HUGO BOSS Analysts´ Conference 2016

Metzingen, March 10, 2016
Mark Langer (CFO)

- The spoken word shall prevail –

Good afternoon, Ladies and Gentlemen, and welcome to our 2015 Financial Results presentation at the HUGO BOSS headquarters in Metzingen. In addition to those in the room, I would also like to extend a warm welcome to all participants following the conference over the phone or the web.

We meet today in a different composition of the Managing Board. As communicated two weeks ago, the CEO Claus-Dietrich Lahrs has left HUGO BOSS at the end of February in mutual agreement with the Supervisory Board.

At the same time, the Supervisory Board has appointed Bernd Hake, whom you will know from previous Capital Market Days, as new Managing Board member responsible for Sales and Retail. Together with Christoph Auhagen, we look forward to tackling the immediate challenges in front of us in 2016 and to shaping the future of HUGO BOSS towards renewed success.

Let us focus on the future rather than the past. Consequently, I will keep my operational and financial review of the year 2015 very short. Instead, I will focus on our 2016 outlook from an operational and financial as well as a strategic perspective.

But let's start with a brief summary of the last twelve months…

2015 marked the sixth consecutive year of growth for HUGO BOSS. The Group increased sales to more than 2.8 billion euro. Operating profit rose slightly to 594 million euro. This represents new record levels on both metrics. However, trends moderated considerably over the period. As a result of a challenging second half year, top and bottom line growth over the last twelve months fell short of initial expectations.

A difficult market environment contributed to this.

In many markets, the apparel sector did hardly benefit from an overall positive consumption climate and lost share of wallet as the low interest rate environment drove the purchase of high-ticket items and consumers shifted a greater share of their spending to experiences rather than physical goods.

In our key German market, the apparel market remained flat year-over-year with better trends during season-end sales periods compensating for shortfalls especially in the first half year.

In the U.S., our single largest market globally, off-price was the strongest growing channel, putting pressure on full-price retailing. In addition, the strength of the dollar had a negative impact on demand from tourists.

And in China, market researchers estimate that the men's luxury apparel market declined by 12% in 2015, a further deterioration compared to previous years.

In Europe in particular, we delivered a strong performance against this mixed market backdrop. With growth of 6% on a currency-adjusted basis, Europe remained the Group's stronghold also in 2015.

Over the course of the last twelve months, the process-related, organizational and cultural transformation of our business model towards own retail yielded continued good results. As part of this process, we also asked our wholesale partners to distribute the BOSS core brand solely in shop-in-shops going forward. The offering in multibrand departments is now entirely comprised of the HUGO, BOSS Orange and BOSS Green brands. Together with the expansion of the store network – take our new store on Regent Street in London as an example – this change has played an important role in strengthening the homogeneity and perceived value of brand presentation. The brand has increased its attractiveness to local consumers as well as to the growing number of non-European tourists visiting our stores during their stay in the region.

Whilst the demand from non-European tourists is expected to moderate market-wide, we expect another year of solid growth in the region in 2016. In addition to the further expansion of our market position in traditional core markets, the Group is also assuming more direct control over distribution in the region's smaller markets. In the Middle East, for example, we established a joint venture for our retail operations in the United Arab Emirates, where we will strengthen our presence in Dubai and Abu Dhabi in particular going forward.

2015 also was a good year for our womenswear business. Under the guidance of Artistic Director Jason Wu, BOSS Womenswear has further built on its core competence in high-quality tailoring to design sophisticated and desirable products combined with a feminine aesthetic. The line's double-digit sales increase in 2015 underscores its growing recognition among modern women, who look for versatile outfits addressing their diverse needs.

Impressive shows during the New York Fashion Weeks have further supported the evolution of BOSS Womenswear into a brand offering recognizable yet understated luxury. The latest collection presentation in February drew on the tailoring expertise of the Company and further developed the architectural ideas so central to BOSS. It was reviewed very positively again by the international fashion press.

We also developed our interactive digital approach this season, with three different live streams offering multiple perspectives on the show in addition to two live Periscope streams. The full show, including the backstage experience, was covered live on Instagram, where the @hugoboss account has now attracted more than one million followers.

Turning to the financials, overall Group sales increased by 9% in 2015. Adjusted for currency effects, revenues were up 3%.

In the fourth quarter, Group sales increased by 10% and amounted to 750 million euro. Adjusted for currency effects, revenues were up 5% with a positive development in wholesale as well as own retail.
In Europe, full-year sales were 6% above the prior year level with a double-digit sales increase in the Group's own retail business. Up 15% on a currency-adjusted basis, the UK continued to be the region's fastest expanding core market. Germany and France generated growth of 4% and 5%, respectively.

In the Americas, full-year revenues were 1% below the prior year in local currencies. Mid-single-digit percentage growth in own retail was offset by a high-single-digit decline of wholesale sales. The key U.S. market was down 5% in local currencies, while Canada as well as Central and Latin America grew at a double-digit percentage rate.

Finally, Asia/Pacific recorded a 3% sales decline in currency-adjusted terms in the full year. Momentum differed significantly by market: while China was down 9% currency-adjusted, Oceania and Japan performed much stronger, generating growth of 8% and 7%, respectively.

Please note that tourism caused visible sales shifts between the regions over the whole of 2015. Europe in particular benefitted from Asian tourism and also within Asia, growth in Japan and Australia was supported by demand from Chinese travelers to a significant extent.

By distribution channel, full-year own retail revenues were 7% above last year's level ex currency effects.

The retail sales increase was driven by new openings and takeovers as well as comp store growth of 2%. The latter was due to solid growth in region Europe. The Americas and Asia, however, recorded low- to mid-single-digit comp store sales declines each. In the fourth quarter, Group like-for-like sales performance deteriorated to negative 1%. While the European retail business performed in line with the third quarter and grew at a mid-single digit rate, comp store sales declined at a high-single-digit rate in the Americas and at a low-double-digit rate in Asia.

Wholesale sales decreased by 3% in currency-adjusted terms in the full year. This primarily reflects takeovers of selling space previously operated by wholesale partners, as well as a tough US market.

Finally, the license business generated a robust 8% sales increase in 2015, driven by double-digit growth in watches and eyewear.

Moving below the top line, the Group's gross profit margin was down 10 basis points compared to the prior year and amounted to 66.0% in 2015. The positive mix effect from above-average growth in the higher-margin own retail business was more than offset by higher rebates, mainly in the Group's directly operated stores.

In the fourth quarter, the gross profit margin declined by 80 basis points. The decrease was due to our decision to step up rebates in response to the challenging market environment. We hence reduced inventory pressures.

Operating expenses increased substantially in 2015. Currency translation effects compounded cost growth in euro terms.

Selling and distribution expenses were up 14%. In addition to the effects from retail expansion, the increase also reflects some pressure from rising rental costs as well as higher marketing expenditures. The latter accounted for 6.8% of Group sales, 50 basis points above the prior year level.

Higher G&A expenditures were mainly related to the ongoing strengthening of retail processes, systems and competencies throughout the Group, including the buildup of the infrastructure necessary to insource online fulfillment in Europe in 2016.

Consequently, EBITDA before special items increased by only 1% year-over-year to 594 million euro and thus slower than sales. As a result, the EBITDA margin declined by 180 basis points. Following the step-up of investments, depreciation and amortization expenses increased to EUR 142 million. The Group's EBIT hence reached EUR 448 million, virtually unchanged compared to the prior year. As higher financial expenses more than offset the decline of special items, net income attributable to shareholders decreased by 4% to 319 million euro. This translates into earnings per share of EUR 4.63 in 2016.

Let's turn to the balance sheet, where we halted the previously negative working capital trend in 2015. Relative to sales over the past twelve months, average trade net working capital amounted to 19.5% at the end of December. While this still represents an increase compared to the prior year end, the ratio is off its highs from earlier in the year.

Focusing on the by far most important driver of working capital, inventories rose by 10% in euro terms or 3% excluding exchange rate effects at the end of December. This represents an unchanged growth trend compared to the end of the third quarter, reflecting our measures to clean merchandise even at the expense of gross profit margin declines over the course of the fourth quarter. As a result, the inventory situation in the Americas has clearly improved compared to twelve months ago, although stock levels in this market are still higher than we would like. Depending on future sell-out trends, we currently estimate to have inventories cleaned in the US by mid-2016.

Investments increased by 63% compared to the prior year and amounted to 220 million euro.

Accounting for around 60% of the total investment volume, the global expansion and modernization of the Group's own retail business continued to be the focal point of investment activity also in the past fiscal year. Costs for the opening of new stores, including the franchise takeovers in Asia, outweighed renovation expenditures in this regard.

Administration expenditures in an amount of 52 million euro mainly related to IT investments supporting the increasing digitization of our business model. Finally, we spent around 40 million euro on production, logistics and distribution, with the vast majority of these investments relating to one-off projects such as the ramp-up of our Wendlingen distribution center for online insourcing, the relocation of our New York City showroom and the expansion of our production facility in Turkey.

Higher capex more than offset operating cash flow improvements, so that free cash flow declined to 208 million euro. As a consequence, net debt was above the prior year level and came in at 82 million euro.
HUGO BOSS has a long history of returning more than 60% of consolidated net income to shareholders. We have always done so without compromising our ability to invest into the business. Due to strong free cash flow generation, net debt levels even declined despite a continuously rising payout over the past few years.

In light of the strength of our balance sheet and our confidence in the long-term growth and profitability prospects of the Group, we propose paying a stable dividend of 3.62 euro for the fiscal year 2015 to shareholders in May. This reflects a payout of 78% of net income attributable to shareholders, at the higher end of the 60% to 80% corridor stipulated by our dividend policy.

Today, we reconfirm this policy. In the long term, dividend payments will obviously have to follow the development of earnings. For 2016 in particular, however, we will also take improvements in the cash flow development and the Group's overall financial outlook into consideration when it comes to framing our dividend proposal.

Ladies and Gentlemen, 2016 will be a crucial year for HUGO BOSS.

We are challenged by difficult market conditions and a fast-changing operating environment. We need to find solutions for the short term, but we also need to build the business for tomorrow. We need to find the right balance between protecting margins and cash flows in 2016 and securing long-term profitable growth. As a management team, we are convinced we can deliver on both.

We have got strong assets to build upon: a globally recognized, powerful brand, a high-performance operational platform and most importantly a passionate workforce. The Company has gone through a period of success in the last couple of years, based on a strategy focused on transforming a wholesale operation into a customer-focused business model, expanding brand control and the Group's global footprint. These elements may need some refinement but will remain cornerstones of our strategy also going forward.

Nonetheless, past success should not prevent us from challenging the status quo. In light of current top line and margin pressures, we will reassess and question assumptions we might have accepted as a given before. Admittedly, we haven't got all the answers today. However, you can rightfully expect an open and thorough assessment of where we stand and a comprehensive overview of the action steps we have planned for the next months.

Let me tackle the two most pressing market challenges first – the disappointing performance of the Chinese and U.S. markets as of late.

With regard to China, let me briefly put our current situation in historical context here: HUGO BOSS has been present in China for more than twenty years. For most of that time, several franchise partners operated BOSS stores. As a result, the brand grew to one of the top five premium to luxury apparel brands. Nonetheless, we chose to take full control over the business via the acquisition of franchise partners over the last six years. Since April 2015, we control 100% of our distribution ourselves.

This transformation process has been the right choice. However, we are still challenged with the legacy of our past:

First, we are in the midst of an ongoing upgrade and optimization of our retail presence in China. Keep in mind that we inherited more than half of the 131 stores we are currently operating on the Chinese Mainland from partners. In 2016, we will close around 20 stores market-wide. At an average size of just around 100 square meters, these closures predominantly relate to smaller shops with below-average margins and a rather dilutive impact on brand image. In most cases, we now take advantage of the expiration of the lease contract. In addition, we will refurbish or relocate more than 10 stores. Taking also some selective new openings into consideration, our Chinese store base will hence shrink by around 15 points of sale in 2016.

In addition, we are renegotiating rental contracts in locations on the Mainland as well as in Macau and Hong Kong. The initial outcome of these negotiations has been positive as HUGO BOSS represents an attractive tenant in a difficult retail environment.

Second, we will further build brand equity around the brand's core in menswear clothing in particular. In doing so, we build on what the brand stands for in the eyes of the Chinese customer: High quality, fine craftsmanship and perfect fit. And while the brand has always offered a favorable price value relationship relative to peers also in the Chinese market, we will further invest in the BOSS value proposition: Effective with the Spring 2016 collection just launched, we lowered prices on the Chinese Mainland by around 20%, after a first adjustment of around 10% implemented in the second half of last year.

We are doing so, because we acknowledge the global nature of our brand. That's why it is our first priority to ensure our presentation is consistent around the globe, in particular at times where consumers are mobile as never before and the web provides ample opportunity to compare prices. We are confident this will build further brand loyalty among existing customers in China and open up a new segment of consumers who had aspired to the brand before but had considered it to be out of reach from a pricing perspective.

In order to maximize the effect from the price change, we have stepped up our digital communication and CRM activities. On WeChat and Weibo in particular, we emphasize the brand's improved value proposition to drive customers to store. In addition, we have started a new initiative to engage with Chinese travelers when they visit our key stores in Europe and other parts of Asia. The scheme allows this important group of customers to register on our China WeChat site, offering value added services such as alterations to be conveniently made in their local store back in China. We so incentivize more local buying. The initial reception of both initiatives has been encouraging, yielding a positive effect on demand and unit sales.

Beside the adjustment in China, we are also aligning our price levels in overall Asia more closely. While there is no change in Japan and Australia, we are decreasing prices in other ex-franchise markets such as Korea, Singapore and Taiwan, though to a lesser extent. In Hong Kong and Macau, which had been less expensive than the Mainland before, the cut is comparatively small. As a result, there are now three price tiers in Asia, with China sitting some 50% above French levels.

From a financial perspective, we expect this adjustment to affect the Group's gross profit margin by almost 100 basis points in 2016. The expected volume uplift will partly offset the effect on the operating profit level.

The Group's second key focus at the moment clearly is the US, where some company-specific challenges compound the current weakness of the local premium apparel market. Unchanged to the past, the brand continues to rank high with consumers on the attributes of "premium", "success" and "quality". Nonetheless, suboptimal presentation and distribution at wholesale as well as some deficits in own retail execution have created a need to reignite brand interest. In 2016, we will make important steps in this direction.

With regard to the wholesale channel, we will start limiting the distribution of the BOSS core brand. We will substitute its presence in multibrand spaces with HUGO and BOSS Green, similar to what we did in Europe in 2015. In doing so, we strive to reduce the overlap in the offering between the department store channel and our own stores, in order to make sure promotional activity at wholesale does not damage brand image and draws customers away from our full-price offering. With the sell-in of the Fall 2016 collection, we have initiated this change at some of our key customers, including Hudson's Bay, Dillard's and Lord & Taylor. While the current state of the market doesn't make this exercise any easier, and also brand awareness of HUGO and BOSS Green is lower in the US than in Europe, we are reasonably satisfied with the initial outcome.

Closely related to the category migration is our desire to take additional brand control. To make this very clear – this change is not about discontinuing selling the BOSS core brand at wholesale altogether. Instead, we are interested in maximizing the quality of presentation together with our partners by managing BOSS shop-in-shops ourselves. At Saks, we have been doing this since mid-2013. And effective end of January, we have found a similar agreement with Macy's.

At Macy's, the BOSS core brand is present at eight high-quality shop-in-shops which we have taken over as concessions. Locations include Herald Square in New York, Union Square in San Francisco as well as Chicago, Las Vegas, Los Angeles and Miami. In addition, we now also operate Macy's online business with the BOSS core brand directly. HUGO and BOSS Green are available in the relevant clothing and sportswear departments of around 25 Macy's nationwide, in some instances even presented through shop-in-shops. So while the immediate financial impact of this change will be limited, the quality uplift is considerable and will pay off in the medium term.

Finally, we will adjust our off-price distribution in the U.S. In the course of 2016, we will discontinue selling the BOSS core brand to specialized off-price retailers – a channel upon which we have been too dependent in the past, in particular when it came to clearing excess merchandise over the past 18 months. In addition, the growing direct control over the BOSS core brand's business in key department stores will also minimize the flow of stock into their secondary, outlet-type of concepts. As a result, our own outlets will play an even more important role when it comes to clearing past seasons' leftovers.

As a result of all of these initiatives, we will have to accept a short-term negative impact on sales and profits. Specifically, we expect a substantial sales decline in our U.S.

wholesale business in 2016. In the medium- and long-term, however, these measures will support brand equity and performance in full-price distribution at wholesale as well as in our own stores and will bring us back on a sustainable growth track.

Beyond our distribution-related initiatives, we focus on digital and CRM to better reach the contemporary American consumer and drive him to store. With a brand DNA built on premium quality and the notion of "success", we are well positioned to do so. However – more than in the past – we need to cater to our male customer's changing lifestyle, his wish to express personality through fashion, and the importance he places on a seamless shopping experience.

As part of the global "Man of Today" program, HUGO BOSS will introduce what it means to be a "Modern Gentleman" in the 21st century. We will pick the men we consider influential ambassadors of new, urban elegance and feature them on our digital platform and channels, celebrating our key product items.

In the next few months, we will also be investing in additional digital initiatives to drive consumers to our stores and offer them a new experience. This includes extended digital storytelling around the product, an increase of social media activities and the use of i-beacon technology. These initiatives go hand in hand with customer service improvements such as the expansion of omnichannel services piloted late last year when we launched online ordering in-store and the option to schedule shopping appointments digitally. We will also go as far as offering free home delivery of in-store purchases and "room service", where our tailors will visit customers at home for a truly personal shopping experience.

Without a doubt, the ability to adjust to changing customer journeys will increasingly distinguish long-term successful brands from those just building on image or heritage. Digital is an important element of this: Our customers are busy living their lives and expect convenience in everything they do. As a result, we are challenged to offer a seamless brand and shopping experience across all channels.

Our latest customer survey on hugoboss.com confirmed that three quarters of all visitors come to our website to prepare for their next physical store visit. This means that the role of hugoboss.com as the Company's most important digital channel is changing dramatically. What was an online distribution channel before, is now becoming the place to inspire, engage and advice customers with the ultimate goal to drive them to store. For this purpose, we will upgrade the website in late summer, implementing a concept focused on integrating editorial content, advisory elements and access to store.

Even earlier, in less than two months from now, we will insource online fulfillment in Europe. While this change should be more or less invisible for the customer in the first instance, it will be an important enabler for the offering of omnichannel services later in the year. Starting in late summer, we will offer Click & Collect, Order from Store and the convenient handling of online returns in-store in Germany and the UK, with more markets to follow in the months thereafter.

Brand communication is adjusting to the growing importance of online as well. As a consequence, our marketing spend will prioritize digital over print even more so in 2016, with a clear focus on formats driving traffic to store. Overall, however, the

Group’s marketing spend is forecasted to remain approximately stable relative to sales compared to the prior year.

Omnichannel services are an important mean to improve the customer journey and establish a direct relationship with customers. However, while we expect our progress in this area to yield the first tangible benefits in 2016, we continue to be on a journey towards becoming truly customer-centric. Making sure that everything we do serves our customers may sound like a truism, but in reality it is a fundamental shift of business model the Company has started going through over the last few years. And while we have developed into much better retailers today compared to some years ago, there remains more work to do.

For example, we are intensifying our efforts in customer relationship management, an area, where we have clearly made far too little progress over the last twelve to eighteen months. The ongoing rollout of the my HUGO BOSS platform and its integration with the corresponding in-store application now provides our store personnel with immediate access to all the data customers choose to share with us, allowing more personal and targeted service.

So technology clearly has an important influence on the customer experience. But in the end, retailing is a people’s business. It is often the personal relationship between the customer and our assistants in the store which makes and breaks long-lasting relationships. This is why every minute spent on selecting the right people to represent the brand in front of the customer is worth the effort. And this is why we are investing so intensively in retail trainings, making sure that our defined service standards are adhered to globally on a day-to-day basis.

Customer demand will be the one and only factor guiding our merchandising decisions in 2016. Over the last eighteen months, we have extensively discussed our efforts to segment our brand portfolio more distinctively, including the gradual elevation of the BOSS core brand. And at least in Europe, we have seen the benefits of this strategy in form of rising average basket sizes. Undoubtedly, however, an extremely promotional market environment in the U.S. and weak consumer demand have been headwinds.

We will therefore take a pragmatic approach to brand elevation in 2016: on the one hand, we will expand and strengthen our offering at the high end, for example by adding full canvas suits also to our regular collections. This will further build brand image and tailoring credibility, contributing to the emotional value that customers look and pay for in an upper premium brand such as ours. On the other hand, however, we need to stay true to our roots. HUGO BOSS has always defined superior value and had great success in premium and affordable luxury. Going forward, we will emphasize this more strongly in our in-store merchandise offering again. In 2016, retail management at HUGO BOSS is all about maximizing traffic, conversion and sales densities. That is why actual in-store performance will be the only guide to retail space allocation. As a result, we will rebalance the offering between luxury and premium and optimize the mix of brand lines, product groups and genders wherever we believe this will help performance.

Improvement of the existing network clearly comes first, further expansion of the network second.

In 2016, we will refurbish around 100 own retail locations, which have reached the relevant age bracket of five to six years. In addition, we have kicked off a project focused on improving performance in those stores most dilutive to the Group's retail margin in 2015. Should we come to the conclusion that profitability cannot be improved in these ten to twenty locations in a sustainable way, we will consider closing them, even if this comes at the expense of one-off charges in 2016.

All planned new store openings will undergo a thorough review process over the next few weeks, too, in order to make sure only those projects with the highest likelihood of margin accretion are executed. So where we had previously earmarked around 20 opening projects for 2016, this number will very likely be smaller in the end. This is also true for franchise takeovers, where we do not plan any further projects beyond the acquisition of our franchise store base in Malaysia, completed in January, and the establishment of a direct presence in the Gum department store in Moscow later this year.

Ladies and Gentlemen, 2016 will be a year of transition. Our financial outlook reflects the difficult market situation in particular in the U.S. and China as well as our commitment to continued investments in the Group's medium- and long-term potential.

Group sales are expected to grow at a low-single-digit rate. Growth in Europe is projected to offset revenue declines in the Americas and Asia/Pacific, although performance within these two regions will be heterogeneous. In the Americas, solid increases in Canada and Central and Latin America should at least partially compensate for the difficulties in the U.S. Similarly, strength in Japan, Australia and also some smaller markets such as Korea should cushion declines in China.

By distribution channel, Group growth will be driven by the own retail business. The full year effects from prior-year network additions as well as new store openings and takeovers in the current year are forecasted to make a mid- to high-single-digit growth contribution to own retail sales. Vice versa, revenues in the wholesale channel should decline at a mid to high-single-digit rate, affected by the structural changes to distribution in the US and takeover effects.

In January and February, own retail comp stores sales were down at a mid-single-digit rate, with particular weakness in the US market, where performance deteriorated further compared to year-end 2015 levels. On the Chinese Mainland, however, like-for-like performance improved versus the fourth quarter, although it remains in negative territory. We relate this to a successful marketing campaign around Chinese New Year leaning on WeChat in particular, which – in connection with the price adjustments starting to hit the sales floors – drove people to store and improved conversion rates. In Hong Kong and Macau, however, comp store sales development remains in double-digit negative territory. In Europe, finally, like-for-like performance was slightly positive, with solid growth in Southern Europe in particular offsetting some more subdued trends in Germany.

These top line pressures heighten the need to adjust cost development to underlying business trends. The events of the last two weeks have clearly created a sense of urgency and the willingness to challenge the status quo throughout the organization.

As a result, we have,

- First, started an internal benchmarking of the efficiency of our organizational setup in the different markets, regions and headquarter functions to identify savings potential.
- Second, we have embarked on rent renegotiations in own retail, and,
- Third, we have initiated a program to improve the performance of several margin dilutive retail stores as mentioned earlier, including the option to finally close them.

However, most of these initiatives will take some time to unfold their full effect, so they will impact financial results more in 2017 than in 2016.

In the current year, we will assign an even higher priority to cash flow generation than to operating margin development. As part of this approach, we will review all non-committed capital investments, in particular related to retail expansion and infrastructure projects, and tighten inventory management.

The Group's 2016 profit outlook assumes stable gross profit margin development compared to 2015. I mentioned earlier that the pricing adjustments should have a negative impact of up to 100 basis points in this regard. At the same time, however, a positive channel mix effect from the expanding sales share of our higher-gross margin own retail business will have a positive effect. Lastly, we expect rebate management to have an overall neutral effect on gross margin as the discontinuation of lower-margin off-price business in the U.S. and reduced clearance needs compared to the prior year should compensate for continued promotional pressure in many markets.

Moving below the gross profit line, the measures I outlined will not be enough to fully mitigate the pressure caused by operating deleverage from weak comp store sales development in own retail. In addition, IT and logistics cost increases related to the digitization of our business model will amount to around 10 million euro in 2016. Rest assured this area is not exempt from our operating expense review either, but we obviously factor in the importance these investments have for the Group's medium- and long-term future.

As a result of all these effects, EBITDA before special items is forecasted to decline at a low-double-digit rate. This guidance is based on the assumption of a broadly stable comp store sales development, implying a gradual improvement of this metric compared to the first two months of trading, helped by the results of the measures I discussed earlier as well as an easing comparison base later in the year. For the moment, it also does not assume any impact from additional store closures which might arise out of the review currently ongoing. Vice versa, it also doesn't factor in additional overhead cost savings, which we are analyzing at present.

Considering the review of non-committed investments, we target to lower capex spending visibly below 200 million euro. We are therefore confident in our ability to increase free cash flow in 2016 compared to the prior-year level.

Ladies and Gentlemen, HUGO BOSS is at a crossroads. However, we see much more opportunity than risk. In 2016 and beyond, we will refocus on what has made HUGO BOSS what it is today. It is my strong belief that there is a bigger upside in strengthening the core of the brand rather than in exploring unchartered territory.

In the year 2016, we will pool all our forces to improve performance, even if this means breaking with some beliefs of the past. We, as the management team sitting in front of you today, have received an enormous level of support from our Supervisory Board and throughout the organization over the past few weeks. We have defined a clear action plan for the coming months and know the HUGO BOSS world behind us. It is clear that the year ahead will be tough and will require decisions not welcomed by everybody. However, the Company's foundation is rock solid and this is not just true for our financials. HUGO BOSS has demonstrated that challenges foster renewed energy and team spirit throughout the organization. I believe that paving the way for this to happen again is the biggest task at hand for the new management team. We are ready to take up this challenge.

Thank you for your attention. We will now be happy to answer your questions.