

## **CEO Report 2017**

With MoveOn, we have embarked upon a journey to create a business model that generates sustainable organic growth. 2017 was a good year for XFashion. It was a year of change as well as a year of delivering on our priorities. The uplift in our operating profit guidance, announced in November, served as a proof point of our commitment and ability to deliver on our plans, although the up- lift was also supported by the warm summer in Russia.

To me, the most important activity during the year was the announcement and embedding of the Group's new strategy, MoveOn. MoveOn defines the key priorities and sets a clear direction for our work in the coming years. Our investments will be allocated to support successful delivery of the MoveOn priorities. Recognising the importance of MoveOn for the future success of the XFashion Group, we have included a detailed presentation of the strategy on pages 25-32. The strategy was the result of a joint effort by the XFashion leadership team over a period of about six months. The co-creation approach really proved itself during the roll-out phase in the second quarter of the year. By July, all leaders across our markets had participated in workshops where the priorities of MoveOn were communicated and discussed. Throughout the Group, people have welcomed the priorities of MoveOn, and during the second half of the year a lot of enthusiastic work was done to turn the priorities into strong tangible plans for the coming years. Thus, 2017 was a year of change and getting the hearts and minds of our people behind our new strategy. 2018 will be the first year of execution, made possible by the strong delivery of Funding the Journey. We are very pleased with the progress of this programme. Delivery of approx. Euro 5m of the benefits this year was slightly ahead of our expectations, giving us confidence that we will reach our target of Euro 15-20m by 2019 as planned.

MoveOn is about making the XFashion Group a more successful, professional and attractive company. Consequently, we intervened on three levels in 2017: portfolio, capabilities and culture. We are addressing the portfolio by intensifying the focus on classic fashion, recognising that our strong classic brand accounts for 93% of volumes, as well as pursuing a strong position in young fashion, leveraging our young brand in these segments. To build capabilities, we welcomed new, highly qualified colleagues within areas such as IT, digital and design. Another very important appointment was Pierre Lloris as our new CFO. I am confident that our new people will be valuable contributors to our future success and I believe that we now have the right balance of new and established employees to drive the Group forward. Finally, we are changing the culture of the Group towards a team-based performance culture. Read more about this on page 30. We now have the crew on board, the sails have been set, and we have embarked upon the journey to turn the XFashion Group into a company that delivers sustainable value growth. The health and safety of our employees is very important. It is with great sadness that I have to report that five people died from accidents in 2017 carrying out their duties for the XFashion Group. We will work hard to improve our health & safety record in the future. Thank you I would like to take this opportunity to pay tribute to all my colleagues in the XFashion Group for their collaboration, dedication and enthusiasm during the past year. In addition, I would like to thank the Supervisory Board for its endorsement, our consumers for enjoying our great products, our suppliers and customers for their cooperation, and our shareholders for their continued support.