation inter alia by comparing these data with the budgets at store level taken from the thee-year plan prepared by the legal representatives of the Company and approved by the Supervisory Board. In so doing, we assessed the reasonableness of the individual budget at store level in relation to the historical development. In the knowledge that even very small changes in the discount rate used can have a significant impact on the amount of the thus determined recoverable value and provisions for onerous contracts, we have checked the parameters used in determining the discount rate and reperformed the calculation.

The assumptions and judgemental decisions made by the legal representatives in the assessment of the impairment of store furnishings and the measurement of provisions for onerous contracts are overall balanced and transparent.

Other information

The Management Board is responsible for the other information. The other information comprises:

- the separate non-financial Report published on the Company's internet page, which is referred to in the Combined Management Report in the Section "Separate non-financial report",
- the corporate governance declaration published on the Company's internet page, which is referred to in the Combined Management Report in the Section "Corporate governance declaration", and
- the Responsibility Statement in accordance with § 297 (2) sentence 4 HGB on the consolidated financial statements and die the Responsibility Statement in accordance with § 315(1) sentence 5 HGB on the Combined Management Report, and
- the remaining parts of the Annual Report, with the exception of the audited consolidated financial statements and the Combined Management Report, together with our audit report.

Our audit opinions on the consolidated financial statements and on the Combined Management Report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the Combined Management Report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Management Board and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The Management Board is responsible for the preparation of the consolidated financial statements that comply, in all material respects with IFRSs, as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e(1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group. In addition, the Management Board are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Board is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern.

In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the legal representatives are responsible for the preparation of the Combined Management Report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the Management Board is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a Combined Management Report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the Combined Management Report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's responsibilities for the audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the Combined Management Report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit]opinions on the consolidated financial statements and on the Combined Management Report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this Combined Management Report.

We exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements and of the Combined Management Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- evaluate the appropriateness of accounting policies used by the Management Board and the reasonableness of estimates made by the Management Board and related disclosures.
- conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e(1) HGB.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the Combined Management Report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- evaluate the consistency of the Combined Management Report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- perform audit procedures on the prospective information presented by the Management Board in the Combined Management Report. On the basis of sufficient appropriate audit evidence, we evaluate, in particular, the significant assumptions used by the Management Board as a basis for the prospective information and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting on 31 May 2017. We were engaged by the Supervisory Board on 7 November 2017. We have been the auditor of the TOM TAILOR Holding SE, Hamburg without interruption since the financial year 2010.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Mr. Thomas Wülfing.

Hamburg, 9 March 2018

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Thomas Götze	**Thomas Wülfing**
German Public Auditor	German Public Auditor
(Wirtschaftsprüfer)	(Wirtschaftsprüfer)

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE DECLARATION IN ACCORDANCE WITH SECTION 289F OF THE HANDELSGESETZBUCH (HGB – GERMAN COMMERCIAL CODE)

DECLARATION OF COMPLIANCE IN ACCORDANCE WITH SECTION 161 OF THE AKTIENGESETZ (AKTG – GERMAN STOCK CORPORATION ACT)

The Management Board and the Supervisory Board of TOM TAILOR Holding SE submitted a declaration of compliance in accordance with section 161 AktG in December 2017.

Text of the Declaration by the Management Board and the Supervisory Board of TOM TAILOR Holding SE on the German Corporate Governance Code in Accordance with Section 161 AktG (Declaration of Compliance)
TOM TAILOR Holding SE, Hamburg
ISIN: DE000A0STST2

Since submitting its most recent Declaration of Compliance in December 2016, TOM TAILOR Holding AG has complied with the recommendations of the Government Commission on the German Corporate Governance Code published by the Federal Ministry of Justice in the Federal Gazette, most recently in the version dated 7 February 2017, with the exception of section 4.1.3 sentence 2 and 3 (compliance management system), section 5.3.3 (formation of a nomination committee), section 5.4.1 (2) sentence 1, (4) sentence 1 (profile of skills of the Supervisory Board), and section 5.4.6 (1) sentence 2 (remuneration of Supervisory Board members).

- In April 2017, the Management Board began developing and introducing a specific Group-wide compliance management system within the meaning of section 4.1.3 sentences 2 and 3 of the German Corporate Governance Code (GCGC). This system provides the framework for taking suitable measures aligned with the Company's risk situation to ensure that all statutory provisions and internal corporate guidelines are observed.

- 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 five members (shareholder representatives), 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 the Supervisory Board's assessment, its members possess all of the skills and expertise required for the Supervisory Board's activities to be conducted efficiently. Hence, the Supervisory Board does not consider it necessary at this time to write up a special profile of skills and expertise as stipulated in the GCGC recommendation in section 5.4.1 (2) sentence 1. The candidates proposed by the Supervisory Board to the Annual General Meeting therefore cannot – as stipulated in section 5.4.1 (4) sentence 1 of the GCGC – aim to fill out a special profile of skills and expertise, and the status of implementation is not published in the Corporate Governance Statement as recommended in section 5.4.1 (4) sentence 2 of the GCGC.

- In a departure from the recommendation in section 5.4.6 (1) sentence 2 of the GCGC, the position of deputy chairman is not considered in the remuneration of the Supervisory Board members, since the deputy chairman does not currently fulfil any additional duties that would result in a greater burden on the deputy chairman than on a regular member of the Supervisory Board.

Hamburg, December 2017

This Declaration of Compliance and all previous Declarations of Compliance are published on TOM TAILOR Holding SE's website at http://ir.tom-tailor-group.com.

DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES

RESPONSIBLE CORPORATE GOVERNANCE

TOM TAILOR Holding SE is the management holding company and parent of the TOM TAILOR GROUP. The various TOM TAILOR Holding SE subsidiaries conduct the operating business (the subsidiaries and TOM TAILOR Holding SE are also referred to jointly as “TOM TAILOR” or the “TOM TAILOR GROUP”). TOM TAILOR Holding SE 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 SE is a stock corporation established in accordance with European law. The legal framework for corporate governance is therefore provided by the provisions of Council Regulation (EC) No. 2157/2001 of 8 October 2001 on the Statute for a European company (SE) and by German stock corporation law, particularly the provisions governing the Management Board and the Supervisory Board.

MANAGEMENT BOARD

The Management Board conducts TOM TAILOR Holding SE’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 Management 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 has three 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 Dr Heiko Schäfer (Chief Executive Officer, CEO), Thomas Dressendörfer and Liam Devoy.

The former member of the Management Board Uwe Schröder left the Company effective 29 May 2017 by mutual agreement. Mr Schröder was appointed by the Supervisory Board with effect from 22 September 2016 for the duration of one year in accordance with section 105 (2) of the Aktiengesetz (AktG – German Stock Corporation Act) to deputise for the CEO, Dieter Holzer, who had stepped down. Uwe Schröder assumed responsibility on an interim basis for the Sales and Marketing Board department that Mr Holzer had managed, especially for issues related to products, sales and the collections, but did not take over as CEO.

With effect from 1 August 2017 Liam Devoy was named Management Board member responsible for operations (COO) with a focus on purchasing, logistics and IT.

The members of the Management Board were appointed at different times.

Appointment of Management Board Members

	First Appointment		Current Appointment
Dr Heiko Schäfer Born in 1972 Chief Executive Officer (CEO)	Since 22 September 2016 From 2015 to 2016	Chief Executive Officer of TOM TAILOR Holding SE Member of the Management Board of TOM TAILOR Holding SE	Until 30 November 2018
Thomas Dressendörfer Born in 1958 Chief Financial Officer (CFO)	Since 15 June 2016	Member of the Management Board of TOM TAILOR Holding SE	Until 14 June 2019
Liam Devoy Born in 1962 Chief Operating Officer (COO)	Since 1 August 2017	Member of the Management Board of TOM TAILOR Holding SE	Until 31 Juli 2020

CEO Dr Heiko Schäfer (born 1972) joined the Management Board of TOM TAILOR GROUP as at 1 December 2015. In his function as Chief Operating Officer (COO) at that time, he was responsible for purchasing, logistics and IT, as well as project and process management. The Supervisory Board additionally appointed him the new Chief Executive Officer (CEO) on an interim basis with effect from 22 September 2016. In this position Dr Heiko Schäfer is responsible for strategy, sales, e-commerce and public relations. He was permanently appointed to this position by the Supervisory Board with effect from 15 March 2017. Dr Heiko Schäfer's term on the Management Board runs until 30 November 2018.

Dr Schäfer started his career at the Boston Consulting Group, where he advised clients for more than six years, mainly from the consumer goods and retail sectors, in sales / marketing and operations topics. Prior to that, he built up extensive experience parallel to his academic studies as a consultant in prestigious consulting companies.

Dr Schäfer joined the TOM TAILOR GROUP from the private equity firm Kohlberg Kravis Roberts (KKR) in London. Previously, Dr Heiko Schäfer worked for over six years as a senior executive for the adidas Group, where his last position was Senior Vice President with responsibility for product development, sourcing and logistics for the four lifestyle / fashion labels of the adidas umbrella brand.

Dr Heiko Schäfer studied business administration at the University of Saarbrücken and subsequently earned a doctorate degree at the University of Mannheim with a dissertation on cross-selling.

Thomas Dressendörfer (born in 1958) assumed the position of Chief Financial Officer (CFO) within the TOM TAILOR GROUP with effect from 15 June 2016. In this capacity he is responsible for finance and accounting, controlling, investor relations, human resources and legal affairs. His Management Board's appointment runs until 14 June 2019.

Thomas Dressendörfer has built up extensive experience as the CFO of exchange-traded companies and major corporate divisions and regions. He previously held CFO positions at Swiss implant manufacturer Institut Straumann AG, which is listed on the Swiss SIX stock exchange, and technology firm Uster Technologies AG, also based in Switzerland. During the course of his career he has also held senior finance positions at Randstad, The Nielsen Company and Procter & Gamble. As an independent consultant he recently advised companies on complex business projects and turnarounds.

Since January 2016, Thomas Dressendörfer has also served as an operating partner of WP Management in Bad Homburg. From April 2016 to April 2017, he was also a member of the Supervisory Board of Pax Anlage AG in Basle / Switzerland.

Thomas Dressendörfer has a master's degree in business administration from the University Erlangen-Nuremberg.

Liam Devoy has been a member of the Management Board of TOM TAILOR Holding SE since 1 August 2017. As Chief Operating Officer (COO), he is the Management Board member responsible for operations with a focus on purchasing, logistics and IT.

Liam Devoy has logged more than 20 years of experience in the fashion and sportswear industry. He worked in operations roles for companies including Quicksilver, Marc Jacobs, The Childrens Place and Reebok.

Most recently, Liam Devoy was responsible for the strategic focus of the worldwide supply chain of the adidas Group as Vice President Global Supply Chain Strategy. His responsibilities in earlier roles with adidas and Reebok also included setting up the global warehouse network.

Liam Devoy studied English and Politics at Bridgewater State University.

With the exception of the aforementioned duties, the Management Board members of the Company neither hold currently nor held during the past five years any board of directors, management or supervisory board seats or partnerships on comparable boards in Germany or abroad outside of the TOM TAILOR GROUP.

SUPERVISORY BOARD

The Supervisory Board of TOM TAILOR Holding SE 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 SE 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 and opportunity 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.

According to section 9 (2) sentences 1 and 2 of the Memorandum of Association, the Supervisory Board consists of twelve members appointed by the Annual General Meeting. Of these twelve members, six members must be appointed based on employee nominations. The Annual General Meeting is bound by the proposals for the appointment of employee representatives. In accordance with section 9 (3) of the Memorandum of Association, Uwe Schröder, Thomas Schlytter-Hennrichsen, Andreas Karpenstein, Patrick Lei Zhong, Liqun (Carrie) Liu and Jerome Griffith were appointed members of the first Supervisory Board as shareholder representatives.

At the Company's Annual General Meeting on 31 May 2017, an amendment of section 9 (2) sentences 1 and 2 of the Memorandum of Association of TOM TAILOR Holding SE was agreed in accordance with section 9 (2) of the agreement dated 6 July 2016, on the involvement of employees in the Company in accordance with section 21 of the SE-Beteiligungsgesetz, or Act on Employee Involvement in an SE, ("Employee Participation Agreement") and supplement dated 19 May 2017, that stipulates that the Supervisory Board of TOM TAILOR Holding SE consists of ten members appointed by the Annual General Meeting. Of the ten members, five members are appointed upon recommendation of the employees, with the Annual General Meeting bound by these proposals.

The shareholder representatives appointed as per the Memorandum of Association – Uwe Schröder, Patrick Lei Zhong and Liqun (Carrie) Liu – indicated to the Company prior to entry of the Company in the commercial register in the legal form of an SE on 18 April 2017 – that they would not accept their appointment as Supervisory Board members.

Prior to the Company's reorganisation as an SE, Uwe Schröder had already taken an interim position on the Company's Management Board beginning on 22 September 2016 and ending when he stepped down with effect from 29 May 2017. Liqun (Carrie) Liu and Patrick Lei Zhong had stepped down from their previous positions as Supervisory Board members as at 23 August 2016, and 31 August 2016, respectively. With effect from 21 September, 2016, Hamburg Local Court appointed Yun (Joann) Cheng and Wei Han as members of the Supervisory Board in accordance with section 104 AktG. On 22 November 2016, Wei Han stepped down. Hamburg Local Court then appointed Dr Junyang (Jenny) Shao as a member of the Supervisory Board with effect from 13 February 2017, in accordance with section 104 AktG. The term of office of the two court-appointed Supervisory Board members Ms Yun (Joann) Cheng and Dr Junyang (Jenny) Shao ran until the end of the Annual General Meeting on 31 May 2017.

Furthermore, Thomas Schlytter-Henrichsen and Jerome Griffith stepped down as shareholder representatives to the Supervisory Board effective at the end of the Annual General Meeting on 31 May 2017.

Against this backdrop and in view of the fact that Andreas Karpenstein was the only remaining shareholder representative appointed as per the Memorandum of Association, it was necessary for the Annual General Meeting of the Company on 31 May 2017 to elect four new Supervisory Board members to act as shareholder representatives and an additional five Supervisory Board members to serve as employee representatives.

In this context, Dr Thomas Tochtermann (Chairman of the Supervisory Board), Otmar Debald, Yun (Joann) Cheng and Dr Junyang (Jenny) Shao were elected to the Supervisory Board of the Company as shareholder representatives.

The employee representatives newly appointed to the Supervisory Board were Barbara Pfeiffer (Deputy Chairman of the Supervisory Board), Stefanie Branahl, Kitty Cleijne-Wouters, Sven Terpe and Oliver Kerinnes.

As a general rule, their term of office is for a period of five years. In a departure from this principle, the term of office of Andreas Karpenstein, who had been appointed to the Supervisory Board as a shareholder representative in the Company's Memorandum of Association, runs to the end of the Annual General Meeting responsible for approving the activities for the first fiscal year of the Company, i.e. until the end of the 2018 Annual General Meeting, as per the Memorandum of Association.

Dr Thomas Tochtermann
(Chairman of the Supervisory Board)
Independent management consultant for Hvidehus GmbH, Hamburg

Born in 1960, Dr Thomas Tochtermann has many years of experience in the fashion and lifestyle sector. He looks back on thirty years as a consultant at McKinsey & Company with a focus on branding and the fashion and consumer goods industry. In addition, he has extensive experience in strategy, marketing, organisation and sales. Since June 2014, Dr Tochtermann has worked as an independent consultant and supervisory board member at international consumer goods and fashion companies as well as international institutions.

From 1980 to 1985, he studied business administration at Ludwig Maximilian University in Munich and completed his degree there (Dr. rer. Pol.) in the period from 1988 to 1989.

Barbara Pfeiffer
(Deputy Chairman of the Supervisory Board)
Employee and Chairman of the Works Council at Tom Tailor GmbH, Hamburg, Chairman of the SE Works Council and member of the Executive Committee of the SE Works Council

Barbara Pfeiffer, born 1966, has been employed at TOM TAILOR GmbH in Hamburg, since 2006. She was employed in various purchasing positions at the TOM TAILOR GROUP, most recently as Director Strategic Buying. Since 2014, she has been Chairman of the Works Council of Tom Tailor GmbH in Hamburg and as such has been released from these duties.

Ms Pfeiffer began her career at Levi Strauss Germany in 1993, where her last position was Product Manager. From 1997 to 2006, she worked at Esprit Germany in various sourcing positions.

In the period from 1987 to 1992, Barbara Pfeiffer attended Albstadt-Sigmaringen University and completed her studies with a Dipl. Ing. (University of Applied Sciences) qualification in apparel technology.

Otmar Debald
Independent management consultant, working under his own name and for his own company

Born in 1954, Otmar Debald was employed for 30 years in various positions at consumer goods company Procter & Gamble, most recently as Director of Finance in Germany with additional responsibility for logistics and customer service in Germany, Austria and Switzerland. Since 2013, he has been a Senior Advisor at Corfina AG, additionally acting as that company's shareholder since January 2018.

Otmar Debald studied at the University of Freiburg, where he completed his degree in economics (Diplom-Volkswirt) in 1979.

Andreas Karpenstein
Partner and Managing Director of Deloitte Legal Rechtsanwaltsgesellschaft mbH, Düsseldorf

Andreas Karpenstein (born in 1963) has been Partner and Managing Director at Deloitte Legal Rechtsanwaltsgesellschaft mbH, since 2002. His career as a lawyer began in 1995 at Andersen Luther Rechtsanwaltsgesellschaft mbH.

Andreas Karpenstein studied law at the Universities of Würzburg and Göttingen and was subsequently a lecturer in business and labour law at various universities.

Yun (Joann) Cheng
Executive President and Chief Financial Officer of the China Momentum Fund, Shanghai / China

Yun (Joann) Cheng (born in 1976) has acted as Chief Financial Officer of the China Momentum Fund since 2016 and, since 2017, also as its Executive President. Yun (Joann) Cheng has many years of experience in the financial sector. Between 2011 and 2015 she worked as Chief Financial Officer at various companies, namely DJI Innovation and the Allyes Group, prior to which she was a senior manager in the Auditing department at KPMG, among other things.

Yun (Joann) Cheng studied economics at Shanghai University of Finance & Economics from 1994 to 1998 before going on to do an Executive Master of Business Administration (EMBA) at the China Europe International Business School between 2011 and 2013.

Dr Junyang (Jenny) Shao
Executive Director of the German unit of the Fosun Group, Frankfurt am Main

Born in 1981, Dr Junyang (Jenny) Shao has held the position of Executive Director at the German unit of the Fosun Group in Frankfurt / Main since 2016. She has many years of experience working at various management consulting firms. From 2012 to 2016, she was a Director at Acxit Capital Partners in Frankfurt / Main and prior to that a Senior Consultant at PwC in Düsseldorf from 2011 to 2012.

Dr Junyang (Jenny) Shao studied business administration at Georg August University in Göttingen from 2001 to 2005. From 2006 to 2009, she subsequently completed post-graduate studies at the Supply Management Institute of EBS University of Business and Law in Wiesbaden, ultimately receiving the academic title of Ph. D. (Doctor of Philosophy).

Sven Terpe
Employee of Tom Tailor GmbH, Hamburg, in the Import department, Deputy Chairman of the SE Works Council and member of the Executive Committee of the SE Works Council

Born in 1980, Sven Terpe has worked in the Import department at Tom Tailor GmbH as an Import Specialist since 2005.

He began his career at Kube & Kubenz in 1999, where he completed vocational training as a forwarding agent in 2001. In the period from 2002 to 2004, he was employed at Nord-Süd-Transporte (NST).

Oliver Kerinnes
Employee of BONITA GmbH, Hamminkeln, in the position of Senior Specialist Buying, member of the Bonita GmbH Works Council and of the Executive Committee of the SE Works Council

Born in 1969, Oliver Kerinnes has been a Senior Specialist Buying at the TOM TAILOR GROUP since 2013. He has many years of experience in the procurement sector. Among other positions, he was previously a buyer at BONITA GmbH & Co KG, HOLTEX Edith Pohl e. K., EDUSCHO Versand GmbH & Co. KG, Annabell's GmbH and Lloyd Textil Handelsgesellschaft mbH.

From 1987 to 1989, Oliver Kerinnes completed an apprenticeship as a wholesale and export merchant at Ospig Textil-Gesellschaft W. Ahlers GmbH & Co.

Stefanie Branahl
Employee of BONITA GmbH, Hamminkeln, in the position of Buyer, member of the Bonita GmbH Works Council and of the SE Works Council

Stefanie Branahl, born 1968, joined BONITA GmbH as a Buyer in January 2009.

From 1988 to 1991, she completed an apprenticeship as an industrial clerk at Klaus Steilmann GmbH & Co. KG.

Kitty Cleijne-Wouters
Employee of BONITA GmbH, Hamminkeln, in the position of Assistant Senior Manager Retail

Born in 1961, Kitty Cleijne-Wouters has been an employee of BONITA GmbH in the position of Assistant Senior Manager Retail since 2016. Her primary responsibility in this position is supporting the Human Resources department with regard to the BONITA GmbH stores in the Netherlands. Previously, she worked at BONITA GmbH for ten years as Area Manager and in the period prior to that as a store manager at various Netherlands-based companies, including fashion retailer Ter Horst van Geel and electronics wholesaler E.T.G. Zeddam B.V.

In the period from 1985 to 1999, she completed training in various fields such as computer science, bookkeeping and business and tax law.

Other Appointments of the Members of the Supervisory Board (as at 31/12/2017):

Dr Thomas Tochtermann
- Chairman of the Supervisory Board of Vapiano SE, Bonn
- Member of the Supervisory Board of Dansk Supermarked Group, Braband, Denmark
- Member of the Advisory Board of Jahr Holding GmbH & Co. KG, Hamburg

Otmar Debald
- Member of the Advisory Board of POS Pulse / 24 Insights GmbH, Berlin
- Managing Director of PP Picture Partners GmbH, Frankfurt am Main / Germany

Andreas Karpenstein
- Member of the Supervisory Board (Deputy Chairman) of Trusted Advice AG, Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Düsseldorf / Germany

Yun (Joann) Cheng
- Deputy Chief Financial Officer of the Fosun Group, Shanghai / China
- Executive President of the Fosun Fashion Group, Shanghai / China

Dr Junyang (Jenny) Shao
- Managing Director Koller Beteiligungs-GmbH, Dietfurt

None of the employee representatives on the Supervisory Board are members of any other statutory supervisory boards and do not hold positions in comparable domestic or foreign corporate governing bodies.

Composition of the Supervisory Board

In December 2017 the Supervisory Board updated the objectives for its composition in accordance with section 5.4.1 (2) of the German Corporate Governance Code. 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 SE 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).

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 this connection, the Supervisory Board is aiming in particular for an appropriate degree of female representation in compliance with the provisions of the German Act on the Equal Participation of Women and Men in Executive Positions in the Private and the Public Sector. A diversity plan with more extensive provisions regarding the composition of the governing and supervisory bodies of the Company is not currently being pursued. The goals aligned with the recommendations of the German Corporate Government Code for the composition of the Supervisory Board stipulate sufficiently specific requirements to ensure diverse Board membership overall. Individuals selected to fill a specific Management Board positions are chosen by the Supervisory Board in line with the Company's interests and taking into account all of the circumstances of the particular situation.

According to section 17 para. 2 of the SE Implementation Act, the Supervisory Board of a stock exchange-listed company with a Supervisory Board with an equal number of shareholder and employee representatives must comprise at least 30% women and at least 30% men.

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.

As at 31 December 2017 the Management Board of TOM TAILOR Holding SE did not have any female members. The Supervisory Board did not specify a minimum quota for the representation of women on the Management Board of TOM TAILOR Holding SE. The share of female executives on the two management levels below the Management Board of the TOM TAILOR GROUP as at 31 December 2017 was 48%. This share should not fall below 30%.

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 as amended on 7 February 2017 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.

In accordance with section 5.4.2 of the German Corporate Governance Code, the Supervisory Board discloses that Ms Yun (Joann) Cheng and Ms. Junyang (Jenny) Shao hold executive positions at companies of the FOSUN Group. FOSUN International Holdings Ltd., a company of the FOSUN Group, is a shareholder holding a material indirect interest in the Company. The Supervisory Board is of the opinion that the persons proposed for election otherwise have no personal or professional relationships with the Company or Group member companies, the bodies of the Company or a shareholder holding a material interest in the Company which would have to be disclosed pursuant to section 5.4.2 of the German Corporate Governance Code.

In the Supervisory Board's opinion, there are no personal or business relationships between the employee representatives and the Company, the Company's governing bodies or a shareholder holding a material interest in the Company, the disclosure of which is recommended by section 5.4.2 of the German Corporate Governance Code.

The Supervisory Board currently considers eight of its members to be independent within the meaning of the German Corporate Governance Code, including three shareholder representatives (Dr Thomas Tochtermann, Otmar Debald and Andreas Karpenstein) und five employee representatives (Barbara Pfeiffer, Stefanie Branahl, Kitty Cleijne-Wouters, Sven Terpe and Oliver Kerinnes).

Implementation of the Objectives

The Company's interests must always be given preference when implementing all of the objectives mentioned. The Supervisory Board considers all of the above-mentioned objectives to be met at this time.

The Supervisory Board has five female members – Barbara Pfeiffer, Stefanie Branahl, Kitty Cleijne-Wouters, Yun (Joann) Cheng and Dr Junyang (Jenny) Shao – and five male members – Dr Thomas Tochtermann, Otmar Debald, Andreas Karpenstein, Oliver Kerinnes and Sven Terpe. This means that the statutory quota of 30% each has been met.

The members of the Supervisory Board also include finance experts (Otmar Debald and Yun (Joann) Cheng), a representative of the legal profession (Andreas Karpenstein) and a representative with professional expertise in relation to the fashion industry (Dr Thomas Tochtermann).

The major shareholder Fosun International Ltd. is committed to the long-term strategy of the Company, and its interests are represented by Supervisory Board members Yun (Joann) Cheng, Executive Vice President and Chief Financial Officer of China Momentum Fund, Deputy Chief Financial Officer of the Fosun Group and Executive President of the Fosun Fashion Group, and Dr Junyang (Jenny) Shao, Executive Director of the German unit of the Fosun Group in Frankfurt / Main.

MANAGEMENT BOARD AND SUPERVISORY BOARD COMMITTEES

The Management Board has not currently established any committees.

The Supervisory Board has established an Executive Committee, an Audit and Finance Committee and a Personnel Committee to efficiently perform its tasks.

The Executive Committee is responsible for preparing the Supervisory Board meetings and coordinating the work of the Supervisory Board, as well as consulting on the strategy, direction and further development of the Company and issues of strategic importance for the Company. In particular, it handles fundamental issues of Group strategy, including the business policies and focus of the Group. The Executive Committee lays the groundwork for corporate governance-related decisions by the Supervisory Board and, in the place of the Supervisory Board, resolves amendments to the annual Declaration of Compliance to address changes in circumstances. It also checks compliance with the Declaration of Compliance.

Members: Dr Thomas Tochtermann (Chairman of the Executive Committee), Andreas Karpenstein and Barbara Pfeiffer.

The Audit and Finance Committee is tasked with monitoring the Company's accounting and financial reporting and the accounting process, the effectiveness of the internal control system, internal risk management system and internal audit system, as well as compliance and the financial statements audit. To this end, it may exercise the inspection and audit duties to which the Supervisory Board is entitled in accordance with section 111 (2) AktG. The Audit and Finance Committee also issues a recommendation to the Supervisory Board for its proposal to the Annual General Meeting on the election of the auditors. In the place of the Supervisory Board, it adopts a resolution on the agreement with the auditors (especially the audit engagement, determination of the areas of emphasis for the audit and the fee agreement). It takes suitable measures to determine and monitor the independence of the auditors. Prior to publication, the Audit and Finance Committee and the Management Board discuss the quarterly and half-yearly reports and other interim reports, if these are prepared for specific reasons. The Audit and Finance Committee additionally prepares the meetings and decisions of the Supervisory Board relating to the annual budget and three-year planning of the TOM TAILOR GROUP.

Members: Otmar Debald (Chairman of the Audit and Finance Committee), Yun (Joann) Cheng and Kitty Cleijne-Wouters.

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.

The Personnel Committee prepares the decisions of the Supervisory Board on appointment of Management Board members, the election of the Management Board chairman and determination of the remuneration structure of the Management Board as well as the remuneration, including target agreements, of the individual Management Board members. The Supervisory Board by-laws confer on this Committee the authority to pass resolutions on the following issues:

– signing, amending and terminating employment contracts with the members of the Management Board with the exception of the decisions which are the domain of the Supervisory Board pursuant to section 87 (1) and (2) sentence 1 and sentence 2 AktG (prepared by the Personnel Committee);
– other legal transactions with respect to Management Board members or their affiliated companies (sections 15 et seq. AktG) or their related parties as defined in section 15 of the Abgabenordnung (AO – German Fiscal Code);
– extending loans to the persons named in sections 89, 115 AktG;
– approving other activities of Management Board members as per section 88 AktG;
– approving contracts with Supervisory Board members in accordance with section 114 AktG.

Members: Dr Thomas Tochtermann (Chairman of the Personnel Committee), Dr Junyang (Jenny) Shao and Sven Terpe.

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.

We refer to the detailed presentation in the management report on pages 49ff.

SHAREHOLDINGS

SHAREHOLDINGS OF THE MEMBERS OF THE MANAGEMENT BOARD

Dr Heiko Schäfer (CEO) directly held 53,000 shares of the Company as at 31 December 2017, corresponding to 0.138% of the Company's shares. Thomas Dressendörfer (CFO) directly held 25,000 shares of the Company as at 31 December 2017, corresponding to 0.065% of the Company's shares.

SHAREHOLDINGS OF THE MEMBERS OF THE SUPERVISORY BOARD

One member of the Supervisory Board, Barbara Pfeiffer (Deputy Chairman) directly held one share of the Company as at 31 December 2017, corresponding to 0.00% of the Company's shares.

DIRECTORS' DEALINGS

In accordance with section 19 of the Market Abuse Regulation (MAR), the members of the Management Board and the Supervisory Board of TOM TAILOR Holding SE 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 until the end of a calendar year. Further details as well as the individual transactions disclosed can be found at http://ir.tom-tailor-group.com.

SHAREHOLDERS

TOM TAILOR Holding SE received voting right notifications in accordance with section 33 (1) of the WpHG from institutional investors in Germany, Portugal, France, Luxembourg and Switzerland, 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 2017, 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 and the Chairman of the Finance and Audit Committee, 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.

The Supervisory Board's work in the year under review focused on the CORE and RESET cost-cutting and efficiency programmes, the new composition of the Management Board of TOM TAILOR Holding SE and the reorientation of the Company with the aim of reducing complexity and decreasing the Group's debt.

The Supervisory Board also focused on preparing the non-financial statement (CSR report) for the 2017 financial year in accordance with sections 289, 315 of the HGB. The Supervisory Board appointed auditing firm Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft to carry out a detailed external review of this statement. The resulting audit opinion did not contain any reservations.

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 an extraordinary Supervisory Board meeting on 7 February 2017, the Supervisory Board discussed the status of the annual financial statements, the preliminary figures for 2016 and next steps in the Canadian market as well as addressing the planned capital increase for the first time. An additional extraordinary Supervisory Board meeting on 9 March 2017 again discussed the planned capital increase as well as the latest business developments at the beginning of the year.

In its ordinary meeting on 27 March 2017, the Supervisory Board approved the annual and consolidated financial statements for 2016, thereby adopting the annual financial statements. Deliberations at this meeting also focused on the revised three-year plan, measures aimed at promoting sales and boosting efficiency at TOM TAILOR and BONITA, the appointment of Liam Devoy as new Chief Operating Officer of TOM TAILOR Holding SE, and the preparation of the Annual General Meeting to be held on 31 May 2017.

The Supervisory Board discussed the figures for the first quarter and April 2017 in its meeting on 30 May 2017. The meeting also served as a preparatory meeting for the Annual General Meeting held on the next day.

The new Supervisory Board, now subject to parity co-determination, was constituted immediately after the Annual General Meeting on 31 May 2017. The Executive Committee was also constituted at this meeting. The Supervisory Board also addressed the planned capital increase in detail.

In its extraordinary meeting on 6 June 2017, the Supervisory Board reached a final agreement on the capital increase subsequently carried out.

In an additional extraordinary meeting on 4 August 2017, the Supervisory Board discussed topics including figures for the first half of the year, and the formation of the Personnel Committee and the Finance and Audit Committee.

In its (ordinary) meeting on 21 September 2017, the Supervisory Board addressed the latest financial figures and further potential for improvement of the TOM TAILOR and BONITA brands. The meeting also addressed alternatives for the realignment of the online shop. In addition, the Supervisory Board discussed the first results of committee activities as well as further development of the existing compliance management system.

The topics covered at the Supervisory Board meeting on 14 December 2017 were the regularly scheduled discussion of the business situation in the third quarter of 2017 and the monthly financials for October 2017, approval of the budget for 2018 and three-year planning until 2020. Additionally, the Supervisory Board extensively discussed the repositioning of the e-commerce business and the Company's digitalisation strategy. Implementation of the new SAP system and the establishment of a liaison office in Turkey with responsibility for procurement were also addressed.

CORPORATE GOVERNANCE

In its meeting on 14 December 2017, the Supervisory Board approved the 2018 declaration of compliance in accordance with section 161 AktG 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 7 February 2017. The declaration of compliance was made permanently available to shareholders on the http://ir.tom-tailor-group.com website.

SUPERVISORY BOARD COMMITTEES

The Supervisory Board has established an Executive Committee, an Audit and Finance Committee, and a Personnel Committee, each comprising three members.

The Supervisory Board's Audit and Finance Committee held three regular meetings in 2017. The Audit and Finance Committee also held extraordinary meetings and conference calls in connection with the set of measures announced in October 2016. 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 and the Finance Director – the Chairman of the Supervisory Board, or the auditors.

The conference call and the meetings on 7 March 2017 and 27 March 2017 focused on discussing the audit of the 2016 financial statements. A particular emphasis was placed on the focus of the audits and on the results of the audits of all single-entity financial statements and the key findings of the audit of the consolidated financial statements. At its meeting on 1 September 2017, the Audit and Finance Committe dealt with new audit requirements such as CSR reporting, the new IFRS standards and changes to the German Corporate Governance Code. The agenda also included the accounting effects of the RESET programme and the status of SAP implementation as well as risk management and compliance issues. At its meeting on 21 November 2017, the Committee discussed the current status of the preliminary examination for the audit of the annual financial statements for 2017 and the areas of emphasis for the audit that had already been determined.

The Executive Committee met on 30 May 2017, 13 June 2017, 20 June 2017 and 20 September 2017 as well as immediately before the regular Supervisory Board meetings held on each of these dates. These meetings were dedicated to preparation of the ordinary Supervisory Board meetings and covered procedural matters. Executive Committee meetings also addressed various strategic issues.

The Personnel Committee was first formed on 4 August 2017 and held meetings on 4 August 2017, 6 September 2017, 30 October 2017 and 20 November 2017. The primary purpose of these meetings was personnel issues (particularly new hires and remuneration structures) and the (preliminary) decision on the allocation of share options from the share option programme approved by the Annual General Meeting.

COMPOSITION OF THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD

The members of the Supervisory Board are: Dr Thomas Tochtermann, Barbara Pfeiffer, Otmar Debald, Andreas Karpenstein, Dr Junyang (Jenny) Shao, Yun (Joann) Cheng, Sven Terpe, Oliver Kerinnes, Stefanie Branahl and Kitty Cleijne-Wouters (as at 31 December 2017).

According to section 9 (2) sentences 1 and 2 of the Memorandum of Association, the Supervisory Board consists of twelve members appointed by the Annual General Meeting. Of these twelve members, six members must be appointed based on employee nominations. The Annual General Meeting is bound by the proposals for the appointment of employee representatives. In accordance with section 9 (3) of the Memorandum of Association, Uwe Schröder, Thomas Schlytter-Hennrichsen, Andreas Karpenstein, Patrick Lei Zhong, Liqun (Carrie) Liu and Jerome Griffith were appointed members of the first Supervisory Board as shareholder representatives.

At the Company's Annual General Meeting on 31 May 2017, an amendment of section 9 (2) sentences 1 and 2 of the Memorandum of Association of TOM TAILOR Holding SE was agreed in accordance with section 9 (2) of the agreement dated 6 July 2016, on the involvement of employees in the Company in accordance with section 21 of the SE-Beteiligungsgesetz, or Act on Employee Involvement in an SE, ("Employee Participation Agreement") and supplement dated 19 May 2017, that stipulates that the Supervisory Board of TOM TAILOR Holding SE consists of ten members appointed by the Annual General Meeting. Of the ten members, five members are appointed upon recommendation of the employees, with the Annual General Meeting bound by these proposals.

The shareholder representatives appointed as per the Memorandum of Association – Uwe Schröder, Patrick Lei Zhong and Liqun (Carrie) Liu – indicated to the Company prior to entry of the Company in the commercial register in the legal form of an SE on 18 April 2017 – that they would not accept their appointment as Supervisory Board members.

Prior to the Company's reorganisation as an SE, Uwe Schröder had already taken an interim position on the Company's Management Board beginning on 22 September 2016 and ending when he stepped down with effect from 29 May 2017. Liqun (Carrie) Liu and Patrick Lei Zhong had stepped down from their previous positions as Supervisory Board members as at 23 August 2016, and 31 August 2016, respectively. With effect from 21 September, 2016, Hamburg Local Court appointed Yun (Joann) Cheng and Wei Han as members of the Supervisory Board in accordance with section 104 AktG. On 22 November 2016, Wei Han stepped down. Hamburg Local Court then appointed Dr Junyang (Jenny) Shao as a member of the Supervisory Board with effect from 13 February 2017, in accordance with section 104 AktG. The term of office of the two court-appointed Supervisory Board members Ms Yun (Joann) Cheng and Dr Junyang (Jenny) Shao ran until the end of the Annual General Meeting on 31 May 2017.

Furthermore, Thomas Schlytter-Henrichsen and Jerome Griffith stepped down as shareholder representatives to the Supervisory Board effective at the end of the Annual General Meeting on 31 May 2017.

Against this backdrop and in view of the fact that Andreas Karpenstein was the only remaining shareholder representative appointed as per the Memorandum of Association, it was necessary for the Annual General Meeting of the Company on 31 May 2017 to elect four new Supervisory Board members to act as shareholder representatives and an additional five Supervisory Board members to serve as employee representatives.

In this context, Dr Thomas Tochtermann (Chairman of the Supervisory Board), Otmar Debald, Yun (Joann) Cheng and Dr Junyang (Jenny) Shao were elected to the Supervisory Board of the Company as shareholder representatives.

The employee representatives newly appointed to the Supervisory Board were Barbara Pfeiffer (Deputy Chairman of the Supervisory Board), Stefanie Branahl, Kitty Cleijne-Wouters, Sven Terpe and Oliver Kerinnes.

The members of the Management Board are Dr Heiko Schäfer (Chief Executive Officer, CEO), Thomas Dressendörfer and Liam Devoy.

The former member of the Management Board Uwe Schröder left the Company effective 29 May 2017 by mutual agreement. Mr Schröder was appointed by the Supervisory Board with effect from 22 September 2016 for the duration of one year in accordance with section 105 (2) of the Aktiengesetz (AktG – German Stock Corporation Act) to deputise for the CEO, Dieter Holzer, who had stepped down. Uwe Schröder assumed responsibility on an interim basis for the Sales and Marketing Board department that Mr Holzer had managed, especially for issues related to products, sales and the collections, but did not take over as CEO. In this respect, the Supervisory Board appointed Dr Heiko Schäfer as the new Chief Executive Officer (CEO) on an interim basis on 22 September 2016. He was permanently appointed to this position by the Supervisory Board with effect from 15 March 2017.

With effect from 1 August 2017 Liam Devoy was named Management Board member responsible for operations (COO) with a focus on purchasing, logistics and IT.

ACCOUNTING AND AUDITING

The annual financial statements and the accompanying management report of TOM TAILOR Holding SE 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, the consolidated financial statements and the management reports are audited by the auditor and examined by the Supervisory Board.

The annual financial statements, the consolidated financial statements and the combined management report for the TOM TAILOR Group and TOM TAILOR Holding SE 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, the consolidated financial statements and the combined management report for the TOM TAILOR Group and TOM TAILOR Holding SE and the audit reports prepared 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 15 March 2018 and 19 March 2018 respectively, and were available to answer questions from the members in attendance. In its meeting on 19 March 2018, 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 2018

The Supervisory Board

FINANCIAL CALENDAR

Financial Calendar

Date	Current Events
8 May 2018	Quarterly management statement as at 31 March 2018
30 May 2018	Annual General Meeting, Hamburg / Germany
8 August 2018	Half-yearly financial report
13 November 2018	Quarterly management statement as at 30 September 2018

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 SE. 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 SE 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 SE'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 SE neither plans nor undertakes to update any forward-looking statements.

PUBLICATION DETAILS

Published by
TOM TAILOR Holding SE
Garstedter Weg 14
22453 Hamburg, Germany
Phone: +49 (0)40 589 56 0
Fax: +49 (0)40 589 56 398
info@tom-tailor.com
www.tom-tailor-group.com

Investor Relations & Corporate Communications
Viona Brandt
Head of Investor Relations
Phone: +49 (0)40 589 56 449
Fax: +49 (0)40 589 56 199
viona.brandt@tom-tailor.com

Lena C. Wulfmeyer
Head of Corporate Communications
Phone: +49 (0)40 589 56 420
Fax: +49 (0)40 589 56 199
lena.wulfmeyer@tom-tailor.com

Consulting, Concept & Design
Silvester Group
www.silvestergroup.com

Photography

COMMIT AND DELIVER