Hamburg

Securities Identification Number 522 950 ISIN
DE0005229504

Consolidated Financial Statements 2017

The English translation of the consolidated financial statements is made available for the sake of convenience. The German version is the definitive version.

Key figures of Bijou Brigitte
Bijou Brigitte Group

		2008	2009	2010	2011	2012		2013	2014	2015	2016	2017
		TEUR	TEUR	TEUR	TEUR	TEUR		TEUR	TEUR	TEUR	TEUR	TEUR
1.	Revenue	375.730	390.074	377.907	374.650	360.826		356.324	335.098	330.391	336.273	326.595
	Change in %	2,4	3,8	-3,1	-0,9	-3,7		-1,2	-6,0	-1,4	1,8	-2,9
2.	Total operating performance	376.555	391.034	378.643	375.414	361.671		357.471	335.716	331.010	336.982	327.232
3.	Personnel costs	88.208	92.344	95.058	91.812	90.625		91.638	89.054	86.827	90.255	89.430
	Change in %	6,8	4,7	2,9	-3,4	-1,3		1,1	-2,8	-2,5	3,9	-0,9
4.	Number of employees[1]	3.345	3.452	3.410	3.319	3.153		3.117	3.009	2.896	2.994	2.933
	Change in %	5,0	3,2	-1,2	-2,7	-5,0		-1,1	-3,5	-3,8	3,4	-2,0
5.	EBITDA	126.551	121.639	98.218	89.032	71.533	4)	59.246	54.275	51.441	49.869	45.951
6.	EBIT	112.885	106.811	83.089	73.405	56.353	4)	43.594	40.154	38.006	36.738	32.583
	% of total operating performance (EBIT margin)	30,0	27,3	21,9	19,6	15,6	4)	12,2	12,0	11,5	10,9	10,0
7.	Earnings before taxes	117.381	108.942	84.711	75.071	58.260	4)	43.816	40.673	38.348	36.801	32.683
	Change in %	-3,7	-7,2	-22,2	-11,4	-22,4	4)	-24,8	-7,2	-5,7	-4,0	-11,2
	% of sales (return on sales)	31,2	27,9	22,4	20,0	16,1	4)	12,3	12,1	11,6	10,9	10,0
8.	Consolidated net profit	82.538	75.384	58.336	49.769	39.246	4)	28.071	26.304	25.067	24.026	21.668
	Change in %	2,8	-8,7	-22,6	-14,7	-21,1	4)	-28,5	-6,3	-4,7	-4,2	-9,8
9.	Value creation	206.304	202.106	180.364	167.797	149.350	4)	136.660	130.134	125.523	127.430	122.412
	Change in %	0,5	-2,0	-10,8	-7,0	-11,0	4)	-8,5	-4,8	-3,5	1,5	-3,9
10.	Accumulation	29.888	24.114	3.122	-1.484	-4.122	4)	-15.296	-1.295	1.412	371	-1.987
	Change in %	8,1	-19,3	-87,1	-147,5	-177,8	4)	-271,0	91,5	209,0	-73,7	-635,0
11.	Fixed assets	68.129	68.295	67.799	64.397	62.076	3)	62.383	58.215	56.919	60.272	57.864
12.	Capital expenditure	17.971	16.036	15.145	13.748	11.455		18.140	11.085	12.554	17.254	11.602
13.	Depreciation and amortisation	13.666	14.828	15.130	15.627	15.180		15.652	14.121	13.436	13.131	13.367
14.	Total assets	281.905	305.543	301.835	296.930	296.605	4)	282.067	279.230	276.944	279.301	275.635
	Change in %	3,0	8,4	-1,2	-1,6	-0,1	4)	-4,9	-1,0	-0,8	0,9	-1,3
15.	Equity	232.691	255.997	260.153	256.423	253.792	4)	238.332	237.732	240.812	242.237	239.478
	% of total assets	82,5	83,8	86,2	86,4	85,6	4)	84,5	85,1	87,0	86,7	86,9
	Return on equity	55,0	41,7	28,9	24,1	18,3	4)	13,4	12,4	11,6	11,0	9,9
16.	Cash flow[2]	85.317	94.965	58.354	70.962	39.728		52.757	33.560	30.509	38.318	40.208
17.	Earnings per share (€)	10,29	9,56	7,40	6,31	4,98	4)	3,56	3,34	3,18	3,05	2,75
18.	Dividend per share(€)	6,50	6.50 + 0.50	6,50	5,50	5,50		3,50	3,00	3,00	3,00	3,00
19.	Total number of stores	1.085	1.125	1.167	1.175	1.166		1.137	1.070	1.082	1.096	1.060

1) Average for the year – adjusted to full-time employees

2) From operating activities

3) Change due to first-time application of IAS 16

4) Change due to correction of the cost of materials

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2017 Group Management Report

FUNDAMENTALS OF THE GROUP

Business activity and corporate structure

Bijou Brigitte was founded in 1963 and now looks back on a corporate history spanning 54 years, as of this reporting year. The Hamburg-based company is one of the leading fashion jewellery chains in Europe. The extensive product range comprises around 10,000 articles offering attractive value for money, ranging from fashion and exclusive jewellery to fashion accessories, men's and children's jewellery. Bijou Brigitte focuses on a fashion-conscious target group, consisting primarily of female customers. In addition to the classic product range, two main jewellery collections are presented twice a year – Spring/Summer and Autumn/Winter – in sync with the change in seasons. Furthermore, the company offers seasonal items for all occasions, for example at Christmas, Easter, around Valentine's Day, Mother's Day and during the wedding season in the spring.

At the end of the reporting year, the Group had 1,060 stores in 21 countries. There are stores in Austria, Belgium, Bulgaria, the Czech Republic, Finland, France, Germany, Greece, Great Britain, Hungary, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, Romania, Saudi Arabia, Slovakia, Spain and Switzerland. German stores made up around 42.6% of the total store network in 2017 (previous year: 41.9%).

Sales are primarily made in Bijou Brigitte stores that are mainly located on highly frequented shopping streets and in shopping centres. The company has also been selling a selection of items in various department stores through licensed partners in Germany since 2008. In 2010, the company rolled this sales channel out internationally. Bijou Brigitte has had an online shop since 2006, which is constantly updated to meet increasing customer requirements. Moreover, customers have been able to create their own items of jewellery in the DIY stores "the P. cookery" since 2014.

Material external influencing factors include competition and general economic performance, with the latter being reflected in the purchasing power of customers.

Internal management system

The business activity of Bijou Brigitte AG is based on a regionally aligned network of stores and locations. All major steps along the value chain, as well as its supporting processes, are centrally managed.

The most significant key financial indicators for Bijou Brigitte AG are sales and the operating income before taxes as well as the development of inventories, investment volumes and the equity ratio. The most significant key non-financial indicator is the number of stores. The Management Board tracks the performance of key indicators using regular, quarterly internal reporting so as to be able to react to current business developments.

Research and development

A trading company like Bijou Brigitte AG does not incur any expenses for research and development in the classic sense.

ECONOMIC REPORT

Overall economic and sector-related conditions

The global economy experienced its strongest growth since 2011[1] this reporting year with real growth of over 3.7%. The economy of the European Monetary Union performed especially well. The growth rate of 2.3% represented a marked improvement against the previous year[2]. In a year-on-year comparison, the German economy achieved above-average general economic growth for the fourth year running, with growth of 2.2%. Adjusted for prices, private consumer spending was 2.0% up on the previous year[3]. The Spanish economy remained the most dynamic of the large eurozone economies and recorded growth of over 3.0% in the reporting year. The sales index increased in the retail sector there by 1.3% from January to October 2017, adjusted for prices, seasons and the calendar.[4] Economic growth in Italy gained momentum in the reporting year and achieved a 1.5% increase. Private consumption also developed well[5]. But despite the improvements in the economic environment, deeply rooted structural weaknesses remain a risk. Economically speaking, 2017 was the best year for Portugal since 2014. Domestic demand is growing steadily. This led to previously moderate growth accelerating to 2.6% in 2017. [6]

[1] https://www.imf.org/en/Publications/WEO/Issues/2018/01/11/world-economic-outlook-update-january-2018
[2] http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=de&pcode=tec00115&plugin=1
[3] German Office for National Statistics: Press release no. 011, 11 January 2018
[4] GTAI: Economic outlook November 2017 – Spain, 19 December 2017
[5] GTAI: Economic outlook November 2017 – Italy, 24 November 2017
[6] GTAI: Economic outlook December 2017 – Portugal, 8 January 2018

EUR/USD

A large proportion of merchandise is purchased in US dollars. If the US dollar appreciates (against the EUR), this also means an increase in purchasing costs. The US dollar fluctuated between 1.06 and 1.20 to the euro over the year. At 1.20 at the end of the year, the euro had appreciated by around 14% against the end of 2016.

German retail industry

In addition to the general economic conditions, the company's performance is primarily determined by the trend in retail. Stationary fashion retail in Germany was not able to profit from positive consumer behaviour in 2017 and recorded a 2.0% decrease in sales in comparison with the previous year.[7] The dynamic trend of the last few years continued for online and mail order business in Germany, which grew by 10.9%.[8]

Competition

There was no material change to the competitive environment in 2017, as new competitors entered or left the market on an ongoing basis. Fashion chains, department stores and fashion jewellery retailers continued to ensure lively competition, as in the previous year.

[7] Textilwirtschaft: Stationary fashion retail loses more market share, 3 January 2018
[8] Bundesverband E-Commerce und Versandhandel Deutschland e.V. (bevh): Press release, 22 January 2018

Business trend and position

Business development of the Group as a whole

The Bijou Brigitte Group generated sales of EUR 326.6 million in the 2017 financial year. Group sales fell by 2.9% compared to the previous year (previous year: EUR 336.3 million). The Group had forecast sales of between EUR 330 million and EUR 340 million for the 2017 financial year. In November, the forecast was narrowed down to between EUR 325 million and EUR 330 million. The reduction in the number of stores and the weak fourth quarter both contributed significantly to the decline in revenue. Group sales therefore did not achieve the forecast range.

Earnings before taxes (EBT) amounted to EUR 32.7 million for the reporting period, following EUR 36.8 million in the same period last year (EUR -4.1 million; -11.2%). Due to a number of optimisation initiatives, the figure did achieve the forecast range of EUR 30 million to EUR 40 million. Net profit after taxes fell by EUR 2.4 million, or 9.8%, from EUR 24.0 million to EUR 21.7 million in the 2017 financial year.

Business trend by segment

The German segment recorded sales of EUR 157.7 million in the reporting year (previous year: EUR 163.4 million; -3.5%). The persistent decline in foot traffic in German inner cities continues to pose a great challenge to the Group. Segment profit before taxes fell accordingly by 7.4% to EUR 22.1 million (previous year: EUR 23.9 million). Capital expenditure increased from EUR 4.7 million in the previous year to EUR 5.4 million in the reporting year. The majority of funds were invested in store modernisation.

The Spanish segment recorded sales of EUR 46.3 million (previous year: EUR 47.6 million; -2.7%). Adjusted for store closures, sales here were up slightly. Segment profit before taxes improved further to EUR 2.0 million through the closure of some stores operating at a loss (previous year: EUR 1.5 million). In the Spanish segment, capital expenditure totalled EUR 1.4 million in the reporting period (previous year: EUR 3.4 million). Store modernisation was the major focus of investments.

Bijou Brigitte Group: development in sales

2012 - 2017, in TEUR	2013	2014	2015	2016	2017
Revenue	356,324	335,098	330,391	336,273	326,595

The Group is facing difficult market conditions in Italy. The governmental crisis in Italy is unsettling consumers. As a result, sales fell by 6.2% from EUR 37.6 million to EUR 35.3 million compared to the previous year. Pre-tax earnings fell from EUR 2.0 million in the previous year to EUR 1.6 million in the reporting year. The Bijou Brigitte Group invested EUR 1.2 million in opening new stores and renovating existing stores in Italy (previous year: EUR 2.1 million).

The sales trend in the Portuguese segment was positive. With a reported value of EUR 10.3 million, revenue was only slightly down on the previous year’s level (previous year: EUR 10.4 million; -1.1%). Adjusted for store closures, sales here were up. Segment profit before taxes improved to EUR 1.4 million, compared with EUR 1.2 million in the previous year. Capital expenditure totalled EUR 0.2 million in the reporting year (previous year: EUR 0.4 million). Funds were primarily invested in the renovation of existing stores.

Sales in the Other countries segment, which combines various European countries, amounted to EUR 77.0 million in the reporting year, compared with EUR 77.3 million in the previous year. A minimal decline of 0.3% was recorded, keeping sales essentially on a par with the previous year. Segment profit before taxes fell slightly to EUR 2.9 million, compared with EUR 3.0 million in the previous year. Capital expenditure totalled EUR 5.3 million (previous year: EUR 7.3 million), and focused primarily on opening new stores.

Earnings position

Bijou Brigitte Group: earnings positions overview

in Mio. EUR	2017	2016
Revenue	326.6	336.3
Other operating income	6.0	5.2
Cost of materials	71.2	71.9
Personnel costs	89.4	90.3
Other operating expenses	126.7	130.2
Financial result	0.1	0.1
Earnings before income taxes	32.7	36.8
Net profit after taxes	27.1	24.0

The Bijou Brigitte Group generated sales of EUR 326.6 million in the 2017 financial year. Group sales fell by 2.9% compared to the previous year (previous year: EUR 336.3 million).

Other operating income increased by 14.6% from EUR 5.2 million to EUR 6.0 million. This is primarily due to the increase in income from exchange rate differences.

The proportion of material costs to Group sales amounted to 21.8% in 2017 (previous year: 21.4%). This is largely the result of higher freight costs.

Personnel costs decreased by 0.9% from EUR 90.3 million in 2016 to EUR 89.4 million in 2017. The main reason for this is the reduction in staff numbers following store optimisation and better personnel deployment planning. On average, 2,933 staff were employed last year at the Bijou Brigitte Group (converted to full-time employees; previous year: 2,994).

Other operating expenses decreased by 2.7% from EUR 130.2 million to EUR 126.7 million in the reporting year, primarily due to lower rental costs. Rental and incidental rental expenses, which make up a large proportion of other operating expenses, fell to EUR 64.6 million compared with EUR 67.2 million for the same period last year.

In comparison with the previous year, the financial result increased by TEUR 37 due to lower interest expenses in 2017. It amounted to TEUR 99 compared with TEUR 63 last year.

In the 2017 financial year, the Bijou Brigitte Group generated earnings before income taxes of EUR 32.7 million (previous year: EUR 36.8 million). Accordingly, return on sales fell from 10.9% (previous year) to 10.0%. After deducting for taxes, consolidated net profit declined by EUR 2.4 million from EUR 24.0 million to EUR 21.7 million (-9.8%) in 2017.

Appropriation of profit and dividend proposal

Bijou Brigitte modische Accessoires AG's net income for the year calculated in accordance with the provisions of the German Commercial Code (HGB) amounted to EUR 21.2 million in the 2017 financial year (previous year: EUR 14.1 million). In the separate financial statements of Bijou Brigitte modische Accessoires AG, balance sheet profit for the reporting period came to EUR 32.6 million (previous year:

EUR 35.1 million) with the addition of profit carried forward totalling EUR 11.4 million (previous year: EUR 21.0 million).

Part of the corporate philosophy of the Bijou Brigitte Group is to allow appropriate participation of the shareholders in the company's success. This is why the Management Board and Supervisory Board of Bijou Brigitte modische Accessoires AG will propose to the Annual General Meeting on 26 June 2018 that a dividend of EUR 3.00 (previous year: EUR 3.00) per no-par-value share be paid for the 2017 financial year. This would equal a dividend payout ratio of 112.15% for the total number of shares in relation to the Group's net profit after taxes. It also corresponds to a dividend yield (dividends / closing price at the end of the year) of 6.0% (previous year: 5.4%).

The dividend distribution would therefore total EUR 24.3 million for 8,100,000 common shares. The company's remaining balance sheet profit of EUR 8.3 million will be carried forward to the new account, along with the amount that would be distributed to the common shares held by the company on the day of the Annual General Meeting but, pursuant to Section 71b of the German Stock Corporation Act (AktG), is excluded from distribution.

In accordance with IFRS, earnings per share were EUR 2.75 (previous year: EUR 3.05). The price-earnings ratio was 18.0 (previous year: 18.1), with a closing price for the year of EUR 49.75.

Financial position

Main features and objectives of financial management

The financial management of the Bijou Brigitte Group is controlled centrally by the Group parent company. Its area of responsibility ranges from the management of the capital structure and liquidity management to controlling financial risks.

Bijou Brigitte Group: financial positions overview

in EUR millions	2017	2016
Cash flow from operating activities	40.3	38.3
Depreciation, amortisation and impairment	13.4	13.1
Cash flow from investing activities	-11.5	-17.1
Capital expenditure	11.6	17.3
Cash flow from financing activities	-23.8	-23.8

The aim of financial management is primarily to ensure a high equity ratio so as to safeguard the Group's financial independence from the need to borrow capital. At the same time, a high level of earnings should be ensured over the long term through a solid financial basis.

The Management Board and Supervisory Board take a decision annually regarding a dividend proposal once the respective annual financial statements are available and after considering the future business outlook. There is therefore no set ratio as regards dividend distribution.

Derivative financial instruments for hedging financial risks are not used. Exchange rate risks result for Bijou Brigitte AG primarily from operating activities.

Development of financial situation

Cash flow from operating activities amounted to EUR 40.3 million in the 2017 financial year compared with EUR 38.3 million in the previous year.

This increase was primarily due to lower income tax payments (EUR -6.5 million) caused by a drop in pre-tax earnings.

Depreciation and amortisation on property, plant and equipment and intangible assets totalled EUR 13.4 million in the reporting period and were therefore higher than in the previous year (EUR 13.1 million).

With regard to capital expenditure activity, cash flow amounted to EUR -11.5 million (previous year: EUR -17.1 million). This was due to the reduction in the volume of investment to a total of EUR 11.6 million (previous year: EUR 17.3 million). The reported capital expenditure was below the forecast range of between EUR 12 million and EUR 17 million as the number of store openings was lower than originally anticipated. The focus of investment was on the renovation and modernisation of existing stores and the opening of new stores at home and abroad.

In the 2017 financial year, cash flow from financing activities amounted to EUR -23.8 million. The payout of dividends is again this year the largest item of the cash outflows shown here. Bijou Brigitte does not have any loans with banks or other credit institutions. Available overdraft facilities are minimal at EUR 3.1 million, as in the previous year, and were not utilised in the previous financial year.

Share buy-back

At the end of 2017, Bijou Brigitte modische Accessoires AG held 214,884 treasury shares, or 2.65% of the share capital. These shares were acquired in the past on the stock exchange though various buy-back programmes.

Assets position

Non-currents assets declined in comparison with the previous year (EUR 65.8 million) to EUR 62.7 million in the reporting year. This is due to the reduction in the number of branches.

For the 2017 financial year, Bijou Brigitte had forecast inventories of between EUR 53 million and EUR 63 million. Inventories were within the forecast range at EUR 56.0 million (previous year: EUR 57.7 million) due to the active portfolio management.

Current assets (not including cash and cash equivalents) declined year on year to EUR 67.7 million (previous year: EUR 71.6 million). This is due to lower inventories and lower tax receivables. In the reporting period, cash and cash equivalents totalled EUR 145.3 million compared to EUR 141.9 million in the previous year, making up 52.7% of total assets (previous year: 50.8%). As in previous years, total cash and cash equivalents significantly exceeded current and non-current liabilities.

Bijou Brigitte Group: overwiew of assets

in EUR millions	31.12.2017	31.12.2016
Non-current assets	62.7	65.8
Inventories	56.0	57.7
Current assets*	67.7	71.6
Cash and cash equivalents	145.3	141.9
Equity	239.5	242.2
Non-current liabilities	5.5	5.6

* Excluding securities, cash and cash equivalents

For the 2017 financial year, Bijou Brigitte had forecast an equity ratio of between 84% and 87%. The reported ratio of 86.9% (previous year: 86.7%) was therefore at the upper end of the forecast corridor. As of the reporting date of 31 December 2017, the equity of the Bijou Brigitte

Group amounted to EUR 239.5 million compared to EUR 242.2 million on 31 December 2016. Receivables, inventories and non-current assets were therefore entirely covered by equity.

When comparing successive reporting dates, non-current liabilities fell from EUR 5.6 million (31 December 2016) to EUR 5.5 million (31 December 2017).

Overall statement of the Management Board on the economic situation of the Bijou Brigitte Group

The Bijou Brigitte Group generated sales of EUR 326.6 million in the 2017 financial year. Group sales fell by 2.9% compared to the previous year (previous year: EUR 336.3 million). The reduced number of stores and weak fourth quarter had a significant impact. The persistent decline in foot traffic in German inner cities continues to pose a great challenge to the Group. The Group is also facing difficult market conditions in Italy. The governmental crisis in Italy is unsettling consumers. The Spain and Portugal segments performed better: adjusted for store closures, sales grew in these segments. The Other countries segment recorded stable development. With a minimal drop in sales, revenue was virtually on a par with the previous year.

Group earnings before income taxes amounted to EUR 32.7 million for the reporting period, following EUR 36.8 million in the same period last year (EUR -4.1 million; -11.2%). Due to the closure of some stores operating at a loss and further optimisation measures, the pre-tax earnings were within the forecast range of EUR 30 million to EUR 40 million. The Group reduced its network by 36 stores, bringing it to 1,060 stores. The Management Board assesses the situation of the Bijou Brigitte Group as stable. The company is financially on a very solid footing due to its high equity ratio and cash flow from operating activities, which also covers the majority of financing activities in addition to capital expenditure activity.

Non-financial performance indicators

Changes to the store network

Given the difficult conditions on the market, the Group reduced its store network by 36 stores. As forecast in November, this is lower than in the previous year. A total of 35 stores were renovated. Furthermore, smaller optimisation measures with regard to shop design were implemented in 25 more stores. Eleven stores were able to improve their location by relocating within their shopping centre. A total of 73 stores were closed. The majority of closures were in Germany, Spain and Italy. Bijou Brigitte opened 37 new stores across the Group. In the French market, there were 15 new stores, with a further five being opened in Germany. Four new stores were opened in Italy. The Bijou Brigitte Group's network of stores in Germany and abroad totalled 1,060 as of the reporting date of 31 December 2017 (31 December 2016: 1,096).

Bijou Brigitte Group: balance sheet structure

in EUR millions	2017	2016
Assets	275.6	279.3
Cash	145.3	141.9
Inventories, receivables, other financial assets	67.7	71.6
Non-current assets	62.7	65.8
Liabilities	275.6	279.3
Current liabilities	30.6	31.5
Non-current liabilities	5.5	5.6
Equity	239.5	242.2

Other information

Declaration on corporate governance pursuant to Sections 289f and 315d of the German Commercial Code (HGB)

The declaration on corporate governance pursuant to Sections 289f and 315d of the HGB is available to be read and inspected by the public at any time on the website www.group.bijou-brigitte.com under the heading "Investor Relations/Corporate Governance". The declaration contains disclosures relating to corporate governance practices, a description of the organisation and working procedures as well as information on the remuneration of the Management and Supervisory Boards, as well as information about the proportion of women and the declaration of conformity pursuant to Section 161 of the German Stock Corporation Act (AktG).

Principles of the remuneration system

Remuneration for the Management Board of Bijou Brigitte modische Accessoires AG is determined by the Supervisory Board in terms of its level and structure. There is no separate personnel committee at Bijou Brigitte.

An upper threshold value for performance-related remuneration is an integral part of all Management Board contracts. An upper threshold value is thereby also implicitly agreed for total remuneration. The Supervisory Board monitors the trend in salary levels within the company.

The non-performance-related component consists of an agreed fixed basic salary, which is paid in twelve monthly instalments.

Performance-related remuneration consists of two components:

- the variable management bonus driven by the result from ordinary activities of the Group in a respective financial year,
- the variable long-term bonus measured over several years and for which an upper limit is agreed. The variable long-term bonus is based on the successful improvement of the Group's pre-tax earnings (we would like to refer to the section in the notes to the consolidated financial statements titled Remuneration of the Supervisory and Management Boards).

The remuneration structure makes no provisions for share options, pension payments or other comparable components in any Management Board contracts.

The remuneration of the Supervisory Board is laid down in fixed amounts in the articles of association of Bijou Brigitte modische Accessoires AG. Supervisory Board members do not receive any performance-related remuneration. No share options, pension payments or other compensation are provided for.

Further details regarding the remuneration of the Management Board and Supervisory Board can be found in the appendix to these consolidated financial statements.

Disclosures relating to takeovers pursuant to Section 315 (4) of the German Commercial Code (HGB)

Bijou Brigitte modische Accessoires AG is equipped with subscribed capital (share capital) amounting to EUR 8.1 million. The amount of share capital has not changed in the 2017 financial year. It is divided into

8,100,000 non-par-value shares. Each common share conveys the same rights and constitutes one vote at the Annual General Meeting.

Friedrich-W. Werner, the company founder and former Chairman of the Management Board, holds 50.4% and thus the majority of the subscribed capital.

Insofar as employees of Bijou Brigitte modische Accessoires AG have invested in the company as shareholders, there are no special characteristics to the knowledge of the company as regards the option of exercising voting rights.

As per Section 6(2) of the company's articles of association, the Supervisory Board decides on the number of Management Board members and their appointment or the revocation of such appointment. Furthermore, the statutory provisions set out under Section 84 AktG on the appointment and dismissal of Management Board members shall apply.

Amendments to the articles of association are governed by Sections 133 and 179 AktG and thus require an appropriate resolution by the Annual General Meeting. In addition, Article 19 of the company's articles of association states that the Supervisory Board is only permitted to amend the articles of association with the consent of the Management Board where such amendments only relate to the wording. In this respect, no resolution is required from the Annual General Meeting.

Pursuant to Article 4 of the company's articles of association, the Management Board of Bijou Brigitte modische Accessoires AG is authorised, with the consent of the Supervisory Board, to increase the share capital of the company by up to EUR 4.0 million, in one or more stages, by issuing up to 4,000,000 new non-par-value shares in return for cash and/or contributions in kind in the period until 1 July 2019. The Management Board, with the consent of the Supervisory Board, decides as to issue of new shares, the rights with which these shares are to be furnished, in particular the issue of non-voting shares (preferred shares), and the conditions of issue. The company's capital requirements at that time and the reigning capital market situation must be taken into account. The Management Board is authorised to preclude shareholders' subscription rights in certain cases, with the consent of the Supervisory Board.

Furthermore, in accordance with the resolution of the Annual General Meeting held on 2 July 2014, the Management Board is authorised under the conditions laid down in Section 71(1)(8) AktG to purchase, resell or withdraw up to ten per cent of the share capital of EUR 8.1 million registered at the time of the resolution for purposes other than securities trading. The authorisation is valid until the adoption of a new resolution granting authorisation, but no later than 1 July 2019.

OPPORTUNITIES AND RISK REPORT

Opportunities and risk management

The early recognition of risks and opportunities, as well as the subsequent measures, is an important part of corporate governance at Bijou Brigitte. As part of the company's risk management system, appropriate principles and procedures have been set out in an applicable Group-wide directive. Risk management is an integral part of the centralised and decentralised planning, management and control processes.

Overall statement of the Management Board

Risk management at Bijou Brigitte modische Accessoires AG was further improved during the reporting year. "Cybercrime in payment transactions" was added to the risks. The overall assessment of all other risks remained unchanged. With its structured processes, systematic risk management has ensured the efficient management of overall risks in the Group. From today's perspective, there are no risks to the continued existence of the company as a going concern. There were no risks that have been assessed as very high.

Risk definition

Risks are events and developments that have a certain degree of probability of occurring and that have a major negative financial impact on the achievement of targets and the fulfilment of the company's duties.

Risk strategy

The aim of the risk strategy of Bijou Brigitte modische Accessoires AG is to safeguard the continued existence of the company and, furthermore, to increase the company's value on a sustainable basis. Opportunities should be used in an optimal way and company risks should be proactively managed. Risks to the continued existence of the company must be avoided.

Risk management process

Bijou Brigitte has defined the following standardised risk management sub-processes: identifying and reporting risks at an early stage, assessing risks in the same way, managing risks and developing measures, monitoring risks and implementing the measures.

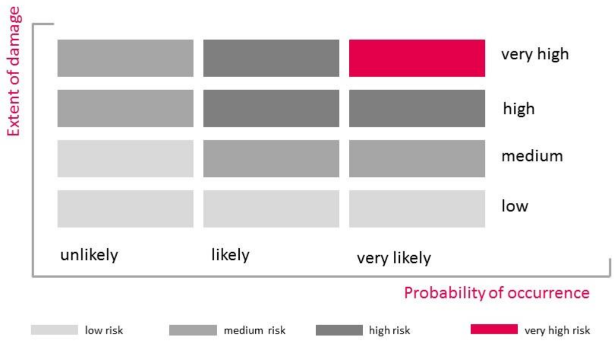
The known risks from the previous year and newly identified risks for the current year are reviewed by the respective risk owners twice a year, adjusted and the subsequent risk potentials are reassessed. Risks are monitored over a period of twelve months.

Roles and responsibilities

The Management Board defines the corporate strategy and objectives as a foundation on which the risk management system is set. The binding system requirements are therefore formulated top-down and apply to all operating units. The actual responsibility for recording and managing risks along the value chain starts bottom-up with the responsible specialists in the operating units. In the course of internal risk training, employees tasked with risk management were informed about the set-up and workflows in place, as well as how to implement processes.

Risk assessment

Accounting for the countermeasures taken, the identified risks are subject to a standardised assessment in terms of their probability of occurrence and scale of potential damage, and classified as low, medium, high or very high.



Extent of damage in EUR millions	
low	0.25–0.75
medium	>0.75–10.0
high	>10.0–25.0
very high	>25.0

Probability of occurrence in %	
unlikely	0-20
likely	>20-80
very likely	>80-100

Risk management

The aim of risk management is to develop individual countermeasures to reduce the likelihood of a risk occurring and/or to limit the maximum amount of potential damage. No transactions are performed that violate the code of conduct or company guidelines. Furthermore, insurance policies may be taken out to compensate for financial risks.

Risk reporting

Risk reporting ensures that the findings of risk control are communicated in a timely, understandable and meaningful way. Risk causes and their countermeasures are presented in tables. A risk matrix is then created to provide a clear summary of the major risks. The risks are also ranked in order of priority. A risk report is prepared once a year and sent to the Management Board and Supervisory Board. In the event of an exceptional risk situation, the Management Board and Supervisory Board are informed immediately.

Accounting-related internal control system

In order to ensure the appropriateness of the accounting and the reliability of the financial reporting in the annual financial statements, an accounting-related internal control system has been established. As an integral part of the Group accounting process, it comprises security and monitoring measures for preventative, supervisory and detection purposes in accounting and operating functions. Such measures include the separation of functions, the double-check principle, approval processes, IT checks, access restrictions in the IT system and system-supported methods to process Group accounting-related data. Process instructions, standardised reporting formats and IT-based reporting and consolidation processes serve as support for Group accounting and the accounting-related reporting for the subsidiaries included in the consolidated financial statements. Standard Group-wide accounting and valuation methods are ensured by comprehensive Group accounting requirements. Protection systems defend digital data from unauthorised access.

Independent monitoring

Serving as a tool of the Management Board, Internal Audit monitors risk management and the internal control system by means of systematic and regular audits. As a process-independent body, it audits business transactions, the installed systems and the implemented checks in a risk-oriented way. The Supervisory Board of Bijou Brigitte AG regularly deliberates the material issues pertaining to accounting and risk management. Furthermore, the Supervisory Board deals with the commissioning and focus of audits.

Explanation and assessment of significant opportunities and risks

Economic risks

The current economic forecast of Bijou Brigitte AG is set out in detail in the section titled “Expected trend in general economic conditions”.

The growth of the retail sector is largely dependent on consumer spending and consumer confidence. Declines due to an economic slowdown and political factors such as military conflict, change of government or civil unrest, particularly in regions in which the company has a strong presence, therefore constitute a material risk to business activities along with the development of sales and profit. In addition to this, material changes in the regulatory environment (e.g. trade restrictions, tax legislation, economic and political sanctions) may also result in the potential loss of sales or cost increases.

Bijou Brigitte AG continuously monitors the overall economic, political and regulatory situation in all key markets to be able to identify potential problem areas at an early stage and adjust business activities in a correspondingly timely manner. Possible adjustments include moving investments to other, more attractive markets, changing product prices, closing unprofitable stores or focusing more on controlling costs. The Group assesses economic growth and macroeconomic risks as generally high.

Market and industry risks

These risks refer, among other things, to the increasing pressure being applied by textile companies, fashion jewellery specialists, etc. Aggressive competitor behaviour could result in higher marketing costs and loss of market share, which may in turn damage the profitability and market position of the Group. At the same time, the Group is suffering from falling sales area productivity due to the continuous rise in retail space. Unexpected consumer preferences and changes in the popularity of the brand can also lead to both risks and opportunities. Changes in consumer behaviour can also be the result of changes in attitudes and values, as well as societal factors. We are constantly looking for new opportunities to increase the added value for customers – beyond what is currently expected – in order to realise material opportunities to increase sales. Targeted promotional and marketing measures, for instance, are intended to help strengthen and position the brand, as well as acquire new customers and retain existing ones. The Group is also continually expanding its online activities in order to adapt to customers' new buying behaviour. The overall risk here is assessed as medium.

Investment risks

As part of its growth strategy, Bijou Brigitte AG aims to develop new markets and to further expand its network of stores. Investment risks here may arise from store expansion and maintenance work, long-term rental contracts and personnel costs. In order to avoid any false investments, test stores are normally set up first to measure the earnings potential of the new market. Moreover, the risk can be reduced further through cooperation with franchise partners. The overall risk here is assessed as low thanks to the successful measures in place.

Opportunities as regards a positive deviation from the forecast could arise if more store openings than currently appear realistic can be implemented due to favourable developments in individual property markets. The probability of occurrence of this development is considered low.

Procurement risks

Bijou Brigitte AG sources the majority of its goods from the Far East. The company manages potential purchasing risks that may arise from the rising cost of commodities and materials, disruptions along the supply chain and quality issues through its risk management system. The broad-based network of suppliers means potential risks associated with dependency on individual suppliers or their failure to deliver are minimised. Furthermore, purchasing activities are now supported by trading offices in China. By regularly reviewing purchase prices and, if necessary, adjusting sales prices, this risk can be limited. The procurement risks set out above are assessed as low due to the successful measures in place. In addition, changes to the legal environment in the supplier's country may lead to higher procurement costs. Given the large number of different supplier countries, Bijou Brigitte AG is taking action to mitigate this risk and assesses the overall risk here as medium.

Materials management

Other risks that the company actively manages include the shortage, surplus or non-availability of individual items, which can arise due to bad planning or incorrect deliveries. Risks may be identified at an early stage by closely monitoring inventory ranges, order quantities/articles and complaint rates. In case of shortages, similar articles may be immediately brought in by way of substitution. Bijou Brigitte AG assesses the overall risk here as low.

Information technology

Risks arise above all from delays in the provision of key data, the loss or manipulation of data and the disclosure of confidential information. In order to minimise such risks, Bijou Brigitte AG has implemented back-up processes, virus and access protection as well as encryption systems. IT systems are also monitored and enhanced on an ongoing basis. The overall risk here is assessed as low.

Currency risks

A large proportion of merchandise is purchased in US dollars. If the US dollar appreciates (against the EUR), this also means an increase in purchasing costs. Short-term exchange rate fluctuations are evened out because the inventory acts as a sort of buffer. Longer-term exchange rate fluctuations are not protected through hedging transactions. The risk of a subsequent narrowing of the gross margin can sometimes be reduced by changing the selling price. The overall risk here is assessed as medium.

As regards the company forecast, there is a chance of a positive deviation, if the euro develops more strongly during the present financial year than has been assumed or generally forecast. The probability of occurrence here is assessed as low.

Personnel risks

Personnel risks stem primarily from changes to labour regulations in the various sales countries. In order to mitigate this risk as early as possible, as well as to avoid penalty fees and additional payments, Bijou Brigitte AG's legal department has been given additional personnel. Legal developments are permanently monitored and labour regulations are regularly reviewed internally. Personnel risks are generally assessed as medium.

Interest, default and liquidity risks

Bijou Brigitte AG does not have any loans with banks or other credit institutions. Available overdraft facilities are minimal and were not utilised in the previous financial year. Accordingly, there are no material interest rate risks. Due to its extremely good equity base, Bijou Brigitte AG can make and implement capital expenditure decisions independent of the debt and equity markets. The company assesses the individual financial risks as low. Liquidity risks may arise as a result of the insolvency of a bank where Bijou Brigitte AG has cash deposits. This risk is minimised by spreading the risk over various credit institutions and carefully selecting these. Bijou Brigitte AG assesses the individual interest rate, default and liquidity risks as low.

Cybercrime in payment transactions

Advancing digitalisation in all business areas is leading to rising requirements in terms of the trustworthiness, integrity and availability of electronically processed information and the associated use of information technology. Bijou Brigitte AG has technical security measures in place to prevent cybercrime. This includes secure gateways, encrypted email communication, producing emergency protocols and regular awareness training for all staff, particularly in the Treasury department. The risk is assessed here as low.

CSR reporting obligations

The sustainability report pursuant to CSR reporting requirements is available to be read and inspected by the public at any time on the website www.group.bijou-brigitte.com under the heading "Investor Relations/Sustainability".

FORECAST REPORT

Expected trend in general economic conditions

According to the EU Commission, the European economy's solid performance is set to continue in 2018, with growth of 2.3%. This positive development is primarily due to more robust economic momentum in Europe, which in turn is contributing to an uptick in foreign trade and a more positive mood towards the economy.[9]

Germany is experiencing a strong economic upturn and recorded price-adjusted growth of 2.2% in the reporting year. This has led the Federal Government to forecast further expansion of 2.4% in 2018. The labour market is also expected to profit from the generally positive overall economic situation in Germany, which should lead to an increase in employment figures. [10]

According to estimates from the GfK, a market research company, private consumer spending in Germany will rise by 2.0%, adjusted for prices. The retail sector is also set to benefit from this. GfK anticipates a 1.5% to 2.0% increase in private consumer spending in the European Union.[11] bevh forecasts 9.3% growth in the German online and mail order sector for the 2018financial year. [12]

Internal EU risks include the outcome of Brexit negotiations, a sharp appreciation of the euro and an increase in long-term interest rates. In contrast, more certainty, a more positive business climate in Europe and stronger global economic growth could all lead to an upturn that is even stronger than expected.

[9] European Commission – winter 2018 Economic Forecast
[10] BMWi - Annual Economic Report 2018, p. 8
[11] GfK: Press release "Private consumer spending 2018", 9 February 2018
[12] Bundesverband E-Commerce und Versandhandel Deutschland e.V. (bevh): Press release, 22 January 2018

Outlook for the Bijou Brigitte Group

The Bijou Brigitte Group expects the competitive situation in the fashion jewellery market segment to remain unchanged in the 2018 financial year compared to the previous year. Bijou Brigitte continues to be one of the leading companies for fashion jewellery and accessories in Europe, and it will further strengthen its market presence and brand importance.

The Bijou Brigitte Group will continue to invest in the modernisation of its outlets and the expansion of its branch network in the current year. The planned capital expenditure volume for 2018 will amount to between EUR 12 million and EUR 17 million (2017 financial year: EUR 11.6 million). The Bijou Brigitte Group expects to have slightly more stores at year-end than it did at the close of 2017 (1,060).

Compared with the previous year, the Bijou Brigitte Group began 2018 with a decrease in sales in the first two calendar months. Considering the course of business to date, the Group currently predicts sales of between EUR 315 million and EUR 330 million for the 2018 financial year, assuming that Europe’s economy continues growing at a similar pace to the previous year and that there are no further negative changes to the economic environment (2017 financial year: EUR 326.6 million). For Group earnings before income taxes, a value of between EUR 20 million and EUR 30 million is expected (2017 financial year: EUR 32.7 million). Inventories as of 31 December 2018 are expected to be between EUR 53 million and EUR 63 million. Assuming that current and non-current liabilities remain at the previous year’s level, the Group expects an equity ratio of between 84% and 87%.

Hamburg, 29 March 2018

Bijou Brigitte modische Accessoires Aktiengesellschaft

The Management Board

Roland Werner

(Chair)

Marc Gabriel

(Member of the Management Board)

Jürgen Gödecke

(Member of the Management Board)

Bijou Brigitte modische Accessoires Aktiengesellschaft, Hamburg

Consolidated Balance Sheet as of 31 December 2017

ASSETS **LIABILITIES**

	Notes	31.12.2017 EUR	31.12.2016 EUR
ASSETS			
Non-current assets			
Intangible assets	(1)	2.691.513,22	2.860.198,71
Property, plant and equipment	(2)	55.172.688,89	57.411.415,44
Non-current financial assets	(3)	2.696.880,64	2.566.426,98
Deferred taxes	(4)	2.138.200,35	2.933.983,81
		62.699.283,10	65.772.024,94
Current assets			
Inventories	(5)	55.968.698,85	57.659.745,97
Trade receivables	(6)	1.959.217,78	2.059.987,19
Tax receivables	(7)	4.094.392,23	6.060.263,30
Other financial assets	(8)	3.836.523,36	3.754.136,21
Other current receivables	(9)	1.806.660,66	2.096.075,14
Cash and cash equivalents	(10)	145.270.351,43	141.898.637,40
		212.935.844,31	213.528.845,21
		275.635.127,41	279.300.870,15

	Notes	31.12.2017 EUR	31.12.2016 EUR
SHAREHOLDERS' EQUITY AND LIABILTIES			
Equity	(11)		
Subscribed capital		8.100.000,00	8.100.000,00
Capital reserve		3.579.043,17	3.579.043,17
Retained earnings		40.246.542,39	40.246.542,39
Treasury shares		-16.191.127,39	-16.191.127,39
Foreign currency translation reserve		369.491,84	1.141.160,08
Group equity earned		203.373.733,92	205.361.122,22
		239.477.683,93	242.236.740,47
Non-current liabilities			
Non-current provisions	(13)	4.386.337,12	4.369.761,05
Deferred taxes	(12)	1.141.295,88	1.219.491,72
		5.527.633,00	5.589.252,77
Current liabilities			
Current provisions	(13)	2.193.807,28	2.236.307,42
Tax liabilities	(14)	377.843,35	316.436,80
Trade payables	(15)	10.033.464,83	9.263.744,64
Other financial liabilities	(15)	6.512.746,02	7.384.793,00
Other current liabilities	(15)	11.511.949,00	12.273.595,05
		30.629.810,48	31.474.876,91
		275.635.127,41	279.300.870,15

Bijou Brigitte modische Accessoires Aktiengesellschaft, Hamburg

Consolidated income statement
for the financial year from 1 January to 31 December 2017

	Notes	2017 EUR	2016 EUR
Revenue	(16)	326.594.586,70	336.272.790,89
Other own work capitalised	(17)	637.633,56	708.957,79
Other operating income	(18)	6.004.181,03	5.238.919,14
Cost of materials	(19)	-71.187.543,13	-71.881.069,32
Personnel costs	(20)	-89.429.662,73	-90.255.366,79
Depreciation and amortisation of intangible assets and property, plant and equipment	(21)	-13.367.313,34	-13.130.891,43
Other operating expenses	(22)	-126.668.693,23	-130.214.964,36
Operating profit		32.583.188,86	36.738.375,92
Interest and similar expenses	(23)	-299.439,71	-374.157,07
Interest income	(23)	398.849,56	437.021,13
Financial result	(23)	99.409,85	62.864,06
Earnings before taxes (EBIT)		32.682.598,71	36.801.239,98
Income taxes	(24)	-11.014.639,01	-12.774.868,34
Net profit after taxes		21.667.959,70	24.026.371,64
Appropriation of profits to shareholders of the parent company		21.667.959,70	24.026.371,64
Earnings per share	(25)		
Basic		2,75	3,05
Diluted		2,75	3,05

Bijou Brigitte modische Accessoires Aktiengesellschaft, Hamburg

Consolidated statement of comprehensive income
for the financial year 1 January to 31 December 2017

	Notes	2017 EUR	2016 EUR
Group earnings		**21.667.959,70**	**24.026.371,64**
Amounts that will be transferred to the income statement in the future			
Hedging of cash flows			
Realised earnings from the disposal of financial assets	(11)	0,00	0,00
Unrealised earnings from the measurement of financial assets	(11)	0,00	0,00
Currency translation differences	(11)	-771.668,24	1.054.196,75
Other income		**-771.668,24**	**1.054.196,75**
Total Group earnings		**20.896.291,46**	**25.080.568,39**
Total Group earnings attributable to			
shareholders of the parent company		20.896.291,46	25.080.568,39

Bijou Brigitte modische Accessoires Aktiengesellschaft, Hamburg

Consolidated cash flow statement for 2016 and 2017

	2017 TEUR	2016 TEUR
1. Cash flow from operating activities		
Net profit after taxes	21.668	24.026
Income tax expense (+)	11.015	12.775
Amortisation and depreciation (+) of fixed assets (+)	13.367	13.131
Financial result	-99	-63
Other non-cash expenses and income	531	-357
Income taxes paid (–)	-8.262	-14.733
Cash inflows from interest (+)	334	365
Earnings from the disposal of fixed assets	684	609
Change in provisions	-26	4
Change in inventories, trade receivables and other assets	1.860	1.243
Change in trade payables and other liabilities	-864	1.318
Cash flow from operating activities	40.208	38.318
2. Cash flow from investing activities		
Proceeds from the disposal of intangible assets and property, plant and equipment	74	107
Cash outflows (–) for investments in property, plant and equipment	-11.003	-15.906
Cash outflows (–) for investments in intangible assets	-599	-1.348
Cash flow from investing activities	-11.528	-17.147
3. Cash flow from financing activities		
Cash outflows (–) for the payment of dividends by Bijou Brigitte AG	-23.655	-23.655
Cash outflows (–) for interest	-108	-120
Cash flow from financing activities	-23.763	-23.775
4. Cash and cash equivalents at the end of the period		
Changes in cash and cash equivalents		
Cash and cash equivalents (subtotal of 1–3)	4.917	-2.604
Exchange rate differences	-1.546	1.284
Cash and cash equivalents at the start of the period	141.899	143.219
Cash and cash equivalents at the end of the period	145.270	141.899
5. Composition of cash and cash equivalents		
Cash and cash equivalents	145.270	141.899

Bijou Brigitte modische Accessoires Aktiengesellschaft, Hamburg

Consolidated statement of changes in equity for 2016 and 2017

	Subscribed capital TEUR	Capital reserve TEUR	Retained earnings TEUR	Treasury shares TEUR	Foreign currency translation reserve TEUR	Group equity earned TEUR	Total TEUR
As of 1.1.2016	8.100	3.579	40.247	-16.191	87	204.990	240.812
Group earnings	0	0	0	0	0	24.026	24.026
Other income	0	0	0	0	1.054	0	1.054
Total earnings	0	0	0	0	1.054	24.026	25.080
Dividends	0	0	0	0	0	-23.655	-23.655
As of 31.12.2016	8.100	3.579	40.247	-16.191	1.141	205.361	242.237
As of 1.1.2017	8.100	3.579	40.247	-16.191	1.141	205.361	242.237
Group earnings	0	0	0	0	0	21.668	21.668
Other income	0	0	0	0	-772	0	-772
Total earnings	0	0	0	0	-772	21.668	20.896
Dividends	0	0	0	0	0	-23.655	-23.655
As of 31.12.2017	8.100	3.579	40.247	-16.191	369	203.374	239.478

Bijou Brigitte modische Accessoires Aktiengesellschaft, Hamburg

Notes to the Consolidated Financial Statements for 2017

A. Purpose of business

Bijou Brigitte modische Accessoires Aktiengesellschaft with registered offices in 22399 Hamburg (Germany), Poppenbütteler Bogen 1, (Bijou Brigitte AG), is recorded in the commercial register of the Hamburg District Court under the number HRB 38204. The name of the company is Bijou Brigitte modische Accessoires Aktiengesellschaft. The current version of the articles of association is dated 4 July 2014. The financial year is the calendar year. The purpose of the company is the manufacture, import and sale of fashion jewellery, gold and silver jewellery, fashion accessories and complementary articles.

B. Accounting principles

Principles

The company's consolidated financial statements as of 31 December 2017 have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and as adopted by the EU, including the International Accounting Standards (IAS) and the statements of the International Financial Reporting Interpretation Committee (IFRIC) and the Standard Interpretations Committee (SIC). During this process, all standards and interpretations to be applied to the 2017 financial year have been considered to the extent that they are relevant for these consolidated financial statements. The comparative figures for the 2016 financial year were determined according to the same principles.

Bijou Brigitte AG applies Section 315e of the German Commercial Code (HGB) and prepares and publishes the consolidated financial statements according to the International Financial Reporting Standards. Furthermore, all additional disclosures and explanations required by German commercial law are published even if they are not mandatory under IFRS.

The consolidated financial statements are prepared in euros (EUR). For the purposes of clarity, the statement of changes in equity and of cash flow, together with their explanations, have been presented in thousands of euros (TEUR).

The consolidated balance sheet has been divided into non-current and current items in accordance with IAS 1.51 ff. The consolidated income statement has been prepared using the total cost method. The composition of individual items in the consolidated balance sheet and consolidated income statement is explained in points C and D of the Notes.

The consolidated financial statements were prepared by the Management Board on 29 March 2018 and submitted to the Supervisory Board for approval at its meeting on 24 April 2018. It was therefore possible for the Supervisory Board to make changes to the consolidated financial statements up until this date.

Newly applicable accounting standards

The following accounting standards were applied for the first time in the 2017 financial year in the form required by the EU:

	Date of application *
Amendments to IAS 7: Statement of Cash Flows: Disclosure initiative	1 January 2017 (endorsed on 6 November 2017)
Amendments to IAS 12: Income Taxes: Recognition of deferred tax assets for unrealised losses	1 January 2017 (endorsed on 6 November 2017)
Annual Improvements 2014–2016 IFRS 12	1 January 2017 (endorsed on 7 February 2018)

* Financial years commencing on or after the given date.

The Amendments to IAS 7 require information to be disclosed that will allow the readers of financial statements to better evaluate changes to liabilities from financing activities.

The purpose of the Amendments to IAS 12 is particularly to clarify accounting for deferred tax claims on unrealised losses for assets measured at fair value, which are currently accounted for using different methods.

The improvement to IFRS 12 makes it clear that the information also applies to shares that fall within the scope of IFRS 5 (with the exception of IFRS 12 B10–B16).

The first-time application of these new regulations or amendments had no effect on the net assets, financial and earnings position of the Bijou Brigitte Group or on the presentation of the financial statements and the disclosures made in the notes to the consolidated financial statements.

The following accounting standards were not applied in the 2017 financial year because they had not yet been or will not be endorsed by the EU:

Standard/Interpretation	**Expected date of application**
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Postponed indefinitely**
IFRS 14: Regulatory Deferral Accounts	None***

** EU endorsement is not yet in place.

*** Will not be endorsed by the EU.

Newly published accounting standards

The following list provides an overview of standards and interpretations published up to 31 December 2017 that do not yet have to be applied by companies in the EU with a financial year-end of 31 December 2017. These standards have not been adopted early. Having reviewed the potential impact, the company does not expect any significant adjustments to the consolidated financial statements from the first-time application of these new standards. With the exception of the application of IFRS 16, the company does not expect the new and amended standards that have been passed but not yet come into force or been adopted by the EU to have any material impact.

Standard/Interpretation	**Expected date of application ***
IFRS 17: Insurance Contracts	1 January 2021**
Amendments to IFRS 9: Prepayment features with negative compensation	1 January 2019**
IFRS 16: Leases	1 January 2019 (endorsed on 31 October 2017)
IFRIC 23: Uncertainty over Income Tax Treatments	1 January 2019**
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	1 January 2019**
Amendments to IFRS 2: Clarification of classification and measurement of share based payment transactions	1 January 2018 (endorsed on 26 February 2018)
Amendments to IFRS 4: Insurance Contracts: different dates of first-time application of IFRS 9	1 January 2018 (endorsed on 3 November 2017)
IFRS 9: Financial Instruments: Classification and Measurement	1 January 2018 (endorsed on 22 November 2016)
IFRS 15: Revenue from Contracts with Customers	1 January 2018 (endorsed on 22 September 2016)
Clarification of IFRS 15: Revenue from Contracts with Customers	1 January 2018 (endorsed on 31 October 2017)
Annual Improvements 2014–2016: Amendments to IFRS 1 and IAS 28	1 January 2018 (endorsed on 7 February 2018)
IFRIC 22: Foreign Currency Transactions and Advance Consideration	1 January 2018**
Amendments to IAS 40: Transfers of Investment Property	1 January 2018**

* Financial years commencing on the given date.

** EU endorsement is not yet in place.

IFRS 16: the new approach to lease accounting

On 13 January 2016, IASB published a new standard on lease accounting with IFRS 16 – Leases. IFRS 16 shall supersede IAS 17 – Leases and the associated interpretations, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives, and SIC-27 Evaluating the Substance of Transactions in the Legal Form of a Lease.

The major changes brought by IFRS 16 relate to accounting by the lessee. Under IFRS 16, a lessee recognises the carrying amount of right-of-use assets and lease liabilities for all leases. This means that the lessee no longer needs to make a distinction between financing and operating leases as required under IAS 17. However, relief options are granted to lessees in respect of short-term leases (less than or equal to twelve months) as well as agreements on low-value assets (under USD 5,000). The regulations for lessor accounting remain largely unchanged.

According to the current review of leases and the materiality analyses conducted, the Bijou Brigitte Group does not have any financial leases that need to be recognised. However, due to material operating lease obligations, applying the new rules on lease accounting will have a material impact on the consolidated financial statements.

Assuming a total of EUR 208 million (see disclosures under operating leases) of rental obligations and assuming that the operating leases will not materially change, the Group's total assets will go up by around 60% to 70% due to an increase in assets as well as current and non-current liabilities. This means that, if the earnings position remains unchanged, the equity ratio will fall by 35% to 45%. Changing the accounting approach will affect the presentation of depreciation and amortisation, other operating expenses and the financial result in the Group's income statement. The exact quantitative effects are currently being examined.

Early adoption of the IFRS 16 rules is not planned. The Group will make the necessary adjustments as of 1 January 2019, applying the modified retrospective methods.

Room for discretion and estimates

The preparation of the consolidated financial statements using the Group accounting guidelines requires management to assess facts, estimates and assumptions that may have an effect on the value of assets, liabilities and financial obligations as of the balance sheet date as well as on income and expenses in the financial year. Although these estimates and assumptions have been made with the greatest of diligence on the basis of past experience and all available information, the actual results may vary.

Assumptions underpinning the estimates are subject to regular evaluation. Changes to estimates are made appropriate to the period.

Property, plant and equipment and intangible assets:
When measuring property, plant and equipment and intangible assets, the expected useful life of the asset needs to be estimated. Management uses past experience and its own judgement to determine the fair value of assets, as well as the useful lives of assets.

The Group assesses the estimated useful lives of property, plant and equipment on every balance sheet date. There was no cause for the management to make changes to the useful lives of any assets in the year under review.

When determining the impairment of property, plant and equipment and of intangible assets, estimates are also made with regard to the cause, timing and amount of the impairment.
(For further details on accounting and valuation guidelines, see carrying amounts, point C. 1 and C.2.)

Inventories:
Inventories are measured by estimating whether the carrying amounts exceed the net realisable values. These future net realisable values are estimated by assessing the future demand and price development, as well as the available inventory quantities.

Income taxes:
Income taxes are to be estimated for each tax jurisdiction in which the Group does business. In the process, the expected actual income tax for each taxable entity is to be calculated. Management must use its own judgement when calculating actual and deferred taxes. Deferred tax assets are carried to the extent that their use is probable.
(For further details on accounting and valuation guidelines, see carrying amounts, point C. 4, 12 and 24.)

Provisions:
Recognition and valuation of provisions in connection with pending litigation or other outstanding claims are linked to estimates made by management. The carrying amounts reported in the balance sheet are the result of the respective assumptions and estimates applied.
(For further details on accounting and valuation guidelines, see carrying amounts, point C. 13.)

Scope of consolidation and consolidation methods

The scope of consolidation includes the following companies:

Parent company:
- Bijou Brigitte modische Accessoires Aktiengesellschaft, Hamburg

Subsidiaries:
- Bijou Brigitte modische Accessoires Ges. mbH, Vienna
- Fashion Dream Limited, Hong Kong
- “Senso di Donna” Vertriebs GmbH, Hamburg
- Rubin GmbH, Buxtehude
- Bijou Brigitte Sp.z o.o., Warsaw
- Bijou Brigitte modische Accessoires S.L., Barcelona
- Bijou Brigitte Divatcikk Kereskedelmi Kft., Budapest
- Bijou Brigitte-Acessórios de Moda Unipessoal, Lda., Lisbon
- Bijou Brigitte s.r.o., Prague
- Bijou Brigitte s.r.l., Milan
- Bijou Brigitte Monoprosopi EPE, Athens
- Bijou Brigitte Accessoires de Mode S.A.S., Strasbourg
- Bijou Rubin Lille SARL, Wasquehal (Lille)
- Bijou Rubin Beauvais SARL, Beauvais
- Bijou Rubin Paris SARL, Paris
- Bijou Rubin Limoges SARL, Châtellerault
- Bijou Rubin Bordeaux SARL, Lormont (Bordeaux)
- Bijou Rubin Villefranche SARL, Villefranche

- Bijou Rubin Grenoble SARL, Grenoble
- Bijou Rubin Nimes SARL, Nîmes
- Bijou Rubin Toulouse SARL, Toulouse
- Bijou Rubin Menton SARL, Menton
- Bijou Rubin Calais SARL, Calais
- Bijou Rubin Annecy SARL, Annecy
- Bijou Rubin Angers SARL, Angers
- Bijou Rubin Nantes SARL, Nantes
- Bijou Rubin Rodez SARL, Rodez
- Bijou Rubin Valence SARL, Valence
- Bijou Rubin Mulhouse SARL, Mulhouse
- BIJOU BRIGITTE LIMITED, London
- BIJOU BRIGITTE AB, Stockholm
- Bijou Brigitte Oy, Helsinki
- Bijou Brigitte s.r.o., Trenčín
- Bijou Brigitte UAB, Vilnius
- BIJOU BRIGITTE EOOD, Sofia
- S.C. Bijou Brigitte S.R.L., Roşia/Caşolt
- BIJOU BRIGITTE S.P.R.L., Brussels
- Bijou Brigitte GmbH, St. Gallen
- BIJOU BRIGITTE AS, Oslo
- Yiwu City Tai Ya Jewellery Company LTD., Yiwu
- BIJOU RUBIN S.P.R.L., Brussels
- BIJOU BRIGITTE SARL, Doncols
- Bijou Brigitte SCI, Strasbourg

The scope of consolidation of Bijou Brigitte modische Accessoires AG was reduced by three fully consolidated subsidiaries in 2017. The liquidation of BIJOU BRIGITTE – COMÉRCIO, IMPORTAÇÃO E EXPORTAÇÃO DE ACESSÓRIOS DE MODA LTDA., São Paulo, took place on 30 May 2017, BIJOU BRIGITTE MODA AKSESUAR İTHALAT İHRACAT LİMİTED ŞİRKETİ, Istanbul, on 9 August 2017, and BIJOU BRIGITTE INC., Delaware, on 26 December 2017. The companies were thereby deconsolidated at that point in time.

A fully consolidated company was founded in the 2017 financial year. The newly founded company, BIJOU BRIGITTE SCI (France; see above), was founded by Bijou Brigitte Accessoires de Mode SAS in the course of the financial year and first consolidated on 3 July 2017. As a wholly owned subsidiary of Bijou Brigitte modische Accessoires AG, Bijou Brigitte Accessoires de Mode SAS, Strasbourg, holds 100% of the capital in Bijou Brigitte SCI, Strasbourg.

After closing the only store in Lithuania on 1 July 2017, and the last store in Sweden on 30 December 2017, the decision was taken to close down Bijou Brigitte UAB, Vilnius, and BIJOU BRIGITTE AB, Stockholm. This decision has been initiated. The application to liquidate BIJOU BRIGITTE AS, Oslo, over the course of 2018 has also been filed.

Bijou Brigitte modische Accessoires AG wholly owns every company directly or indirectly. The holdings in which Bijou Brigitte modische Accessoires AG has indirectly and directly invested are BIJOU BRIGITTE S.P.R.L., Brussels, and BIJOU RUBIN S.P.R.L., Brussels. Here, Bijou Brigitte modische Accessoires AG holds 99% of the capital in each company, with Rubin GmbH, Buxtehude, holding the remaining 1% of capital as a wholly owned subsidiary of Bijou Brigitte modische Accessoires AG.

The balance sheet date of Bijou Brigitte modische Accessoires AG and cut-off dates for the financial statements of its subsidiaries is 31 December of the respective calendar year. All financial statements of consolidated companies that are subject to audit were examined by independent auditors or the Group auditor.

Intra-Group profits and losses, sales revenue, expenses and income, as well as receivables and liabilities among consolidated companies and interim results have been eliminated.

Tax accruals were made in accordance with IAS 12 for consolidation events with an effect on profit or loss to the extent that any differences arising should be compensated for again.

The consolidated financial statements are based on the historical cost, restricted by the market valuation of financial assets available for sale as well as financial assets and liabilities that are recognised at fair value through profit or loss.

Accounting methods

Foreign currency translation

The annual financial statements of foreign subsidiaries have been translated into euros in accordance with the principle of functional currency in IAS 21. The functional currency is the national currency of the respective company in question. As a result, currency translation of equity is performed at the historical exchange rate. For the other balance sheet items, the exchange rate at the balance sheet date is used, while the average annual exchange rate is used for income, expenses and the Group result. Differences arising from currency translation are recognised in other income pursuant to IAS 21.

Transactions denominated in a foreign currency are translated using the prevailing exchange rate on the day of the transaction. Any gains or losses arising from the settlement of such transactions as well as from the translation of monetary assets and liabilities are reported in the income statement. These are recognised in other operating income or other operating expenses.

The exchange rates used by the Group to translate foreign currencies are taken from the following table:

		Closing rate 31.12.		**Average exchange rate**	
	1 EUR =	**2017**	**2016**	**2017**	**2016**
Brazil	BRL	3.9733	3.4324	3.6462	3.8014
Bulgaria	BGN	1.9558	1.9558	1.9558	1.9558
China	CNY	7.8017	7.3235	7.6645	7.3430

Hong Kong	HKD	9.3681	8.1891	8.8635	8.5669
United Kingdom	GBP	0.8874	0.8584	0.8764	0.8229
Norway	NOK	9.8280	9.0851	9.3716	9.2673
Poland	PLN	4.1750	4.4197	4.2446	4.3764
Romania	RON	4.6646	4.5320	4.5754	4.4917
Sweden	SEK	9.8340	9.5698	9.6443	9.4727
Switzerland	CHF	1.1698	1.0749	1.1162	1.0913
Czech Republic	CZK	25.585	27.025	26.305	27.041
Turkey	TRY	4.5349	3.7261	4.1407	3.3467
Hungary	HUF	310.030	309.860	309.354	311.741
USA	USD	1.1987	1.0559	1.1370	1.1037

Intangible assets

Intangible assets with determinable useful lives acquired against payment are capitalised at their cost of acquisition, while internally produced intangible assets with determinable useful lives are capitalised at their cost of production if the criteria for capitalisation pursuant to IAS 38 have been fulfilled. No research costs have been incurred, as in the previous year. Amortisation is performed in line with the expected useful life, applying the straight-line method over the following periods:

Purchased software	4–5 years
Internally produced software	3 years
Licences	3–15 years

Amortisation is reported as amortisation of intangible assets. There are no intangible assets with an indefinite useful life.

The expected useful life, together with amortisation methods, are reviewed at the end of each financial year and in case of exceptional events. All prospective changes in estimates are taken into consideration.

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is calculated for each asset using the straight-line method over the planned useful life based on cost.

Useful life has been estimated as follows for the following assets:

Buildings	20–40 years
Grounds	19 years
Technical equipment and machinery	3–10 years
Operating and office equipment	3–20 years

Depreciation and write-downs are reported as depreciation of property, plant and equipment.

Land is not depreciated.

Impairment of non-current assets

In accordance with IAS 36, the Group reviews the carrying amount of its property, plant and equipment and intangible assets as of the balance sheet date in order to determine whether there are grounds for impairment. If such grounds exist, the recoverable amount of the asset is estimated so as to ascertain the size of any potential impairment loss. If the recoverable amount of the asset in question cannot be estimated, then the estimate is based on the recoverable amount of the cash-generating unit (store level) to which the asset belongs.

The recoverable amount is the higher of the net realisable value and the value of the expected cash inflow from the use of the asset. If the estimated recoverable amount of an asset (or cash-generating unit) is lower than the carrying amount, then the carrying amount of the asset (or cash-generating unit) is reduced to the recoverable amount. If, in the course of subsequent periods, the recoverable amount goes up again, then the asset value is restored (with the exception of goodwill) up to the maximum value that would have been reached had no impairment charge been made.

The process of determining the potential need for impairment is based on the present value of the expected cash inflow from the use of assets of a store treated as a cash-generating unit. As a rule, the cash flow projections planned in detail over five years and the subsequent years are discounted by weighted pre-tax interest rates of between 7.1% (previous year: 6.2%) and 9.5% (previous year: 9.3%). These are classified as follows for 2017:

	Weighted pre-tax interest rates
Germany	7.1% (previous year: 6.2%)
Spain	9.1% (previous year: 8.6 %)
Italy	9.5% (previous year: 9.3 %)
Portugal	9.5% (previous year: 9.0 %)
France	8.1% (previous year: 7.3 %)
Eastern Europe	7.8% (previous year: 7.9 %)

The following specific country risk premiums and tax rates were used when calculating impairment so as to take into account the economic differences between the geographical fields of activity of the Group:

	Country risk premium	**Tax rate**
Germany	0.0% (previous year: 0.0%)	29.8% (previous year: 29.7%)
Spain	2.0% (previous year: 2.1 %)	25.0% (previous year: 25.0%)
Italy	2.0% (previous year: 2.1%)	27.9% (previous year: 31.4%)
Portugal	2.6% (previous year: 2.8%)	21.0% (previous year: 21.0%)
France	0.5% (previous year: 0.6%)	33.3% (previous year: 33.3%)
Eastern Europe	1.3% (previous year: 1.5%)	19.0% (previous year: 19.0%)

Financial instruments

Financial instruments are contract-based economic transactions that give rise to both a financial asset for one entity and a financial liability or equity instrument for another entity.
Pursuant to IAS 39, financial instruments fall into the following categories:

- Loans and Receivables
- Financial assets and liabilities measured at fair value through profit or loss
- Financial assets held for sale
- Held-to-maturity investments
- Financial liabilities recognised at amortised cost

Financial instruments are initially recognised at fair value. In the case of financial assets or liabilities that are not carried at fair value through profit or loss, the transaction costs directly attributable to the purchase of the asset or the issuing of the liability are to be included.

Loans and receivables are carried at amortised cost or adjusted if applicable. Loans and receivables include financial assets that arise directly from the provision of cash, goods or services to a debtor. Loans and receivables are then measured at amortised cost using the effective interest method. An impairment charge is made if the carrying amount of the respective financial asset exceeds the present value of its expected cash flow.

Loans and receivables are recognised in non-current assets unless they are due within twelve months of the balance sheet date.

Due to their short maturities, the carrying amounts of financial instruments such as cash, trade receivables and trade payables, as well as the current portion of non-current items, approximately correspond to the fair value of these financial instruments.

Financial assets held for sale are carried at fair value. Increases or decreases in the fair value are recorded in other income in the revaluation reserve, taking account of deferred taxes, until the security has been sold or the need for impairment has been determined. Accumulated gains and losses, previously reported in other income, are then recognised in the income statement for the period. Additions and disposals are carried at the respective value of the trading day.

The Group only derecognises a financial asset if the contractual rights to the cash flow from the financial asset expire or it transfers the financial asset and all of the material opportunities and risks associated with ownership thereof to a third party.

Financial instruments carried at fair value can be classified according to the significance of factors and information upon which their measurement is based and in (measurement) levels. Financial instruments are assigned to a particular level depending on the significance of their input factors for their overall measurement, i.e. to the lowest level that is significant to the measurement as a whole. The measurement levels are broken down hierarchically according to their input factors:

Level 1 – the prices listed in active markets for identical assets or liabilities (adopted without any changes);

Level 2 – input factors not related to the listed prices considered in level 1 that nonetheless can be observed directly (i.e. as price) or indirectly (i.e. derived from prices) for the asset or liability;

Level 3 – factors for the measurement of the asset or liability (non-observable input factors) that are not based on observable market data.

The financial instruments measured at fair value and recognised in the consolidated balance sheet (as well as disclosures on the fair value of financial instruments) are all based on the information and input factors of the aforementioned level 2.

The company does not have any financial assets available for sale and/or financial assets measured at fair value in profit or loss.

Financial assets and liabilities are only netted and reported as a net amount if there is a legal entitlement to netting and the intention is to settle on a net basis or to clear the associated liability by liquidating the asset concerned.

Inventories

Inventories are carried at cost of acquisition, or at the lower net realisable value using the weighted average.

The net realisable value is the estimated revenue attainable in the course of normal business less the estimated necessary costs of sale.

Inventory impairments are recognised in the cost of materials.

Trade receivables

Trade receivables are carried at the original invoice amount, which corresponds to the fair value at the time of recognition. Irrecoverable receivables are written off as soon as the payment default has been determined. These, generally current, receivables are classified as loans and receivables as defined by IAS 39 and measured at amortised cost.

Cash and cash equivalents

This item comprises cash, bank balances on call and other short-term deposits. These are classified as financial instruments under the category of loans and receivables.

Equity

Borrowed capital and equity instruments are classified as financial liabilities or equity depending on the economic conditions of the contractual agreement.

An equity instrument is a contract that provides the basis for a residual claim to the assets of an entity once all associated liabilities have been deducted. Equity instruments are recorded as proceeds received less direct issue costs.

When Bijou Brigitte AG acquires its own shares, the consideration paid (including the attributable transaction costs) are deducted from equity (cost method). If such shares are sold again later, the consideration received is added to equity again with due attention being paid to income tax effects.

Financial liabilities

Financial liabilities are first recognised at fair value less transaction costs. In the course of subsequent measurements, financial liabilities are carried at amortised cost using the effective interest method. Financial liabilities are derecognised when settled.

Taxation

Income tax expense represents the sum of current tax expense and deferred taxes.

Current taxes

Current tax expense is determined on the basis of the taxable income for the year. Taxable income differs from the Group result reported in the consolidated income statement, as this excludes expenses and income that are not or never will be taxable or tax-deductible in future years. Group liability for current taxes is calculated using the tax rates applicable as of the balance sheet date.

Judgements regarding the ability to realise uncertain tax items and future tax relief are based on assumptions and estimations. An asset or a liability arising from a tax risk item is recognised in accordance with IAS 12 if payment or reimbursement for the tax risk is likely. The uncertain tax item is measured at its expected value.

Deferred taxes

Deferred taxes are recognised according to the liability method for temporary differences, which arise from the differences between the carrying amount of assets and liabilities in the IFRS financial statements and their tax carrying amount. Furthermore, deferred tax assets are accrued on future usable tax losses.

Deferred tax claims and liabilities are determined on the basis of the expected tax rates (and tax laws) that will probably apply when the debt is satisfied or the asset is recovered. The measurement of deferred tax claims and liabilities reflects the tax consequences that would arise from the manner in which the Group expects to satisfy the liability or to realise the asset as of the balance sheet date.

Deferred tax liabilities that arise from temporary differences relating to investments in subsidiaries are recognised unless the time at which the temporary differences are reversed can be determined by the Group and it is likely that the temporary differences will not reverse in the foreseeable future due to this influence.

The carrying amount of deferred tax claims is reviewed annually on the balance sheet date and reduced if it is no longer likely that sufficient taxable income is available to realise the claim in whole or in part. Deferred tax assets are therefore only carried in the amount of expected future taxable income to offset temporary differences or to make use of available tax losses.

Deferred tax claims and liabilities are offset if there is an enforceable right to offset current tax claims against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Group intends to settle its current tax claims and tax liabilities at net.

Current and deferred taxes are recognised as expense or income through profit or loss unless they are related to items that were recognised in other income.

Provisions

Provisions are carried if the Group has a statutory or de facto obligation arising from past events, the fulfilment of which will probably give rise to an outflow of funds. If the management expects that a payment obligation will be reimbursed by a third party, for instance in the case of an insurance policy, the reimbursement claim is carried as a distinct asset and is recognised as other operating income, as long as the reimbursement is all but assured.

The amount of the provision created is based on the best estimate on the balance sheet date for the payments to be rendered, taking into account the risks and uncertainties surrounding the fulfilment of current obligations.

Non-current provisions are discounted and carried at the present value of the expected expenses.

Income recognition

The Group operates a chain of retail stores that sell fashion jewellery and fashionable accessories. Revenue is recorded when a Group company or concession partner sells merchandise to an end consumer. Revenue from the sale of merchandise over the internet to end consumers is recorded at the time the risks and opportunities associated with the merchandise are transferred to the customer, hence at delivery. Transactions are settled by bank transfer, credit card or debit card. Revenue is recognised less all sales reductions, excluding excise duties and after intra-Group sales have been eliminated.
The Group does not operate a customer loyalty programme.
Interest is recognised in the period in which it accrued.

Interest on borrowed capital

Interest on borrowed capital is recognised directly as an expense, provided that no qualifying assets as defined by IAS 23 are present for which interest on borrowed capital is to be capitalised.

Given that the Group is entirely financed by its own funds, with the exception of a liability arising solely from a long-term rental agreement, there are no interest expenses incurred that have to be attributed and capitalised when recognising qualifying assets, as in the previous year.

Leasing

Bijou Brigitte AG only has operating leases. Contracts are primarily for the rental of office space. Lease payments arising from operating leases are recognised over the duration of the leasing agreement, applying the straight-line method, unless another systematic basis more closely reflects the useful life for the lessee. Conditional lease payments are recognised as expenses in the period in which they are incurred.

C. Notes to the consolidated balance sheet

(1) Intangible assets

Intangible assets are valued at acquisition cost less straight-line amortisation over the expected useful life. The carrying amounts of intangible assets as of the balance sheet date may be taken from the following table:

	Licences TEUR	Purchased software TEUR	Internally produced software TEUR	Total TEUR
Cost 1.1.2016	**12,314**	**2,320**	**1,787**	**16,421**
Currency translation differences	0	0	0	0
Additions	1,309	39	0	1,348
Disposals	-666	-961	0	-1,627
Cost 31.12.2016	**12,957**	**1,398**	**1,787**	**16,142**
Accumulated amortisation 1.1.2016	**10,509**	**1,810**	**1,713**	**14,032**
Amortisation				
Additions	624	189	28	841
Disposals	-664	-960	0	-1,624
Impairment	32	0	0	32
Accumulated amortisation 31.12.2016	**10,501**	**1,039**	**1,741**	**13,281**
Net carrying amount 31.12.2016/1.1.2017	**2,456**	**359**	**46**	**2,861**
Cost 1.1.2017	**12,957**	**1,398**	**1,787**	**16,142**
Currency translation differences	-1	0	0	-1
Additions	322	277	0	599
Disposals	-742	-4	0	-746
Cost 31.12.2017	**12,536**	**1,671**	**1,787**	**15,994**
Accumulated amortisation 1.1.2017	**10,501**	**1,039**	**1,741**	**13,281**
Amortisation				
Additions	567	163	21	751
Disposals	-740	-3	0	-743
Impairment	13	0	0	13
Accumulated amortisation 31.12.2017	**10,341**	**1,199**	**1,762**	**13,302**
Net carrying amount 31.12.2017	**2,195**	**472**	**25**	**2,692**

The impairment of licences in the amount of TEUR 13 (previous year: TEUR 32) relates to stores in which business development did not fulfil original cash flow expectations.

(2) Property, plant and equipment

The carrying amounts of property, plant and equipment as of the balance sheet date may be taken from the following table:

	Land and buildings TEUR	Technical equipment, machinery TEUR	Operating and office equipment TEUR	Plants under construction TEUR	Total TEUR
Cost 1.1.2016	**20,063**	**55**	**110,370**	**327**	**130,815**
Currency translation differences	0	0	-56	0	-56
Additions	0	0	15,604	302	15,906
Disposals	0	0	-12,635	-11	-12,646
Transfers	0	0	259	-259	0
Cost 31.12.2016	**20,063**	**55**	**113,542**	**359**	**134,019**
Accumulated depreciation 1.1.2016	**6,122**	**51**	**70,112**	**0**	**76,285**
Depreciation Additions	514	2	10,742	0	11,258
Disposals	0	0	-11,935	0	-11,935
Write-downs	0	0	999	0	999
Accumulated depreciation 31.12.2016	**6,636**	**53**	**69,918**	**0**	**76,607**
Net carrying amount 31.12.2016/1.1.2017	**13,427**	**2**	**43,624**	**359**	**57,412**
Cost 1.1.2017	**20,063**	**55**	**113,542**	**359**	**134,019**
Currency translation differences	0	0	115	0	115
Additions	357	0	10,548	98	11,003
Disposals	0	-27	-12,354	-17	-12,398
Transfers	0	0	273	-273	0
Cost 31.12.2017	**20,420**	**28**	**112,124**	**167**	**132,739**
Accumulated depreciation 1.1.2017	**6,636**	**53**	**69,918**	**0**	**76,607**
Depreciation Additions	519	1	10,618	0	11,138
Disposals	0	-27	-11,617	0	-11,644
Write-downs	0	0	1,465	0	1,465
Accumulated depreciation 31.12.2017	**7,155**	**27**	**70,384**	**0**	**77,566**
Net carrying amount 31.12.2017	**13,265**	**1**	**41,740**	**167**	**55,173**

The impairment of operating and office equipment in the amount of TEUR 1,465 (previous year: TEUR 999) relates to stores in which business development did not fulfil original cash flow expectations.

Impairment related to the segments as follows:

	2017	2016
	TEUR	TEUR
Germany	698	42
Spain	128	180
Italy	88	250
Portugal	0	11
Other countries	551	516

(3) Non-current financial assets

	2017	2016
	EUR	EUR
Rent deposits paid	2,696,880.64	2,566,426.98

This balance sheet item is only used to report long-term deposits paid, in particular rental deposits. These serve to secure rental agreements and were discounted at an interest rate of 2.1% (previous year: 2.1%) until expiration of the respective lease.

(4) Deferred taxes

Deferred tax assets and liabilities are measured according to IAS 12. Deferred taxes are calculated for all temporary differences between the balance sheet and tax carrying amounts, from consolidation measures and for realisable loss carryforwards. The calculation of deferred taxes is based on the expected tax rates in the countries at the time of realisation. The domestic deferred tax assets and liabilities were calculated using an income tax rate of 31.6% as in the previous year. Tax rates of between 10.0% and 34.0% were applied for foreign taxes, as in the previous year.

Development of deferred taxes (net amount of deferred tax liabilities after the deduction of deferred tax assets):

	2017 EUR	2016 EUR
As of 1 January (deferred tax assets)	-1,714,492.09	-2,179,380.86
Currency translation differences	-7,910.71	6,832.32
Deferred taxes recognised in the income statement	725,498.33	458,056.45
of which temporary differences	*136,348.06*	*-95,524.36*
of which loss carryforwards	*589,150.27*	*553,580.81*
As of 31 December (deferred tax assets)	-996,904.47	-1,714,492.09

Deferred tax assets and liabilities are netted if there is a legal set-off claim for actual tax receivables and liabilities and the deferred taxes are due to the same tax authority.
The change in deferred taxes arising from currency translation differences was recorded as TEUR 8 (previous year: TEUR 7) in other income.

The deferred tax assets and liabilities are distributed among the following balance sheet items:

	2017		2016	
	Assets EUR	Liabilities EUR	Assets EUR	Liabilities EUR
Intangible assets	578,209.81	106,335.47	501,436.63	183,338.63
Property, plant and equipment	642,893.67	1,326,584.74	849,805.29	1,772,483.16
Inventories	876,992.11	1,709,638.18	1,379,694.94	1,682,207.60
Receivables	0.00	3,473.80	0.00	3,726.44
Non-current financial assets	51,755.65	0.00	53,107.59	0.00
Cash and cash equivalents	0.00	14,210.01	0.00	130,896.79
Provisions	1,608,563.08	38,978.33	1,715,376.42	46,860.23
Trade payables				
Other liabilities	0.00	12,706.19	0.00	0.00
	4,983.07	0.00	0.00	0.00
Loss carryforwards	445,433.80	0.00	1,034,584.07	0.00
	4,208,831.19	3,211,926.72	5,534,004.94	3,819,512.85
Netting	-2,070,630.84	-2,070,630.84	-2,600,021.13	-2,600,021.13
Carrying amount	2,138,200.35	1,141,295.88	2,933,983.81	1,219,491.72

Deferred tax assets are considered for tax loss carryforwards to the extent that their utilisation for future taxable income is probable. As of the balance sheet date, the Group had TEUR 1,896 from tax loss carryforwards (previous year: TEUR 4,588), for which deferred tax assets were accrued. The usefulness of tax loss carryforwards is based on the general earnings development of the regions concerned. The planning calculation is based on a time horizon of five years.

Loss carryforwards for which no deferred taxes were accrued amount to TEUR 11,202 (previous year: TEUR 12,163). These loss carryforwards are indefinite or can be used between 2018 and 2026. As the liquidation of BIJOU BRIGITTE AB, Stockholm, and BIJOU BRIGITTE AS, Oslo, has been decided, the loss carryforwards of these two companies are no longer taken into consideration in the deferred taxes.

Deferred tax assets of TEUR 1,289 are expected to be realised in the course of the coming financial year (previous year: TEUR 1,863), while TEUR 1,779 of deferred tax liabilities are expected to be realised (previous year: TEUR 1,863).

No deferred tax liabilities were carried for temporary differences in connection with shareholdings in subsidiaries totalling TEUR 7,621 (previous year: TEUR 7,624) since it is unlikely that these temporary differences will reverse in the foreseeable future.

(5) Inventories

Inventories are classified as follows:

	2017 EUR	2016 EUR
Raw materials, consumables and supplies	3,304,030.28	3,319,388.79
Merchandise	52,664,668.57	54,340,357.18
	55,968,698.85	57,659,745.97

Furthermore, there are advance payments on inventories in the amount of TEUR 36 (previous year: TEUR 22). These are reported under other current receivables. Total impairment of the net realisable value of the inventories amounts to TEUR 2,680 (previous year: TEUR 2,027).

(6) Trade receivables

	2017 EUR	2016 EUR
Trade receivables	2,039,510.99	2,275,336.11
Value adjustments	-80,293.21	-215,348.92
	1,959,217.78	2,059,987.19

The value adjustments relate to receivables that are probably uncollectible. All trade receivables were due within one year.

Value adjustments on trade receivables have developed as follows:

	2017 EUR	2016 EUR
As of the beginning of the year	215,348.92	180,342.24
Additions (expenses for value adjustments)	614.32	35,173.33
Utilisation	-134,431.26	0.00
Reversals	-1,238.77	-166.65
As of the end of the year	80,293.21	215,348.92

Expenses and income from value adjustments are recognised under other operating expenses or income.

There is no concentration of credit risk, which means that it is not necessary to take any risk precautions beyond the value adjustments already made.

(7) Tax receivables

Tax receivables relate to income taxes.

(8) Other financial assets

	2017 EUR	2016 EUR
Other receivables due from third parties	3,836,523.36	3,754,136.21

Other receivables due from third parties are only current and consist largely of cash in transit, receivables from credit card transactions, credit from ancillary rental costs and deposits to be paid within one year.

(9) Other current receivables

	2017 EUR	2016 EUR
Other tax receivables	102,553.63	294,775.75
Accrued income	1,667,675.95	1,779,057.53
Advance payments on inventories	36,431.08	22,241.86
	1,806,660.66	2,096,075.14

Other tax receivables comprise tax refund claims on advance tax payments rendered (TEUR 57; previous year: TEUR 190) and deductible input tax in the subsequent year (TEUR 46; previous year: TEUR 105).

(10) Cash and cash equivalents

	2017 EUR	2016 EUR
Current accounts and cash on hand	56,055,284.24	43,213,347.72
Call money	16,165,819.10	16,233,921.26
Short-term fixed deposits	73,049,248.09	82,451,368.42
	145,270,351.43	141,898,637.40

Short-term fixed deposits include financial securities originally due within three months. All cash and cash equivalents also represent the cash equivalents relevant to the cash flow statement as defined by IAS 7.

(11) Equity

The individual equity components and their changes are shown in the consolidated statement of changes in equity.

The Group manages its equity structure with the aim of being able to function independently of the capital market. The aim continues to be to achieve a high equity ratio of between 80% and 90%. In the 2017 financial year, the equity ratio was 86.9%. The capital structure is reviewed twice a year. In doing so, it is ensured that all Group companies can generate sustainable cash surpluses and operate on the basis of being a going concern. The Group's overall strategy has not changed compared with the previous year.

The Group is not subject to any minimum capital requirements.

Subscribed capital

The subscribed capital of Bijou Brigitte modische Accessoires AG remains unchanged at EUR 8,100,000.00. It is divided into 8,100,000 non-par common shares. The subscribed capital has been fully paid in.

Pursuant to the resolution of the Annual General Meeting on 2 July 2014, the Management Board is authorised, with the consent of the Supervisory Board, to increase the share capital of the company by up to EUR 4 million, in one or more stages, by issuing up to 4,000,000 new non-par bearer shares in return for cash and/or contributions in kind in the period until 1 July 2019.

A resolution by the Annual General Meeting on 2 July 2014 authorised the Management Board, with the consent of the Supervisory Board, to purchase own shares in the company up to a total of ten per cent of the company's share capital at the time of this resolution (this being EUR 8.1 million) or, if this amount is lower, the share capital existing at the time the authorisation is exercised. These treasury shares may be utilised for any legally permissible purpose. This authorisation is valid until 1 July 2019.

The company held 214,884 common shares (previous year: 214,884 common shares) on the balance sheet date. This corresponds to a 2.65% share of the subscribed capital (previous year: 2.65%). The costs of acquisition totalled TEUR 16,191 (previous year: TEUR 16,191) and have been deducted from equity as treasury shares.

	in shares
Shares issued as of 1 January 2016	7,885,116
Shares repurchased and not cancelled in the course of the share buy-back programme in the 2016 financial year	0
Shares issued as of 31 December 2016/1 January 2017	7,885,116
Shares repurchased and not cancelled in the course of the share buy-back programme in the 2017 financial year	0
Shares issued as of 31 December 2017	7,885,116

Reserves

The **capital reserve** pertains to the premium of TEUR 3,579 (previous year: TEUR 3,579) arising from the capital increase in the nominal amount of TEUR 511 in 1989.

The **foreign currency translation reserve** includes all currency differences arising from the translation of the annual financial statements of foreign subsidiaries whose functional currency is not the euro.

Currency translation differences are broken down by country as follows:

Country	2017	2016
	TEUR	TEUR
Hong Kong	1,163	2,930
Hungary	-843	-841
Poland	-599	-1,014
United Kingdom	321	102
USA	0	-136
Turkey	0	163
China	-44	-36
Norway	93	-18
Czech Republic	326	25
Sweden	-34	-24
Other countries	-14	-10
Total	369	1,141

(12) Deferred tax liabilities

See point 4.

(13) Provisions

	Provisions for stores EUR	Provisions for personnel EUR	Other Provisions EUR	Total EUR
As of 1 January 2017	5,349,708.38	868,557.59	387,802.50	6,606,068.47
Currency translation	20,225.24	0.00	1,878.49	22,103.73
Additions not recognised in the income statement	164,192.68	0.00	0.00	164,192.68
Additions	274,405.90	178,016.31	170,891.01	623,313.22
Additions due to compounding	135,317.69	0.00	0.00	135,317.69
Reversals	-115,319.92	-215,162.30	-40,055.13	-371,537.35
Utilisation	-374,386.95	-75,291.21	-149,635.88	-599,314.04
As of 31 December 2017	5,454,143.02	755,120.39	370,880.99	6,580,144.40

Provisions are classified according to when they are likely to be utilised:

	2017	2016
	EUR	EUR
More than one year	4,386,337.12	4,369,761.05
Within one year	2,193,807.28	2,236,307.42
	6,580,144.40	6,606,068.47

The additions to provisions include interest in the amount of TEUR 135 (previous year: TEUR 174) for the stores. Provisions to be utilised after one year relate solely to obligations to restore store space to its original condition. The current component of this provision amounts to TEUR 605 (previous year: TEUR 690).

Provisions for stores

Provisions for stores mainly consist of existing obligations from rental index adjustments, ancillary rental costs and costs associated with store closures. Provisions for rental index adjustments and ancillary rental costs are quantified on the basis of past experience of additional demands in previous years. The costs associated with store closures are calculated using estimates based on the cost of restoring shop floor space to its original condition and taking account of past experience. Provisions for restoring store space to its original condition are capitalised with no effect on profit or loss as part of the cost of acquisition of the relevant assets.

The timing or amount of the definitive costs incurred by a store closing is unknown. An average residual lease term of eight years is assumed.

Provisions for personnel

Provisions for personnel primarily comprise obligations for compensation to be paid for personnel leaving the company, the timing of which cannot be anticipated.

Other provisions

Other provisions mainly include costs for ongoing litigation and compensation claims, the occurrence of which cannot be anticipated.

(14) Tax liabilities

Tax liabilities relate to income taxes.

(15) Trade payables, other financial liabilities and other current liabilities

	2017 EUR	2016 EUR
Trade payables	10,033,464.83	9,263,744.64
Other financial liabilities	6,512,746.02	7,384,793.00
Tax liabilities for other taxes	6,089,785.74	6,711,699.98
Other liabilities for social security	2,084,346.87	2,123,872.40
Advance payments received	3,337,816.39	3,438,022.67
Other current liabilities	11,511,949.00	12,273,595.05
	28,058,159.85	28,922,132.69

Other financial liabilities consist mainly of liabilities for personnel in the amount of TEUR 3,543 (previous year: TEUR 3,899), for bonuses and commissions in the amount of TEUR 574 (previous year: TEUR 630) and for outstanding invoices, in particular for space and energy costs, and the preparation and audit of the financial statements in the amount of TEUR 2,186 (previous year: TEUR 2,638). They are due in less than one year.

D. Notes to the consolidated income statement

(16) Revenue / segment reporting

The breakdown of revenue is shown in segment reporting. Segment reporting (see page 42) conforms with the provisions of IFRS 8 and is therefore prepared using the “management approach”. Internal reporting is based on segmentation by country.

(17) Other own work capitalised

The amount results primarily from the capitalisation of own work in expanding stores. This is recognised in property, plant and equipment under “Other equipment, operating and office equipment”.

(18) Other operating income

	2017 EUR	2016 EUR
Exchange rate gains	1,465,598.19	758,972.22
Income from damage compensation	724,348.20	635,811.04
Income from rental allowances	67,627.52	294,638.54
Income from state subsidies	479,379.19	483,716.22
Income from the reversal of advance payments received	504,754.73	442,467.18
Income from the reversal of provisions	371,537.35	567,081.16
Income from the disposal of property, plant and equipment	69,784.12	76,357.40
Income from rent	704,434.51	830,147.67
Income from deconsolidation	376,067.94	0.00
Other operating income	1,240,649.28	1,149,727.71
	6,004,181.03	5,238,919.14

The exchange rate gains in the amount of TEUR 1,473 (previous year: TEUR 583) relate to financial liabilities measured at amortised cost.

(19) Cost of materials

	2017 EUR	2016 EUR
Expenses for services purchased	7,826.44	15,311.23
Expenses for goods purchased	71,179,716.69	71,865,758.09
	71,187,543.13	71,881,069.32

(20) Personnel costs

	2017 EUR	2016 EUR
Wages and salaries	72,086,766.10	72,683,831.99
Social security contributions	17,342,896.63	17,571,534.80
	89,429,662.73	90,255,366.79

Social security contributions contain expenses in the amount of TEUR 6,640 (previous year: TEUR 6,750) for pension schemes. The employer contribution rate to the statutory pension insurance in Germany amounted to 9.35% of the gross wage (previous year: 9.35%).

An average of 4,668 (previous year: 4,779) people were employed over the year; this corresponds to 2,933 (previous year: 2,994) full-time equivalents. Of these employees, 1,593 (previous year: 1,623) work in Germany. In accordance with the 1991 OECD directive on the publication duties of multinational companies, by which the purpose of disclosing the number of employees is to give a full and fair view of the actual employment situation, the number of employees was converted to full-time equivalents.

	2017	2016
Administration, shipment, shopfitting, production	533	524
Sales in Germany	430	440
Sales abroad	1,970	2,030
	2,933	2,994

(21) Depreciation and amortisation of intangible assets and property, plant and equipment

Depreciation, amortisation and impairment can be taken from points 1 and 2. Depreciation, amortisation and impairment are distributed across the individual geographical regions as presented in segment reporting (page 45).

In the case of assets carried on the balance sheet as of 31 December 2017, an impairment and depreciation need of TEUR 1,478 (previous year: TEUR 1,031), broken down into TEUR 13 (previous year: TEUR 32) for intangible assets and TEUR 1,465 (previous year: TEUR 999) for property, plant and equipment, was calculated and recognised in the income statement as impairment and depreciation of intangible assets and property, plant and equipment.

(22) Other operating expenses

	2017 EUR	2016 EUR
Occupancy costs	64,606,475.38	67,242,712.76
Commission on sales	29,840,011.79	30,248,505.05
Maintenance and repairs	2,440,478.81	2,500,774.25
Bank and consultancy fees	7,870,920.67	7,740,949.07
Costs of delivering goods and packaging	3,967,685.06	3,821,519.73
Advertising and decoration expenses	3,614,073.50	3,977,791.32
Postage and telephone	1,453,542.87	1,476,739.43
Travel and entertainment costs	2,133,652.07	1,818,398.69
Exchange rate losses	2,199,306.11	2,115,282.72
Fees and dues	185,524.37	244,490.07
Accounting losses from the disposal of assets	753,918.99	685,505.75
Insurance	410,650.30	444,555.89
Other operating expenses	7,192,453.31	7,897,739.63
	126,668,693.23	130,214,964.36

Other operating expenses primarily comprise costs for leased personnel, broker commission, operating taxes, vehicles, office and operating supplies as well as third-party services.

The exchange rate losses in the amount of TEUR 1,799 (previous year: TEUR 2,034) relate to financial liabilities measured at amortised cost.

(23) Financial result

	2017 EUR	2016 EUR
Interest and similar expenses	-108,017.06	-119,687.57
Interest expenses on operating taxes	-1,309.93	-355.00
Discounting of non-current receivables	-54,795.03	-79,697.95
Accrual of non-current provisions	-135,317.69	-174,416.55
	-299,439.71	-374,157.07
Interest income	398,849.56	437,021.13
Financial result	99,409.85	62,864.06

Commissions totalling TEUR 107 (previous year: TEUR 113) were spent on sureties.

(24) Income taxes

Income taxes reported include the actual taxes paid or owed in individual countries as well as deferred taxes.

	2017 EUR	2016 EUR
Actual tax expense	10,289,140.68	12,316,811.89
Deferred tax expense (see point 4)	725,498.33	458,056.45
Recognised income tax expense	11,014,639.01	12,774,868.34

Reconciliation of expected with reported income tax expense:

	2017 EUR	2016 EUR
Group earnings before income taxes	32,682,598.71	36,801,239.98
Expected tax expense of 31.6% (2015: 31.6%)	10,327,701.19	11,629,191.83
Tax decreases due to tax-exempt income	-674,495.30	-676,006.83
Tax increases due to non-tax-deductible expenses	1,620,059.50	2.309,979.21
Impact of differences in national tax rates	-768,087.21	-481,355.68
Other effects	319,710.29	124,492.91
Taxes for previous years	189,750.54	-131,433.10
Recognised income tax expense	11,014,639.01	12,774,868.34

As in the previous year, a total tax rate of 31.6% was used to determine the expected tax rate in the 2017 financial year. This tax rate is composed of the corporate income tax rate (15%), the solidarity surcharge (5.5% of corporate income tax) and the average trade tax rate for the locations of Bijou Brigitte AG (15.8%).

(25) Earnings per share

Earnings per share were calculated in accordance with IAS 33.

In order to maintain the basic earnings per share, the result for the period to which the shareholder is entitled is divided by the number (weighted average) of common shares in circulation during the year. Shares held by the company reduce the number of outstanding shares. As of 31 December 2017, the average number of outstanding shares came to 7,885,116 (previous year: 7,885,116 shares). Since there were no warrants or option rights, the diluted earnings per share correspond to the basic earnings per share.

Earnings per share are calculated as follows:

	2017 EUR	2016 EUR
Group earnings	21,667,959.70	24,026,371.64
Group earnings allocable to shareholders	21,667,959.70	24,026,371.64
Common shares entitled to dividends (average)	7,885,116	7,885,116
Earnings per share		
Basic	2.75	3.05
Diluted	2.75	3.05

E. Other notes

Segment reporting

According to IFRS 8, segment reporting is to be prepared in line with the “management approach”. Bijou Brigitte AG considers itself in this regard as a single-product company, where no distinctions are made between product groups, either in sales or in internal reporting, since the customer is offered the entire range as a product. As a result, earnings are geographically segmented in order to provide plausible data and a basis for management to make decisions.

The Group is primarily active in four geographical regions: Germany, Spain, Italy and Portugal. Since the product range, business processes, target groups and sales processes are in essence very similar in the remaining countries, sales countries falling under the Other countries segment, which is subject to reporting, are combined and summarised in accordance with IFRS 8.13 and IFRS 8.16.
The respective segments presented cover all of the activities in a country. External revenue is allocated according to the location of the respective sales markets.

The valuation principles for segment reporting are based on the IFRS used in the consolidated financial statements. Valuation differences between the reported segments and the Group do not arise from the harmonisation of internal and external reporting. Figures are allocated to segments entirely by the accounting units. Earnings in the segments, adjusted for income from investments, correspond to the period result as defined by IFRS 8. Transfer pricing for inter-company sales is determined on the basis of market prices.

Segment investments include additions to intangible assets and property, plant and equipment.

Pursuant to IFRS 8.23, no assets and liabilities were measured for the segments subject to reporting, since such figures were not internally reported to the respective company decision-maker.

Segment reporting 2017

Stated in TEUR	External revenue		Inter-segment revenue		Total revenue		Occupancy and personnel costs		Other operating expenses and income		Depreciation and amortisation		Interest income		Interest expenses		**Segment earnings/Group earnings before taxes**		Income taxes		**Segment profit/Group profit**		Segment investments	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Germany[1]	157.731	163.437	42.213	44.493	199.944	207.930	-64.531	-64.851	-106.541	-112.619	-6.125	-5.706	999	946	-1.652	-1.836	**22.094**	**23.864**	-8.017	-9.504	**14.077**	**14.360**	5.438	4.701
Spain	46.279	47.587	0	0	46.279	47.587	-24.948	-26.331	-17.814	-18.185	-1.521	-1.597	84	131	-69	-105	**2.011**	**1.500**	-490	-349	**1.521**	**1.151**	1.354	3.391
Italy	35.277	37.598	0	0	35.277	37.598	-19.538	-20.386	-12.816	-13.528	-1.347	-1.688	27	56	-31	-36	**1.572**	**2.016**	-566	-690	**1.006**	**1.326**	1.178	2.051
Portugal	10.273	10.388	0	0	10.273	10.388	-4.684	-4.904	-3.816	-3.907	-328	-377	21	37	-22	-24	**1.444**	**1.213**	-541	-286	**903**	**927**	187	441
Other countries	77.035	77.263	0	0	77.035	77.263	-40.339	-41.026	-29.009	-28.850	-4.046	-3.763	132	143	-858	-786	**2.915**	**2.981**	-1.401	-1.946	**1.514**	**1.035**	5.306	7.336
	326.595	336.273	42.213	44.493	368.808	380.766	-154.040	-157.498	-169.996	-177.089	-13.367	-13.131	1.263	1.313	-2.632	-2.787	**30.036**	**31.574**	-11.015	-12.775	**19.021**	**18.799**	13.463	17.920
Consolidation	0	0	-42.213	-44.493	-42.213	-44.493	0	0	43.391	48.184	0	0	-864	-877	2.333	2.413	**2.647**	**5.227**	0	0	**2.647**	**5.227**	-1.861	-666
Total	326.595	336.273	0	0	326.595	336.273	-154.040	-157.498	-126.605	-128.905	-13.367	-13.131	399	436	-299	-374	**32.683**	**36.801**	-11.015	-12.775	**21.668**	**24.026**	11.602	17.254

[1] The Germany segment also includes the purchasing companies in Hong Kong and China.

Revenue is primarily from the sale of merchandise.

The revenue with other segments reported under consolidation is only included in the Germany segment.

Depreciation and amortisation include impairments in the amount of TEUR 698 (previous year: TEUR 42) in the Germany segment, TEUR 128 (previous year: TEUR 180) in the Spain segment, TEUR 88 (previous year: TEUR 250) in the Italy segment, TEUR 0 (previous year: TEUR 11) in the Portugal segment and TEUR 564 (previous year: TEUR 516) in the Other countries segment.

Non-cash-effective segment expenses amount to TEUR 2,962 for the Germany segment (previous year: TEUR 1,752), TEUR 344 for the Spain segment (previous year: TEUR 335), TEUR 318 for the Italy segment (previous year: TEUR 411), TEU 52 for the Portugal segment (previous year: TEUR 47) and TEUR 758 for the Other countries segment (previous year: TEUR 450).

Intangible assets and property, plant and equipment amounted to TEUR 29,639 (previous year: TEUR 32,548) in Germany and to TEUR 28,225 (previous year: TEUR 27,723) abroad. TEUR 6,090 is attributable to the Spain segment (previous year: TEUR 6,313), TEUR 4,945 to the Italy segment (previous year: TEUR 5,191), TEUR 1,089 to the Portugal segment (previous year: TEUR 1,321) and TEUR 16,101 to the Other countries segment (previous year: TEUR 14,898).

Financial instruments

Legend for abbreviations in the following tables

Abbreviation	English	German
LaR	Loans and Receivables	Loans and Receivables
AfS	Available for Sale	Available for Sale
FLAC	Financial Liabilities Measured at Amortised Cost	Financial Liabilities Measured at Amortised Cost

in TEUR	Valuation category pursuant to IAS 39	**Carrying amount 31.12.2017**	**Carrying amount according to IAS 39** Amortised cost	Cost of acquisition	Market value (not affecting income statement)	Market value (affecting income statement)	**Fair value as of 31.12.2017**	**Carrying amount 31.12.2016**	**Carrying amount according to IAS 39** Amortised cost	Cost of acquisition	Market value (not affecting income statement)	Market value (affecting income statement)	**Fair value as of 31.12.2016**
Assets													
Other non-current financial assets	LaR	2.697	2.697				2.697	2.566	2.566				2.566
Trade receivables	LaR	1.959	1.959				1.959	2.060	2.060				2.060
Other financial assets	LaR	3.837	3.837				3.837	3.754	3.754				3.754
Cash and cash equivalents	LaR	145.270	145.270				145.270	141.899	141.899				141.899
Liabilities													
Trade payables	FLAC	10.033	10.033				10.033	9.264	9.264				9.264
Other financial liabilities	FLAC	6.513	6.513				6.513	7.385	7.385				7.385

Most cash and cash equivalents, trade receivables and other financial assets have short residual maturities.
As a result, their carrying amounts as of the balance sheet date approximately correspond to the fair value.

Trade payables and other financial liabilities usually have short residual maturities. For this reason,
the carrying amounts correspond to the fair values.

The total of the carrying amounts in the category LaR amounts to TEUR 153,763 (previous year: TEUR 150,279) and in the category FLAC to TEUR 16,546 (previous year: TEUR 16,649).

Net earnings by valuation category

	2017						2016					
		From subsequent valuation				**Net earnings**		From subsequent valuation				**Net earnings**
in TEUR	From interest	At market value	Currency translation	Impairment	From disposals		From interest	At market value	Currency translation	Impairment	From disposals	
Loans and Receivables (LaR)	344	0	-781	1	0	-436	349	0	175	-35	0	489
Available for Sale (AfS)	0	0	0	0	0	0	0	0	0	0	0	0
Financial Liabilities Measured at Amortised Cost (FLAC)	-1	0	454	0	0	453	-6	0	-1.625	0	0	-1.631
Total	**343**	**0**	**-327**	**1**	**0**	**17**	**343**	**0**	**-1.450**	**-35**	**0**	**-1.142**

The interest from financial instruments is recognised in the financial result and dividends are reported as other operating income.

Net earnings from currency translation and from impairments to trade receivables
are recognised as other operating expenses or income.

The financial result of the valuation category Loans and Receivables (LaR) also includes interest income and expenses from interest accrued and discounted on non-current receivables in the amount of TEUR 10 (previous year: TEUR -16).

In 2017 financial year, the Group did not dispose of any financial assets so that
changes in the value of financial assets available for sale were recognised in the form of impairment losses with no effect on either profit or loss,
as in the previous year.

Financial risk factors

In the course of its normal business operations, the Bijou Brigitte Group is exposed to a number of financial risks such as exchange rate fluctuations, interest and liquidity risks. The risk management system monitors these risks in order to minimise negative effects on Group earnings.

Pursuant to Section 91 (2) of the German Stock Corporation Act (AktG), the Management Board set up a monitoring system so as to identify developments that may endanger the continued existence of the company in a timely fashion. The monitoring system and its organisation cover the entire Group managed by the company.

The company has identified material risks and introduced appropriate monitoring measures.

The monitoring measures are primarily implemented at the head office in Hamburg; the corresponding developments in the subsidiaries are also monitored here. Monitoring mainly involves analysing business assessments, which are updated on a daily basis in some cases. If anything unusual becomes apparent, appropriate measures are taken by the responsible employees to obtain a detailed analysis of the events and to clarify these, locally if necessary.

Measures are monitored directly by members of the Management Board, first-level managers and the internal audit department to ensure the communication of identified risks.

Currency risks

Currency risks as defined by IFRS 7 arise through financial instruments of a monetary nature and denominated in a currency other than one of the functional currencies; exchange rate differences arising from the translation of financial statements into the Group currency are not included.

Exchange rate risks faced by the Bijou Brigitte Group result solely from operational activities.

Individual Group companies primarily perform their daily business in their respective functional currency. For this reason, the exchange rate risk from normal business operations is estimated to be very low. Furthermore, the currencies of foreign subsidiaries are mainly stable and not subject to any significant exchange rate fluctuations. In the event of business transactions processed in currencies subject to substantial exchange rate fluctuations, such as the US dollar, the currency’s performance is continuously monitored and, if necessary, foreign exchange hedges are made. The company does not currently see any need for action.

Currency sensitivity analyses are based on the following assumptions:

All original monetary financial instruments, with the exception of a portion of trade payables, are denominated in functional currencies. As a result, only exchange rate fluctuations for trade payables denominated in US dollars have an impact on earnings and equity. If the euro were to have appreciated (depreciated) by 10% compared with the US dollar as of 31 December 2017, then earnings and equity would have been TEUR 314 higher (lower) (31 December 2016: TEUR 227 higher [lower]).

Interest, default and liquidity risks

Group earnings and operating cash flow are practically free from interest-rate changes and default risks associated with sales. Default risks do not exceed the carrying amounts of financial instruments. Liquidity risks stem primarily from the Group's expansion activities. Risks associated with the Group's expansion are monitored by the Management Board and are currently deemed to be negligible in view of the company's excellent liquidity and equity ratio. Furthermore, the majority of outstanding receivables are attributable to payment transactions with concession partners with a high credit rating. There are therefore usually no payment delays.

Other relevant disclosures can be found in the risk report in the Group management report.

A sensitivity analysis was not performed for reasons of materiality.

Operating leases

Leasing agreements as lessee:

The minimum amount of undiscounted future lease payments from operating leases comes to TEUR 208,404 (previous year: TEUR 220,985).

	<1 year TEUR	1 to 5 years TEUR	>5 years TEUR	Total TEUR
Obligations from leasing agreements 2017	49,995	128,377	30,032	208,404
Obligations from leasing agreements 2016	51,991	131,944	37,050	220,985

Lease agreements generally relate to longer-term continuing obligations from the leasing of retail floor space. The terms of the leases are between three and ten years and sometimes include extension options, sales-related components and price index adjustment clauses.

Other operating expenses include TEUR 53,937 (previous year: TEUR 56,013) for minimum leasing requirements.

Lease payments arising from operating leases are recognised as expenses applying the straight-line method over the duration of the leasing agreement unless another systematic basis more closely reflects the useful life for the lessee. Conditional lease payments as part of an operating lease are recognised as expenses in the period in which they are incurred.

Order commitments

As of the balance sheet date, there is an order commitment in the amount of TEUR 10,633 (previous year: TEUR 13,158). This order commitment relates solely to merchandise. For the most part, the transaction currencies for the order commitment are the functional currencies of the business partners.

Events after the balance sheet date

No events of significance have occurred since the reporting date.

Remuneration of employees in key positions

The total remuneration of Management Board members and other employees in key positions in the departments of finance, HR, IT and sales totalled TEUR 2,778 (previous year: TEUR 2,638). Employees in key positions only receive short-term remuneration.

Transactions with related parties

Parties related to the company include members of the Management and Supervisory Boards as well as their immediate family.

Friedrich-Wilhelm Werner, the company’s founder, chairman of the Management Board until 31 December 2008, company employee since 1 January 2009 and father of the current chairman of the Management Board, Roland Werner, Hamburg, is the company’s majority shareholder with 50.4% (previous year: 50.4%) of the subscribed capital. He is employed in the strategy division for his consulting work for which he receives a salary of two hundred and ninety-six thousand euros.

As overlapping personnel enables Bijou Brigitte AG to exercise significant influence over the board of trustees of the Bijou Brigitte Foundation, established in 2010, the Bijou Brigitte Foundation is also deemed to be a related party. The Group donated a total of TEUR 200 (previous year: TEUR 200) to the foundation in 2017.

Supervisory Board

Dr Friedhelm Steinberg, self-employed lawyer, Hamburg

Chairman

President of the Hamburg Stock Exchange, Hamburg

Member of the following supervisory boards:

- Fondsbörse Deutschland Beteiligungsmakler AG, Hamburg (Chairman)

- BÖAG Börsen AG, Hamburg-Hanover (Chairman)

- Deutsche Zweitmarkt AG, Hamburg (Chairman)

Member of comparable domestic and foreign control committees:

- Exchange Council of Hamburg Stock Exchange, Hamburg (Chairman)

- Medical Chamber Pension Scheme, Hamburg (Member of Supervisory Committee)

- HanseMerkur Holding AG, Hamburg (Member of Advisory Board)

- Ed. Heckewerth Nachf. GmbH & Co. KG, Hiddenhausen (Member of Advisory Board)

- Hamburgische Investitions- und Förderbank, Hamburg (Member of the Advisory Board)

Claus-Matthias Böge, Managing Director of CMB Böge Vermögensverwaltung GmbH, Hamburg

- Deputy Chairman
- Member of the following supervisory boards:
- Hamborner REIT AG, Duisburg

Matthias Ebermann, electrician, head of technical store support at Bijou Brigitte AG, Hamburg

- Employee representative

Management Board

Roland Werner, merchant, Hamburg

Chairman

Member of the supervisory board of Deutsche EuroShop AG, Hamburg

Marc Gabriel, merchant, Hamburg

Member of the Management Board

Jürgen Gödecke, merchant, Drage

Member of the Management Board

Remuneration of the Supervisory and Management Boards

Total remuneration of the Supervisory Board came to TEUR 90 (previous year: TEUR 90) in 2017. Dr Friedhelm Steinberg received TEUR 45 (previous year: TEUR 45), Mr Claus-Matthias Böge received TEUR 30 (previous year: TEUR 30) and Mr Matthias Ebermann received TEUR 15 (previous year: TEUR 15).

Total remuneration of the Management Board in 2017 consisted of a non-performance-based and a performance-based component. Long-term incentive components did not come into effect during the financial year. Total non-performance-based remuneration came to TEUR 1,069 (previous year: TEUR 1,019) in 2017. Total performance-based remuneration came to TEUR 698 (previous year: TEUR 624) in 2017.

On 2 July 2014, the Annual General Meeting resolved as per Sections 286 (5) and 314 (2) (2) of the German Commercial Code (HGB) not to provide the information detailed in Section 285 (9) (a) (5–8) HGB and Section 314 (1) (6) (a) (5–8) HGB concerning individual Management Board members' remuneration in the company's annual and consolidated financial statements for the financial years 2014 to 2018 inclusive.

Advances and loans granted

The Management Board did not receive any advances or loans in 2017.

Auditors' fees

Fees for the auditor (PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Hamburg) amounted to TEUR 143 in the financial year (previous year: TEUR 145). This is made up of the following components:

	2017 TEUR	2016 TEUR
Fees for audit services	143	141
Other consulting services	0	4
	143	145

Dividend per share

With the consent of the Supervisory Board, the Management Board proposes to the Annual General Meeting the distribution of a dividend of EUR 3.00 (previous year: EUR 3.00) per common share for the EUR 8,100,000.00 of share capital entitled to receive dividends in 2017. As a result, total dividend distribution amounts to EUR 24,300,000.00 as in the previous year. The distribution is reduced by the amount of dividends for treasury shares.

This dividend is recognised as a component of equity in the consolidated financial statements. The dividend liability is recognised in the 2018 financial year.

German Corporate Governance Code (Section 161 AktG)

The Management and Supervisory Boards of Bijou Brigitte modische Accessoires Aktiengesellschaft have issued a declaration of conformity pursuant to Section 161 AktG and have made this publicly available on the Bijou Brigitte website www.group.bijou-brigitte.com.

Hamburg, 29 March 2018

Bijou Brigitte modische Accessoires Aktiengesellschaft, Hamburg

The Management Board

Roland Werner	Marc Gabriel	Jürgen Gödecke

INDEPENDENT AUDITORS' REPORT

For Bijou Brigitte modische Accessoires Aktiengesellschaft, Hamburg

AUDIT REPORT FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND GROUP MANAGEMENT REPORT

Audit opinion

We have audited the consolidated financial statements of Bijou Brigitte modische Accessoires Aktiengesellschaft, Hamburg, and its subsidiaries (the Group) – comprising the consolidated balance sheet as of 31 December 2017, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from 1 January until 31 December 2017 as well as the notes to the consolidated financial statements, including a summary of the most important accounting principles. We have also audited the Group management report for Bijou Brigitte modische Accessoires Aktiengesellschaft for the financial year from 1 January to 31 December 2017. In accordance with German regulations, we have not audited the content of the parts of the Group management report listed in the audit report under "Additional information".

In our opinion, based on the findings of our audit,

- the consolidated financial statements in this report comply with all relevant standards of the IFRS, as adopted by the EU, and the additional requirements of German law pursuant to Section 315e (1) of the German Commercial Code (HGB), and give a true and fair view of the Group's net assets, financial and earnings position in accordance with these requirements as of 31 December 2017, as well as the earnings position from 1 January to 31 December 2017, and

- the Group management report contained in this annual report conveys a true picture of the Group's position. The Group management report is consistent with the consolidated financial statements in all material respects, meets all of the requirements under German law and accurately portrays the risks and opportunities of future development. Our audit opinion of the Group management report does not extend to the content of the parts of the Group management report listed under "Additional information".

In accordance with Section 322 (3) (1) of the HGB, we declare that our audit has not led to any reservations regarding the correctness of the consolidated financial statements or the Group management report.

Basis for the audit opinion

We conducted the audit of the consolidated financial statements and the Group management report in accordance with Section 317 of the HGB and the EU Auditor Regulation (No. 537/2014 of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC) and the German standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer [IDW]). Our responsibilities according to these regulations and standards is described in more detail in our audit report under “Responsibility of the auditor in the audit of the consolidated financial statements and the Group management report”. Pursuant to European and German commercial and professional regulations, we are independent from the Group companies and have fulfilled all other German professional obligations in line with these requirements. Pursuant to Article 10 (2) (f) of the EU Auditor Regulation, we also declare that we have not provided any prohibited non-audit services as described in Article 5 (1) of the EU Auditor Regulation. We believe that the audit evidence we have obtained is sufficient and suitable to serve as a basis for our audit opinions of the consolidated financial statements and the Group management report.

Particularly important audit issues in the audit of the consolidated financial statements

Particularly important audit issues consist of issues that, in our professional opinion, were the most significant for the audit of the consolidated financial statements for the financial year from 1 January to December 2017. These issues were taken into consideration during the audit of the consolidated financial statements as a whole and in the process of forming an opinion; we do not express a separate opinion for these issues.

In our opinion, these issues were the most important to our audit:

❶ Impairment of property, plant and equipment

❷ Appropriateness of the measurement of inventory assets

We have structured our presentation of these two particularly important audit issues as follows:

① Facts and problems

② Audit methods and findings

③ Reference to further information

Below, we present the most important audit issues:

❶ **Impairment of property, plant and equipment**

① Property, plant and equipment amounting to EUR 55.2 million (21.0 % of total assets) is recognised under the balance sheet item “Property, plant and equipment” in the company’s consolidated financial statements. Property, plant and equipment are subject to impairment testing whenever it is deemed necessary in order to determine if there is a need for depreciation. Impairment testing is done at the level of the cash-generating unit to which the relevant asset is assigned. During the impairment test, the carrying amount of the relevant asset is compared with its recoverable amount. The recoverable amount is always determined using the value in use. As a rule, the valuation is based on the cash value of the cash-generating unit’s future cash flows. Cash values are determined using discounted cash flow models. The starting point is the Group’s approved planning, which is updated with assumptions regarding long-term growth rates. Expectations regarding future market development and assumptions regarding the development of macroeconomic factors are also taken into account. Discounting is based on the cash-generating unit's weighted average cost of capital. After taking the fair value less the costs of disposal into consideration, impairment testing resulted in impairments to the cash-generating units amounting to TEUR 1,465 in total, which were recognised under the item "Depreciation and amortisation of intangible assets and property, plant and equipment".

The result of this valuation depends significantly on the legal representatives' evaluation of the relevant cash-generating unit's future cash flows, the amount of discretion applied to the discounting rate and the growth rates applied, as well as other assumptions. The considerable uncertainty of estimates and the discretion applied therefore have an impact on the result. In light of this, and due to the complexity of the evaluation, this issue was of particular importance to our audit.

② Our audit included examining the method according to which impairment testing was performed. After comparing the future cash flows used in the calculation with the Group's approved medium-term planning, we assessed the suitability of the calculation method, in particular by checking it against general and industry-specific market expectations and taking into account time series analyses. We discussed and examined additional adjustments to the planning for the purposes of impairment testing with the responsible employees at the company. We also evaluated the correct consideration of Group function costs. Knowing that even relatively small changes to the discounting rate applied can have a significant impact on the values determined using this method, we extensively examined the parameters employed to determine the discounting rate to be applied and investigated the calculation scheme. In order to properly assess the existing estimation uncertainties, we examined the sensitivity analyses prepared by the company.

All of the evaluation parameters and assumptions employed by the legal representatives meet our expectations and are within a range that we believe to be reasonable.

③ Information provided by the company regarding impairment testing relating to the balance sheet item "Property, plant and equipment" can be found in sections B (impairment of non-current assets) and C (property, plant and equipment) of the notes to the consolidated financial statements.

❷ Appropriateness of the measurement of inventory assets

① The consolidated financial statements of Bijou Brigitte modische Accessoires AG recognise inventories amounting to EUR 56.0 million on the balance sheet (20.3% of total assets). This item, which is significant due to its size, is subject to particular risk due to the complexity of the systems, processes and estimates required to record and measure such a large number of articles. In light of this, applying appropriate accounting standards must be considered as a complex process and is particularly subject to the estimates and the assumptions of the legal representatives in terms of the sales prices to be achieved in the future. In the financial year, the values determined led to a need to depreciate inventories amounting to TEUR 2,680. This was reported under “cost of materials”.

② Taking into account the knowledge that there is a higher risk of false information in the accounting due to the complexity of the estimates and assumptions involved, we have assessed the processes and controls in place at the Group to measure the inventories. Our specific audit approach includes auditing controls and material audit procedures. Specifically, we:

• assessed the environment in which the IT systems operate to record and measure inventories, including the controls implemented for system changes,

• assessed the recording and measuring systems, including recording in the general ledger, and

• performed spot checks on supplier invoices and attributable costs.

We also assessed the estimates of the legal representatives regarding sales prices to be achieved in the future. We are convinced that the systems and processes in place, along with the controls, are appropriate, and that the estimates and assumptions made by the legal representatives are sufficiently documented and justified to allow for a correct measurement of the inventories.

③ Information provided by the Group regarding measurement of the inventories can be found in sections B (inventories) and C (inventories) of the notes to the consolidated financial statements.

Additional information

The legal representatives are responsible for the additional information. Additional information includes the following parts of the Group management report, the content of which has not been audited:

- the declaration on corporate governance pursuant to Sections 289f and 315d of the HGB contained in the Group management report under “Other information” and

- the separate non-financial report pursuant to Sections 289b (3) and 315b (3) of the HGB.

Additional information also includes the remaining parts of the annual report that we received prior to the date of this audit report without further reference to external information sources – excluding the audited consolidated financial statements, the audited Group management report and our audit report.

Our audit opinions on the consolidated financial statements and the Group management report do not extend to other information and we therefore do not provide an audit opinion or any other kind of audit conclusion for it.

In connection with the audit, it is our responsibility to read the other information and to assess whether it

- presents material inconsistencies to the consolidated financial statements, the Group management report or our findings from the audit, or

- if the information otherwise seems to present a material misrepresentation.

Responsibilities of the legal representatives and the Supervisory Board for the consolidated financial statements and the Group management report

The legal representatives are responsible for preparing consolidated financial statements that comply with all relevant standards of the IFRS, as adopted by the EU, and the additional requirements of German law pursuant to Section 315e (1) of the HGB, and for giving a true and fair view of the Group's net assets, financial and earnings position in accordance with these requirements. The legal representatives are also responsible for internal controls that they have deemed necessary to enable the preparation of consolidated financial statements that are free from material misrepresentations – whether intentional or unintentional.

In preparing the consolidated financial statements, the legal representatives are responsible for determining the Group's ability to continue as a going concern. They are also responsible for disclosing relevant matters relating to the continuation of the business as a going concern. In addition, they are responsible for applying accounting principles appropriate for a going concern, unless they intend to liquidate the Group, discontinue operations or there is no other realistic alternative.

The legal representatives are also responsible for preparing the Group management report, which must convey a true picture of the Group's position and be consistent with the consolidated financial statements in all material respects, comply with German regulations and suitably present the opportunities and risks of future development. Furthermore, the legal representatives are responsible for the precautions and measures (systems) that they have deemed necessary in order to enable the preparation of a Group management report in accordance with the applicable German legal requirements and to provide sufficient suitable evidence for the statements made in the Group management report.

The Supervisory Board is responsible for monitoring the Group's accounting processes for preparing the consolidated financial statements and the Group management report.

Responsibility of the auditor in the audit of the consolidated financial statements and the Group management report

It is our aim to achieve sufficient certainty about whether the consolidated financial statements as a whole are free from material misrepresentations – whether intentional or unintentional – and whether the Group management report conveys a true picture of the Group's position and is consistent with the consolidated financial statements and the findings of the audit in all material respects, meets all legal requirements and suitably presents the opportunities and risks of future development, and to prepare an audit report that contains our audit opinions regarding the consolidated financial statements and the Group management report.

Sufficient certainty is a high level of certainty, but not a guarantee that an audit, performed in accordance with Section 317 of the HGB and the EU Auditor Regulation and taking into account the German standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer [IDW], will always uncover material misrepresentations. Misrepresentations may be the result of violations or inaccuracies, and are considered material if it can be sensibly assumed that they could influence the economic decisions that readers may make based on the consolidated financial statements or the Group management report individually or collectively.

We maintain a critical attitude and exercise due discretion during the audit. We also

- identify and assess the risks of material misrepresentations – whether intentional or unintentional – in the consolidated financial statements and the Group management report, plan and perform audit procedures based on these risks and obtain audit evidence that is sufficient and suitable to serve as a basis for our audit opinions. The risk that material misrepresentations are not discovered is higher in the case of violations than inaccuracies, due to the fact that violations may include fraudulent cooperation, counterfeiting, intentionally incomplete data, misleading representations or the shutdown of internal controls.

- gain an understanding of the internal control systems relevant for auditing the consolidated financial statements and the precautions and measures relevant for auditing the Group management report in order to plan auditing processes that are appropriate for the relevant circumstances, but not, however, with the aim of providing an audit opinion on the effectiveness of the systems.

- evaluate the suitability of the accounting methods applied by the legal representatives and the tenability of estimated values and associated information presented by the legal representatives.

- draw conclusions about the suitability of the accounting principles for the continuation of a going concern applied by the legal representatives and, based on audit evidence that we have obtained, whether material uncertainty exists in relation to events or circumstances that could lead to significant doubts regarding the Group's ability to continue as a going concern. If we conclude that there is material uncertainty, we are obliged to point out the information contained in the consolidated financial statements or the Group management report in our audit report, or if the information is inappropriate, to modify our audit opinion. We draw our conclusions based on evidence obtained by the date of our audit report. However, future events or circumstances may lead to the Group not being able to continue as a going concern.

- evaluate the overall presentation, the structure and the content of the consolidated financial statements, including the information and whether the consolidated financial statements present the underlying business transactions and events in such a way that the consolidated financial statements, taking into account all relevant standards of the IFRS, as adopted by the EU, and the additional requirements of German law pursuant to Section 315e (1) of the HGB, give a true and fair view of the Group's net assets and financial and earnings position.

- gather sufficient suitable audit evidence for the accounting information of the companies or the business transactions within the Group in order to provide audit opinions on the consolidated financial statements and the Group management report. We are responsible for providing instruction on, monitoring and performing the audit of the consolidated financial statements. We are solely responsible for our audit opinions.

- determine whether the Group management report is consistent with the consolidated financial statements, whether it complies with legal regulations and evaluate the image it portrays of the Group's position.

- audit the forward-looking statements presented by the legal representatives in the Group management report. Using sufficient suitable audit evidence, we assess in particular the significant assumptions underlying forward-looking statements provided by the company's legal representatives and evaluate whether the forward-looking statements have been derived correctly from these assumptions. We do not provide a separate audit opinion for the forward-looking statements or the underlying assumptions. There is a considerable, unavoidable risk that future events may differ significantly from the forward-looking statements.

Together with those responsible for monitoring the audit, we discuss the planned scope and time planning for the audit and significant audit findings, including any shortcomings in the internal control system that we may discover during our audit.

We provide a statement to those responsible for monitoring the audit that we have complied with all relevant requirements relating to independence, and discuss all relations and other issues that could sensibly be expected to have an impact on our independence and the security measures in place.

We determine, from the facts of the issues that we have discussed with those responsible for monitoring the audit, which facts are the most important in the audit of the consolidated financial statements for the current reporting period and which therefore represent especially important audit issues. We describe these issues in the audit report, unless there are laws or legal regulations that prevent the issue from being made public.

OTHER LEGAL AND STATUTORY REQUIREMENTS

Other information pursuant to Section 10 EU Auditor Regulation

We were selected to audit the consolidated financial statements at the Annual General Meeting on 29 June 2017. We were appointed to audit the statements by the Supervisory Board on 28 December 2017. We have audited the consolidated financial statements of Bijou Brigitte modische Accessoires Aktiengesellschaft, Hamburg, every year since 2014.

Pursuant to Section 11 of the EU Auditor Regulation (audit report), we declare that the audit opinions contained in this audit report are consistent with the additional report provided to the audit committee.

RESONSIBLE AUDITOR

Thorsten Dzulko is the auditor responsible for this audit.

Hamburg, 20 April 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Thorsten Dzulko	ppa. Claudia Niendorf-Senger
Auditor	Auditor